

LEGISLATIVE PROPOSALS RELATING TO INCOME TAX AND SALES AND  
EXCISE TAXES

**PART 1**

**INCOME TAX**

**INCOME TAX ACT**

**1. (1) Paragraph 6(1)(a) of the *Income Tax Act* is replaced by the following:**

Value of  
benefits

(a) the value of board, lodging and other benefits of any kind whatever received or enjoyed by the taxpayer, or by a person who does not deal at arm's length with the taxpayer, in the year in respect of, in the course of, or by virtue of the taxpayer's office or employment, except any benefit

(i) derived from the contributions of the taxpayer's employer to or under a deferred profit sharing plan, an employee life and health trust, a group sickness or accident insurance plan, a group term life insurance policy, a private health services plan, a registered pension plan or a supplementary unemployment benefit plan,

(ii) under a retirement compensation arrangement, an employee benefit plan or an employee trust,

(iii) that was a benefit in respect of the use of an automobile,

(iv) derived from counselling services in respect of

(A) the mental or physical health of the taxpayer or an individual related to the taxpayer, other than a benefit attributable to an outlay or expense to which paragraph 18(1)(l) applies, or

(B) the re-employment or retirement of the taxpayer,

(v) under a salary deferral arrangement, except to the extent that the benefit is included under this paragraph because of subsection (11), or

(vi) that is received or enjoyed by an individual other than the taxpayer under a program provided by the taxpayer's employer that is designed to assist individuals to further their education, if the taxpayer deals with the employer at arm's length and it is reasonable to conclude that the benefit is not a substitute for salary, wages or other remuneration of the taxpayer;

**(2) Paragraph 6(1)(l) of the Act is replaced by the following:**

Where standby  
charge does  
not apply

(l) the value of a benefit in respect of the operation of an automobile (other than a benefit to which paragraph (1)(k) applies or would apply but for subparagraph (1)(k)(iii)) received or enjoyed by the taxpayer, or by a person related to the taxpayer, in the year in respect of, in the course of or because of, the taxpayer's office or employment.

**(3) Section 6 of the Act is amended by adding the following after subsection (1.1):**

Deeming rule  
— amount  
received

(1.2) For the purposes of paragraph (1)(g), an amount received by an individual out of or under an employee benefit plan is deemed to have been received by a taxpayer and not by the individual if

(a) the individual does not deal at arm's length with the taxpayer;

(b) the amount is received in respect of an office or employment of the taxpayer; and

(c) the taxpayer is living at the time the amount is received by the individual.

**(4) Subsections (1) to (3) apply in respect of benefits received or enjoyed on or after ANNOUNCEMENT DATE.**

**2. (1) Paragraph 12(1)(s) of the Act is repealed.**

**(2) Subsection (1) applies to reinsurance commissions paid after 1999.**

**3. (1) Section 12.3 of the Act is repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**4. (1) The description of E in the definition “undepreciated capital cost” in subsection 13(21) of the Act is replaced by the following:**

E is the total depreciation allowed to the taxpayer for property of the class before that time, including, if the taxpayer is an insurer, depreciation deemed to have been allowed before that time under subsection (22) or (23) as they read in their application to the taxpayer's last taxation year that began on or before Announcement Date,

**(2) Subsections 13(22) to (23.1) of the Act are repealed.**

**(3) Subsections (1) and (2) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**5. (1) The definition “adjustment time” in subsection 14(5) of the Act is replaced by the following:**

“adjustment  
time”  
« *moment du  
rajustement* »

“adjustment time”, of a taxpayer in respect of a business, means

(a) for a corporation, the time immediately after the commencement of its first taxation year commencing after June 1988, and

(b) for any other taxpayer, the time immediately after the commencement of the taxpayer's first fiscal period commencing after 1987 in respect of the business;

**(2) Subsection (1) is deemed to have come into force on the day following ANNOUNCEMENT DATE.**

**6. (1) Subsection 15(1) of the Act is replaced by the following:**

Benefit  
conferred on  
shareholder

**15. (1) If, at any time, a benefit is conferred by a corporation on a shareholder of the corporation, on a member of a partnership that is a shareholder of the corporation or on a contemplated shareholder of the corporation, then the amount or value of the benefit is to**

be included in computing the income of the shareholder, member, or contemplated shareholder, as the case may be, for its taxation year that includes the time, except to the extent that the amount or value of the benefit is deemed by section 84 to be a dividend or that the benefit is conferred on the shareholder

- (a) where the corporation is resident in Canada at the time,
  - (i) by the reduction of the paid-up capital of the corporation,
  - (ii) by the redemption, acquisition or cancellation by the corporation of shares of its capital stock,
  - (iii) on the winding-up, discontinuance or reorganization of the corporation's business, or
  - (iv) by way of a transaction to which subsection 88(1) or (2) applies;
- (a.1) where the corporation is not resident in Canada at the time,
  - (i) by way of a distribution to which subsection 86.1(1) applies,
  - (ii) by a reduction of the paid-up capital of the corporation to which subparagraph 53(2)(b)(ii) applies,
  - (iii) by the redemption, acquisition or cancellation by the corporation of shares of its capital stock, or
  - (iv) on the winding-up, or liquidation and dissolution, of the corporation;
- (b) by the payment of a dividend or a stock dividend;
- (c) by conferring, on all owners of common shares of the capital stock of the corporation at that time, a right in respect of each common share, that is identical to every other right conferred at that time in respect of each other such share, to acquire additional shares of the capital stock of the corporation, and, for the purposes of this paragraph,
  - (i) the shares of a particular class of common shares of the capital stock of the corporation are deemed to be property that is identical to the shares of another class of common shares of the capital stock of the corporation if
    - (A) the voting rights attached to the particular class differ from the voting rights attached to the other class, and
    - (B) there are no other differences between the terms and conditions of the classes of shares that could cause the fair market value of a share of the particular class to differ materially from the fair market value of a share of the other class, and
  - (ii) rights are not considered identical if the cost of acquiring the rights differs; or
- (d) by an action to which paragraph 84(1)(c.1), (c.2) or (c.3) applies.

**(2) Section 15 of the Act is amended by adding the following after subsection (1.3):**

- (1.4) For the purposes of subsection (1) and this subsection,

(a) a contemplated shareholder of a corporation is

(i) a person or partnership on whom a benefit is conferred by the corporation in contemplation of the person or partnership becoming a shareholder of the corporation, or

(ii) a member of a partnership on whom a benefit is conferred by the corporation in contemplation of the partnership becoming a shareholder of the corporation;

(b) a person or partnership that is (or is deemed by this paragraph to be) a member of a particular partnership that is a member of another partnership is deemed to be a member of the other partnership; and

(c) a benefit conferred by a corporation on an individual — other than a trust in which no individual (other than a trust) is beneficially interested — who does not deal at arm's length with, or is affiliated with, a shareholder of the corporation, a member of a partnership that is a shareholder of the corporation, or a contemplated shareholder of the corporation, is deemed to be a benefit conferred on the shareholder, the member, or the contemplated shareholder, as the case may be, except to the extent that subsection (1) or subsection 105(1) would apply to the individual in respect of the benefit if this Act were read without reference to this paragraph.

**(3) The portion of subsection 15(2.1) of the Act before paragraph (a) is replaced by the following:**

(2.1) For the purposes of subsection (2), a person or partnership is connected with a shareholder of a particular corporation if that person or partnership does not deal at arm's length with, or is affiliated with, the shareholder, unless that person or partnership is

**(4) Subsections (1) and (2) apply in respect of benefits conferred on or after Announcement Date.**

**(5) Subsection (3) applies in respect of loans made and indebtedness arising after ANNOUNCEMENT DATE.**

**7. (1) Paragraph 20(1)(bb) of the Act is replaced by the following:**

(bb) an amount, other than a commission, that

(i) is paid by the taxpayer in the year to a person or partnership the principal business of which

(A) is advising others as to the advisability of purchasing or selling specific shares or securities, or

(B) includes the provision of services in respect of the administration or management of shares or securities, and

(ii) is paid for

(A) advice as to the advisability of purchasing or selling a specific share or security of the taxpayer, or

Persons  
connected with  
a shareholder

Fees paid to  
investment  
counsel

(B) services in respect of the administration or management of shares or securities of the taxpayer;

**(2) Paragraph 20(1)(jj) of the Act is repealed.**

**(3) Subsection 20(26) of the Act is repealed.**

**(4) Subsection (1) applies to amounts paid after June 2005.**

**(5) Subsection (2) applies to reinsurance commissions paid after 1999.**

**(6) Subsection (3) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**8. (1) Section 56 of the Act is amended by adding the following after subsection (9):**

Meaning of  
“income”

(9.1) For the purposes of subsection (6), “income” of a person for a taxation year means the amount that would, in the absence of that subsection, paragraphs (1)(s) and (u), 60(v.1), (w) and (y) and section 63, be the income of the person for the taxation year.

**(2) Subsection (1) applies to the 2006 and subsequent taxation years.**

**9. (1) The formula in the definition “cumulative foreign resource expense” in subsection 66.21(1) of the Act is replaced by the following:**

$$(A + A.1 + B + C + D) - (E + F + G + H + I + J)$$

**(2) The definition “cumulative foreign resource expense” in subsection 66.21(1) of the Act is amended by adding the following after the description of A:**

A.1 is the total of all foreign resource expenses, in respect of that country, that is the cost to the taxpayer of any of the taxpayer’s foreign resource property in respect of that country that is deemed to have been acquired by the taxpayer under paragraph 128.1(1)(c) at the last time (before the particular time) that the taxpayer became resident in Canada;

**(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2005.**

**10. (1) Paragraph 75(3)(b) of the Act is replaced by the following:**

(b) by an employee life and health trust, an employee trust, a private foundation that is a registered charity, a related segregated fund trust (within the meaning assigned by paragraph 138.1(1)(a)), a trust described by paragraph (a.1) of the definition “trust” in subsection 108(1), or a trust described by paragraph 149(1)(y);

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**11. (1) Subparagraph 80.04(6)(a)(ii) of the Act is replaced by the following:**

(ii) on or before the later of

(A) the expiry of the 90 day period commencing on the day of mailing of an assessment of tax payable under this Part or a notification that no tax is payable under this Part, as the case may be, for a taxation year or fiscal period described in clause (i)(A) or (B), as the case may be; and

(B) if the debtor is an individual (other than a trust) or a testamentary trust, the day that is one year after the taxpayer's filing-due date for the year;

**(2) Subsection (1) applies for taxation years that end after February 21, 1994.**

**12.** (1) The portion of subsection 80.4(8) of the Act before paragraph (a) is replaced by the following:

Persons  
connected with  
a shareholder

(8) For the purposes of subsection (2), a person or partnership is connected with a shareholder of a corporation if that person or partnership does not deal at arm's length with, or is affiliated with, the shareholder, unless that person or partnership is

**(2) Subsection (1) applies in respect of loans made and indebtedness arising after ANNOUNCEMENT DATE.**

**13. (1) Paragraph 81(1)(g.3) of the Act is replaced by the following:**

Certain  
government  
funded trusts

(g.3) the amount that, but for this paragraph, would be the income of the taxpayer for the year if

(i) the taxpayer is the trust established under

(A) the 1986-1990 Hepatitis C Settlement Agreement entered into by Her Majesty in right of Canada and Her Majesty in right of each of the provinces,

(B) the Pre-1986/Post-1990 Hepatitis C Settlement Agreement entered into by Her Majesty in right of Canada, or

(C) the Indian Residential Schools Settlement Agreement entered into by Her Majesty in right of Canada on May 8, 2006, and

(ii) the only contributions made to the taxpayer before the end of the year are those provided for under the relevant Agreement described in subparagraph (i);

**(2) Subsection (1) applies to the 2006 and subsequent taxation years, except that for the 2006 taxation year, subparagraph 81(1)(g.3)(i) of the Act, as enacted by subsection (1), is to be read as follows:**

(i) the taxpayer is the trust established under

(A) the 1986-1990 Hepatitis C Settlement Agreement entered into by Her Majesty in right of Canada and Her Majesty in right of each of the provinces, or

(B) the Pre-1986/Post-1990 Hepatitis C Settlement Agreement entered into by Her Majesty in right of Canada, and

**14. (1) The portion of subsection 85.1(7) of the English version of the Act before paragraph (a) is replaced by the following:**

Application of  
subsection (8)

(7) Subsection (8) applies in respect of the disposition before 2013 by a taxpayer of SIFT wind-up entity equity (referred to in subsection (8) as the "particular unit") to a taxable Canadian corporation if

**(2) The portion of paragraph 85.1(8)(f) of the English version of the Act before the first formula is replaced by the following:**

(f) in computing the paid-up capital in respect of each class of shares of the capital stock of the corporation at any time after the disposition there shall be deducted the amount determined by the formula

**15. (1) Paragraphs 87(2)(g.1) and (g.2) of the Act are replaced by the following:**

Continuation

(g.1) for the purposes of sections 12.4 and 26, the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

Financial institution rules

(g.2) for the purposes of paragraphs 142.4(4)(c) and (d) and subsections 142.51(11) and 142.6(1), the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

**(2) Paragraph 87(2)(j.9) of the Act is replaced by the following:**

Part I.3 tax

(j.9) for the purposes of determining the amount deductible by the new corporation for any taxation year under section 125.3, the new corporation shall be deemed to be the same corporation as, and a continuation of, each predecessor corporation;

**(3) Subparagraph 87(2)(s)(ii) of the Act is replaced by the following:**

(ii) if, on the amalgamation, the new corporation issues a share (in this subparagraph and subsection 135.1(10) referred to as the “new share”) that is described in all of paragraphs (b) to (d) of the definition “tax deferred cooperative share” in subsection 135.1(1) to a taxpayer in exchange for a share of a predecessor corporation (in this subparagraph and subsection 135.1(10) referred to as the “old share”) that was, at the end of the predecessor corporation’s last taxation year, a tax deferred cooperative share within the meaning assigned by that definition, and the amount of paid-up capital, and the amount, if any, that the taxpayer is entitled to receive on a redemption, acquisition or cancellation, of the new share are equal to those amounts, respectively, in respect of the old share, subsection 135.1(10) applies in respect of the exchange;

**(4) Subsections (1) and (2) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**(5) Subsection (3) is deemed to have come into force on September 29, 2009.**

**16. (1) Clause (a)(i)(A) of the definition “capital dividend account” in subsection 89(1) of the Act is replaced by the following:**

(A) the amount of the corporation’s capital gain — computed without reference to subparagraphs 52(3)(a)(ii) and 53(1)(b)(ii) — from the disposition (other than a disposition under paragraph 40(3.1)(a) or subsection 40(12) or a disposition that is the making of a gift after December 8, 1997 that is not a gift described in subsection 110.1(1)) of a property in the period beginning at the beginning of its first taxation year that began after the corporation last became a private corporation and that ended after 1971 and ending immediately before the particular time (in this definition referred to as “the period”)

**(2) Clause (a)(ii)(A) of the definition “capital dividend account” in subsection 89(1) of the Act is replaced by the following:**

(A) the amount of the corporation's capital loss — computed without reference to subparagraphs 52(3)(a)(ii) and 53(1)(b)(ii) — from the disposition (other than a disposition under subsection 40(3.12) or a disposition that is the making of a gift after December 8, 1997 that is not a gift described in subsection 110.1(1)) of a property in the period

**(3) Clause (f)(i)(B) of the definition “capital dividend account” in subsection 89(1) of the Act is replaced by the following:**

(B) the amount designated under subsection 104(21) by the trust (other than a designation to which subsection 104(21.4), as it read in its application to the corporation's last taxation year that began on or before ANNOUNCEMENT DATE, applied) in respect of the net taxable capital gains of the trust attributable to those capital gains, and

**(4) Subsections (1) and (2) apply to dispositions that occur after ANNOUNCEMENT DATE.**

**(5) Subsection (3) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**17. (1) Subsections 104(5.3) to (5.7) of the Act are repealed.**

**(2) Subsections 104(10) and (11) of the Act are repealed.**

**(3) Paragraph 104(13.2)(a) of the Act is replaced by the following:**

(a) for the purposes of subsections (13) and 105(2) (except in the application of subsection (13) for the purposes of subsection (21)), be deemed not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust; and

**(4) Subsection 104(21.1) of the Act is repealed.**

**(5) Subsections 104(21.3) to (21.7) of the Act are replaced with the following:**

(21.3) For the purposes of this section, the net taxable capital gains of a trust for a taxation year is the amount, if any, determined by the formula

$$A + B - C - D$$

where

A is the total of all amounts each of which is a taxable capital gain of the trust for the year from the disposition of a capital property that was held by the trust immediately before the disposition,

B is the total of all amounts each of which is deemed by subsection (21) to be a taxable capital gain of the trust for the year,

C is the total of all amounts each of which is an allowable capital loss (other than an allowable business investment loss) of the trust for the year from the disposition of a capital property, and

Net taxable  
capital gains of  
trust  
determined



D is the amount, if any, deducted under paragraph 111(1)(b) in computing the trust's taxable income for the year.

**(6) Subsections (1), (4) and (5) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**(7) Subsection (2) applies to the 2005 and subsequent taxation years.**

**18. (1) Subsection 107(2.11) of the Act is replaced by the following:**

(2.11) If a trust that is resident in Canada for a taxation year makes in the taxation year one or more distributions to which subsection (2.1) applies and the trust elects in prescribed form filed with the trust's return for the year or a preceding taxation year to have one of the following paragraphs apply, the income of the trust for the year (determined without reference to subsection 104(6)) shall, for the purposes of subsections 104(6) and (13), be computed without regard

(a) if the election is to have this paragraph apply, to all of those distributions (other than distributions of cash denominated in Canadian dollars) to non-resident persons (including a partnership other than a Canadian partnership); and

(b) if the election is to have this paragraph apply, to all of those distributions (other than distributions of cash denominated in Canadian dollars).

**(2) Paragraph 107(4)(b) of the Act is replaced by the following:**

(b) the distribution of the property occurs on or before the earlier of

(i) a reacquisition, in respect of any property of the trust, that occurs immediately after the day described by paragraph 104(4)(a), and

(ii) the cessation of the trust's existence.

**(3) The portion of paragraph 107(4.1)(b) of the Act before subparagraph (i) is replaced by the following:**

(b) subsection 75(2) was applicable, or would have been applicable if it were read without reference to the phrase "while the person is resident in Canada" and subsection 75(3) were read without reference to paragraph (c.2), at a particular time in respect of any property of

**(4) The portion of subsection 107(5.1) of the Act before paragraph (b) is replaced by the following:**

(5.1) If, solely because of the application of subsection (5), paragraphs (2)(a) to (c) do not apply to a distribution in a taxation year of taxable Canadian property by a trust, in applying sections 155 and 156 and subsections 156.1(1) to (3) and 161(2), (4) and (4.01) and any regulations made for the purposes of those provisions, the trust's tax payable under this Part for the year is deemed to be the lesser of

(a) the trust's tax payable under this Part for the year, determined before taking into consideration the specified future tax consequences for the year, and

**(5) Paragraphs 107(6)(a) and (b) of the Act are replaced by the following:**

Gains not distributed to beneficiaries

Instalment interest

(a) the property or property for which it was substituted was held by a trust; and

(b) either

(i) the trust was non-resident and the property (or property for which it was substituted) was not taxable Canadian property of the trust, or

(ii) neither the vendor — nor a person that would, if section 251.1 were read without reference to the definition “controlled” in subsection 251.1(3), be affiliated with the vendor — had a capital interest in the trust.

**(6) Subsection (1) applies to the 2002 and subsequent taxation years. It also applies to the 2000 and 2001 taxation years of a trust if the trust so elects, by notifying the Minister of National Revenue in writing on or before its filing-due date for its taxation year that includes the day on which this Act is assented to, in which case the portion of subsection 107(2.11) of the Act, as enacted by subsection (1), before paragraph (a), is to be read as follows for the 2000 and 2001 taxation years of the trust:**

(2.11) If a trust that is resident in Canada for a taxation year makes in the taxation year one or more distributions to which subsection (2.1) applies (or, in the case of property distributed after October 1, 1996 and before 2000, in circumstances in which subsection (5) applied) and the trust elects in prescribed form filed with the trust’s return for the year or a preceding taxation year, the income of the trust for the year (determined without reference to subsection 104(6)) shall, for the purposes of subsections 104(6) and (13), be computed without regard

**(7) Subsections (2) to (4) apply to distributions made after ANNOUNCEMENT DATE.**

**(8) Subsection (5) applies to dispositions made after ANNOUNCEMENT DATE.**

**19. (1) Paragraph (a.1) of the definition “cost amount” in subsection 108(1) of the Act is replaced by the following:**

(a.1) where that time (in this paragraph referred to as the “particular time”) is immediately before the time that is immediately before the time of the death of the taxpayer and subsection 104(4) or (5) deems the trust to dispose of property at the end of the day that includes the particular time, the amount that would be determined under paragraph (b) if the taxpayer had died on a day that ended immediately before the time that is immediately before the particular time, and

**(2) Subparagraph (g)(ii) of the definition “trust” in subsection 108(1) of the Act is repealed.**

**(3) Clauses 108(2)(b)(iv)(A) and (B) of the Act are replaced by the following:**

(A) not less than 95% of its income for the current year (computed without regard to subsections 39(2), 49(2.1) and 104(6)) was derived from, or from the disposition of, investments described in subparagraph (iii), or

(B) not less than 95% of its income for each of the relevant periods (computed without regard to subsections 39(2), 49(2.1) and 104(6) and as though each of those

periods were a taxation year) was derived from, or from the disposition of, investments described in subparagraph (iii),

**(4) Subsection (2) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**(5) Subsection (3) applies to the 2003 and subsequent taxation years.**

**20. (1) Paragraph (c) of the definition “qualifying amount” in subsection 110.2(1) of the Act is replaced by the following:**

(c) an amount described in paragraphs 6(1)(f) or (f.1), subparagraph 56(1)(a)(iv) or paragraph 56(1)(b), or

**(2) Subsection (1) is deemed to have come into force on April 1, 2006.**

**21. (1) The portion of subsection 110.6(6) of the Act before paragraph (a) is replaced by the following:**

(6) Notwithstanding subsections (2) to (2.3), no amount may be deducted under this section in respect of a capital gain of an individual for a particular taxation year in computing the individual’s taxable income for the particular taxation year or any subsequent year, if

**(2) The portion of subsection 110.6(12) of the Act before paragraph (a) is replaced by the following:**

(12) Notwithstanding any other provision of this Act, a trust (other than an *alter ego* trust or a joint spousal or common-law partner trust) that is described in paragraph 104(4)(a) or (a.1) may, in computing its taxable income for its taxation year that includes the day determined under paragraph 104(4)(a) or (a.1), as the case may be, in respect of the trust, deduct under this section an amount equal to the least of

**(3) Subsection (1) applies to taxation years for which a return of income has not been filed before ANNOUNCEMENT DATE except in respect of gains realized in taxation years for which a return of income was filed before ANNOUNCEMENT DATE.**

**(4) Subsection (2) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**22. (1) Paragraph 111(1.1)(c) of the Act is replaced by the following:**

(c) the amount, if any, that the Minister determines to be reasonable in the circumstances for the particular year and after considering the application to the taxpayer of subsections 104(21.6), 130.1(4), 131(1) and 138.1(3.2) as they read in their application to the taxpayer’s last taxation year that began on or before ANNOUNCEMENT DATE.

**(2) Subsections 111(7.1) to (7.2) of the Act are repealed.**

**(3) Subsections (1) and (2) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**23. (1) The portion of subsection 115.2(2) of the Act before paragraph (a) is replaced by the following:**

Failure to  
report capital  
gain

Trust  
deduction =  
death of  
spouse or  
common-law  
partner

Not carrying  
on business in  
Canada

(2) For the purposes of subsections 115(1) and 150(1) and Part XIV, a non-resident person is not considered to be carrying on business in Canada at any particular time solely because of the provision to the person, or to a partnership of which the person is a member, at the particular time of designated investment services by a Canadian service provider if

**(2) Paragraph 115.2(2)(c) of the Act is amended by striking out “or” at the end of subparagraph (i) and by replacing subparagraph (ii) with the following:**

(ii) where the non-resident person is, or is affiliated with, a person or partnership described in clause (A) or (B), the total of the fair market value of all investments in the partnership at the particular time is not less than four times the total of the fair market value of each investment in the partnership beneficially owned at the particular time by

(A) a person or partnership (other than a designated entity in respect of the Canadian service provider), more than 25% of the total of the fair market value, at the particular time, of investments in which are beneficially owned by persons and partnerships (other than a designated entity in respect of the Canadian service provider) that are affiliated with the Canadian service provider, or

(B) a person or partnership (other than a designated entity in respect of the Canadian service provider) that is affiliated with the Canadian service provider, or

(iii) at the particular time, the non-resident person is not affiliated with the Canadian service provider and is not affiliated with any person or partnership described in clause (ii)(A) or (B).

**(3) The portion of subsection 115.2(3) of the Act before paragraph (a) is replaced by the following:**

Interpretation

(3) For the purposes of this subsection and subparagraphs (2)(b)(iii) and (c)(ii),

**(4) Section 115.2 of the Act is amended by adding the following after subsection (4):**

Property of a  
partnership

(5) For the purpose of determining whether a non-resident person’s interest in a partnership is, at any particular time before March 5, 2010, a taxable Canadian property, property of the partnership shall not be considered to be used or held by the partnership in a business carried on in Canada, if because of subsection (2) the non-resident person is not considered to be carrying on business in Canada at the particular time.

**(5) Subsection 115.2(5) of the Act, as enacted by subsection (4), is repealed.**

**(6) Subsection (1) applies to the 1999 and subsequent taxation years.**

**(7) Subsections (2) and (3) apply to the 2002 and subsequent taxation years, except that for the period that begins at the beginning of the 2002 taxation year of a taxpayer and that ends on Announcement Date, paragraph 115.2(2)(c) of the Act, as amended by subsection (2), does not apply to the taxpayer if the taxpayer so elects and files the election in writing with the Minister of National Revenue on or before the taxpayer’s filing-due date for the taxpayer’s taxation year that includes Announcement Date.**

**(8) Subsection (4) applies to the 2008 and subsequent taxation years.**

**(9) Subsection (5) is deemed to have come into force on March 5, 2010.**

**24. (1) The portion of the description of B in subsection 118.2(1) of the English version of the Act that is before paragraph (a) is replaced by the following:**

B is the total of the individual's medical expenses in respect of the individual, the individual's spouse or common-law partner or a child of the individual who has not attained the age of 18 years before the end of the taxation year

**(2) Subparagraph 118.2(2)(l.9)(iii) of the English version of the Act is replaced by the following:**

(iii) at the time the remuneration is paid, the payee is neither the individual's spouse or common-law partner nor under 18 years of age, and

**(3) Subsections (1) and (2) apply to taxation years that end after ANNOUNCEMENT DATE.**

**25. Subsection 122.5(7) of the Act is replaced by the following:**

(7) For the purpose of this section, if in a taxation year an individual becomes bankrupt, the individual's income for the taxation year shall include the individual's income for the taxation year that begins on January 1 of the calendar year that includes the date of bankruptcy.

**26. (1) Paragraph (a) of the definition "full rate taxable income" in subsection 123.4(1) of the Act is amended by striking out "and" at the end of subparagraph (ii) and by adding the following after subparagraph (ii):**

(iii) the corporation's income for the year from a personal service business; and

**(2) The portion of paragraph (b) of the definition "full rate taxable income" in subsection 123.4(1) of the Act before subparagraph (i) is replaced by the following:**

(b) if the corporation is a Canadian-controlled private corporation throughout the year, the amount by which that portion of the corporation's taxable income for the year that is subject to tax under subsection 123(1) exceeds the total of

**(3) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**(4) Subsection (2) applies to taxation years that end after ANNOUNCEMENT DATE.**

**27. (1) Subparagraph 125(1)(b)(i) of the Act is replaced by the following:**

(i) 100/28 of the total of the amounts that would be deductible under subsection 126(1) from the tax for the year otherwise payable under this Part by it if those amounts were determined without reference to sections 123.3 and 123.4,

**(2) Subsection (1) applies to taxation years that end after ANNOUNCEMENT DATE, except that, for a taxation year that includes that day, subparagraph 125(1)(b)(i) of the Act, as enacted by subsection (1), is to be read as follows:**

(i) the total of

(A)  $10/3$  of the total of the amounts that would be deductible under subsection 126(1) from the tax for the year otherwise payable under this Part by it if those amounts were determined without reference to sections 123.3 and 123.4, that the number of days in the taxation year that are on or before ANNOUNCEMENT DATE is of the total of days in the taxation year, and

(B)  $100/28$  of the total of the amounts that would be deductible under subsection 126(1) from the tax for the year otherwise payable under this Part by it if those amounts were determined without reference to sections 123.3 and 123.4, that the number of days in the taxation year that are after ANNOUNCEMENT DATE is of the total of days in the taxation year,

**28. (1) Section 125.2 of the Act is repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**29. (1) Paragraph 125.3(1.1)(b) of the Act is replaced by the following:**

(b) the amount, if any, by which its tax payable under this Part (determined without reference to this section) for the year exceeds the amount that would, but for subsections 181.1(4) and 190.1(3), be the total of its taxes payable under Parts I.3 and VI for the year.

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**30. (1) The description of A in subsection 126(4.2) of the Act is replaced by the following:**

A is

(a) if the foreign tax would otherwise be included in business-income tax, the total of

(i) that proportion of 26.5% that the number of days in the taxation year that are in 2011 is of the number of days in the taxation year, and

(ii) that proportion of 25% that the number of days in the taxation year that are after 2011 is of the number of days in the taxation year, and

(b) if the foreign tax would otherwise be included in non-business-income tax, the total of

(i) if the taxpayer is a corporation that is a Canadian-controlled private corporation throughout the taxation year, that proportion of 28% that the number of days in the taxation year that are after 2010 is of the number of days in the taxation year, and

(ii) if the taxpayer is not a Canadian-controlled private corporation throughout the taxation year, the total of

(A) that proportion of 16.5% that the number of days in the taxation year that are in 2011 is of the number of days in the taxation year, and

(B) that proportion of 15% that the number of days in the taxation year that are after 2011 is of the number of days in the taxation year,

**(2) Subparagraph 126(5)(a)(i) of the Act is replaced by the following:**

(i) the amount obtained by multiplying the taxpayer's income from the business in the taxing country for the year by the total of

(A) that proportion of 26.5% that the number of days in the taxation year that are in 2011 is of the number of days in the taxation year, and

(B) that proportion of 25% that the number of days in the taxation year that are after 2011 is of the number of days in the taxation year

**(3) Subsections (1) and (2) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**31. (1) Paragraph 127(11.2)(b) of the English version of the Act is replaced by the following:**

(b) expenditures incurred to acquire property described in subparagraph 37(1)(b)(i) or included in an eligible child care space expenditure are deemed not to have been incurred

**(2) Subsection (1) applies for expenditures incurred after ANNOUNCEMENT DATE.**

**32. (1) The portion of subparagraph 127.52(1)(d)(ii) of the Act before the formula is replaced by the following:**

(ii) each amount that is designated by a trust for a particular year of the trust in respect of the individual and deemed by subsection 104(21) to be a taxable capital gain for the year of the individual were equal to the amount obtained by the formula

**(2) Paragraph 127.52(1)(d) of the Act is amended by adding "and" at the end of subparagraph (i), by striking out "and" at the end of subparagraph (ii) and by repealing subparagraph (iii).**

**(3) Paragraph 127.52(1)(e) of the Act is amended by striking out "and" at the end of subparagraph (i) and by adding the following after subparagraph (i):**

(i.1) the individual's income for the year from property, or from the business of selling the product of property, described in Class 43.1 or 43.2 in Schedule II to the *Income Tax Regulations*, determined before deducting those amounts, and

**(4) Subsections (1) and (2) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**(5) Subsection (3) applies in respect of taxation years that end after 2008.**

**33. (1) The portion of subsection 128.1(5) of the Act before paragraph (b) is replaced by the following:**

(5) If an individual is deemed by subsection (4) to have disposed of a property in a taxation year, in applying sections 155 and 156 and subsections 156.1(1) to (3) and 161(2), (4) and

(4.01) and any regulations made for the purposes of those provisions, the individual's total tax payable under this Part for the year is deemed to be the lesser of

(a) the individual's total tax payable under this Part for the year, determined before taking into consideration the specified future tax consequences for the year, and

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**34. (1) Clause 129(3)(a)(ii)(B) of the Act is replaced by the following:**

(B) the sum of  $\frac{100}{35}$  of the total of amounts deducted under subsection 126(1) from its tax for the year otherwise payable under this Part, and

**(2) Subparagraph 129(3)(a)(iii) of the Act is replaced by the following:**

(iii) the corporation's tax for the year payable under this Part,

**(3) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**(4) Subsection (2) applies to taxation years that begin after 2007.**

**35. (1) The version of subparagraph 130(3)(a)(vii) of the Act found in subsection 155(2) of the *Income Tax Amendments Act, 1997*, chapter 19 of the Statutes of Canada, 1998, as amended by subsection 92(1) of the *Income Tax Amendments Act, 1998*, chapter 22 of the Statutes of Canada, 1999, which subsection 155(2) is in this section referred to as the "enacting subsection", is amended by adding the following immediately after clause (B):**

(B.1) paragraph (b) of that definition were read as follows:

"(b) each beneficiary of a trust (except a beneficiary of a trust governed by a registered education savings plan who has not attained 19 years of age) is deemed to own that proportion of all such shares owned by the trust at that time that the fair market value at that time of the beneficial interest of the beneficiary in the trust is of the fair market value at that time of all beneficial interests in the trust,"

**(2) The version of subparagraph 130(3)(a)(vii) of the Act found in the enacting subsection is amended by adding the following immediately after clause (C):**

(C.1) paragraph (e) of that definition were read as follows:

"(e) notwithstanding paragraph (b), where a beneficiary's share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, any discretionary power, the beneficiary (except a beneficiary of a trust governed by a registered education savings plan who has not attained 19 years of age) is deemed to own each share of the capital stock of a corporation owned at that time by the trust;"

**(3) Clause 130(3)(a)(vii)(B.1) of the Act, as enacted by the enacting subsection as amended by subsection (1), is repealed.**

**(4) Clause 130(3)(a)(vii)(C.1) of the Act, as enacted by the enacting subsection as amended by subsection (2), is repealed.**



**(5) Subsections (1) and (2) are deemed to have come into force on June 18, 1998.**

**(6) Subsections (3) and (4) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**36. (1) Paragraph 130.1(4)(b) of the Act is replaced by the following:**

(b) notwithstanding any other provision of this Act, if an amount is received by a taxpayer in a taxation year as, on account of, in lieu of payment of or in satisfaction of, the dividend, the amount

(i) shall not be included in computing the taxpayer's income for the year as income from a share of the capital stock of the corporation, and

(ii) is deemed to be a capital gain of the taxpayer from the disposition of capital property in the year.

**(2) Subsections 130.1(4.2) to (4.5) of the Act are repealed.**

**(3) Subparagraph 130.1(6)(f)(i) of the Act is replaced by the following:**

(i) debts owing to the corporation that were secured, whether by mortgages, hypothecs or in any other manner, on houses (as defined in section 2 of the *National Housing Act*) or on property included within a housing project (as defined in that section as it read on June 16, 1999), and

**(4) Subsections (1) and (2) apply to taxation years that begin after ANNOUNCEMENT DATE, except that if any part of a dividend declared by a corporation is in respect of capital gains of the corporation from dispositions of property that occurred before October 18, 2000, then paragraph 130.1(4)(b) of the Act, as enacted by subsection (1), is to be read, in its application to that part of the dividend, as it read in its application to the corporation's last taxation year that began on or before ANNOUNCEMENT DATE.**

**(5) Subsection (3) applies to property acquired by a corporation after ANNOUNCEMENT DATE, unless**

**(a) the property is a particular debt**

(i) that is owing to the corporation and secured on property (referred to in this paragraph as the "subject property"),

(ii) that replaces a debt (referred to in this paragraph as the "old debt") that was on ANNOUNCEMENT DATE owing to the corporation and secured on the subject property, and

(iii) that has a maximum term for repayment that does not exceed the maximum term for repayment, in effect on ANNOUNCEMENT DATE, of the old debt; and

**(b) the corporation would be a mortgage investment corporation for its taxation year that includes ANNOUNCEMENT DATE if that taxation year were determined as though it ended on ANNOUNCEMENT DATE.**

**(6) If property that is held by a corporation on ANNOUNCEMENT DATE consists of debt, the term for repayment of the debt is extended by agreement entered into on a particular date that is after ANNOUNCEMENT DATE, and the extended term exceeds the maximum term for repayment of the debt in effect on ANNOUNCEMENT DATE, then the property is deemed, for the purposes of applying subsection (5), to have been acquired by the corporation on the particular date.**

**37. (1) Paragraph 131(1)(b) of the Act is replaced by the following:**

(b) notwithstanding any other provision of this Act (other than paragraph (5.1)(b)), if an amount is received by a taxpayer in a taxation year as, on account of, in lieu of payment of or in satisfaction of, the dividend, the amount

(i) shall not be included in computing the taxpayer's income for the year as income from a share of the capital stock of the corporation, and

(ii) is deemed to be a capital gain of the taxpayer from the disposition of capital property in the year.

**(2) Subsections 131(1.5) to (1.9) of the Act are repealed.**

**(3) Subparagraph 131(5.1)(b)(i) of the Act is replaced by the following:**

(i) subparagraph (1)(b)(ii) does not apply in respect of the dividend, to the extent of the TCP gains distribution, and

**(4) Paragraph (a) of the definition "capital gains dividend account" in subsection 131(6) of the Act is replaced by the following:**

(a) the total of

(i) its capital gains, for all taxation years that began more than 60 days before that time, from dispositions of property after 1971 and before that time while it was a mutual fund corporation, and

(ii) all amounts each of which is an amount in respect of a distribution made by a trust to the corporation, at a time that is after its 2004 taxation year and at which it is a mutual fund corporation, in respect of capital gains of the trust equal to twice the amount determined by the following formula:

$$A - B$$

where

A is the amount of the distribution, and

B is the amount designated under subsection 104(21) by the trust in respect of the net taxable capital gains of the trust attributable to those capital gains

**(5) Subparagraph (b)(iii) of the definition "capital gains dividend account" in subsection 131(6) of the Act is replaced by the following:**

(iii) an amount equal to 100/14 of its capital gains refund for any taxation year throughout which it was a mutual fund corporation where the year ended more than 60 days before that time;

**(6) Subsections (1) to (3) and (5) apply to taxation years that begin after ANNOUNCEMENT DATE, except that**

**(a) if any part of a dividend declared by a corporation is in respect of capital gains of the corporation from dispositions of property that occurred before October 18, 2000, then paragraph 131(1)(b) of the Act, as enacted by subsection (1), is to be read, in its application to that part of the dividend, as it read in its application to the corporation's last taxation year that began on or before ANNOUNCEMENT DATE; and**

**(b) if a corporation had a capital gains refund for a taxation year that began on or before ANNOUNCEMENT DATE, then in computing the capital gains dividend account of the corporation at any time in a taxation year of the corporation that begins after ANNOUNCEMENT DATE, subparagraph (b)(iii) of the definition "capital gains dividend account" in subsection 131(6) of the Act, as enacted by subsection (5), is to be read, in its application to the corporation, as it read in its application to the corporation's last taxation year that began on or before ANNOUNCEMENT DATE.**

**(7) Subsection (4) applies to the 2005 and subsequent taxation years.**

**38. (1) Subsection 132.2(3) of the Act is amended by striking out "and" at the end of paragraph (m) and by adding the following after paragraph (n):**

**(o) if shares of the transferor have been disposed of by a taxpayer to the transferor in exchange for units of the transferee within 60 days after the transfer time, for the purposes of applying section 116 in respect of the disposition, the shares are deemed to be excluded property of the taxpayer; and**

**(p) for the purposes of applying section 218.3 in respect of that exchange, the payment or crediting of the units to the taxpayer by the transferor is deemed not to be an assessable distribution.**

**(2) Paragraph 132.2(3)(o) of the Act, as enacted by subsection (1), applies to qualifying exchanges that occur after 1998.**

**(3) Paragraph 132.2(3)(p) of the Act, as enacted by subsection (1), applies to qualifying exchanges that occur after 2004.**

**(4) For qualifying exchanges that occurred after June 1994 and before 1999, subsection 132.2(1) of the Act is to be read as if it contained a paragraph (j.1) that read as follows:**

**(j.1) if shares of the transferor have been disposed of by a taxpayer to the transferor in exchange for units of the transferee within 60 days after the transfer time, for the purposes of applying section 116 in respect of the disposition, the shares are deemed to be excluded property of the taxpayer;**

**39. (1) Subsection 135.1(7) of the Act is replaced by the following:**

Withholding  
on redemption

(7) A person or partnership (in this subsection referred to as the “redeeming entity”) that redeems, acquires or cancels a shareholder’s share shall withhold and forthwith remit to the Receiver General, on account of the shareholder’s tax liability, 15% from the amount otherwise payable on the redemption, acquisition or cancellation, if

- (a) the share was, at the time it was issued, a tax deferred cooperative share;
- (b) the redeeming entity is the corporation that issued the share, or a person or partnership with whom the corporation does not deal at arm’s length; and
- (c) the shareholder is not a trust whose taxable income is exempt from tax under this Part because of paragraph 149(1)(r) or (x).

**(2) Section 135.1 of the Act is amended by adding the following after subsection (8):**

Application of  
subsection  
(10)

(9) Subsection (10) applies in respect of the disposition, after September 28, 2009, by a taxpayer of a tax deferred cooperative share (in this subsection and subsection (10) referred to as the “old share”) of an agricultural cooperative corporation if

- (a) the disposition results from the acquisition, cancellation or redemption of the old share in the course of a reorganization of the capital of the corporation;
- (b) in exchange for the old share the corporation issues to the taxpayer a share (in this subsection and subsection (10) referred to as the “new share”) that is described in all of paragraphs (b) to (d) of the definition “tax deferred cooperative share” in subsection (1); and
- (c) the amount of paid-up capital, and the amount, if any, that the taxpayer is entitled to receive on a redemption, acquisition or cancellation, of the new share are equal to those amounts, respectively, in respect of the old share.

Shares issued  
on corporate  
reorganiza-  
tions

(10) If this subsection applies in respect of an exchange of a taxpayer’s old share for a new share, for the purposes of this section (other than subsection (9)),

- (a) the new share issued in exchange for the old share is deemed to have been issued, pursuant to an allocation in proportion to patronage, at the time the old share was issued; and
- (b) provided that no person or partnership receives at any time any consideration (other than the new share) in exchange for the old share, in applying subsections (2) and (7) the taxpayer is deemed to have disposed of the old share for nil proceeds.

**(3) Subsection (1) applies to redemptions, acquisitions and cancellations that occur after 2007.**

**(4) Subsection (2) is deemed to have come into force on September 29, 2009, except that in its application to an exchange of shares described by subparagraph 87(2)(s)(ii) of the Act, as enacted by subsection 15(3), that occurs before ANNOUNCEMENT DATE,**

**(a) with respect to a new share received on the exchange that has been disposed of before ANNOUNCEMENT DATE, paragraph 135.1(10)(a) of the Act, as enacted by subsection (2), is to be read as follows:**

(a) the new share issued in exchange for the old share is deemed to have been issued at the time the old share was issued; and

**and**

**(b) paragraph 135.1(10)(b) of the Act, as enacted by subsection (2), is to be read as follows:**

(b) in applying subsections (2) and (7) the taxpayer is deemed to have disposed of the old share for nil proceeds.

**40. (1) Paragraph 137(4.3)(a) of the Act is replaced by the following:**

(a) the preferred-rate amount of a corporation at the end of a taxation year is an amount equal to the total of its preferred-rate amount at the end of its immediately preceding taxation year and  $\frac{100}{17}$  of the amount deductible under section 125 from the tax for the year otherwise payable by it under this Part;

**(2) Subsection (1) applies to the 2008 and subsequent taxation years, except that, in the application of paragraph 137(4.3) of the Act, as amended by subsection (1), to a particular taxation year of a credit union that began in 2007 and ended in 2008, the preferred-rate amount of the credit union at the end of the particular taxation year is equal to the total of**

**(a) the preferred-rate amount of the credit union at the end of the taxation year that immediately preceded the particular taxation year; and**

**(b) the total of**

**(i) that proportion of the amount obtained by multiplying  $\frac{25}{4}$  by the amount deductible under section 125 of the Act for the particular taxation year, that the number of days in the particular taxation year that are in 2007 is of the number of days in the particular taxation year, and**

**(ii) that proportion of the amount obtained by multiplying  $\frac{100}{17}$  by the amount deductible under section 125 of the Act for the particular taxation year, that the number of days in the particular taxation year that are in 2008 is of the number of days in the particular taxation year.**

**41. (1) Subparagraphs 138(3)(a)(iii) and (iv) of the Act are replaced by the following:**

(iii) the amount determined by the following formula:

$$A - B$$

where

A is the total of policy dividends (except the portion paid out of segregated funds) that became payable by the insurer after its 1968 taxation year and before the end of the year under its participating life insurance policies, and

B is the total of amounts deductible under this subparagraph (including as determined under subsection (3.1) as it read in its application to the insurer's last taxation year that began on or before Announcement Date) in computing its incomes for taxation years before the year, and

**(2) The portion of subsection 138(3) of the Act after paragraph (a) is replaced by the following:**

(b) the total of amounts each of which is a policy loan made by the insurer in the year and after 1977; and

(c) the amount of tax under Part XII.3 payable by the insurer in respect of its taxable Canadian life investment income for the year.

**(3) Subsection 138(3.1) of the Act is repealed.**

**(4) Paragraph 138(4)(a) of the Act is replaced by the following:**

(a) each amount deducted under paragraph (3)(a), other than under subparagraph (3)(a)(ii.1), (iii) or (v), in computing the insurer's income for the preceding taxation year;

**(5) Subsections 138(4.1) to (4.3) of the Act are repealed.**

**(6) Paragraph 138(11.5)(j) of the Act is replaced by the following:**

(j) for the purpose of determining the income of the transferor and the transferee for their taxation years following their taxation years referred to in paragraph (h), amounts deducted by the transferor as reserves under paragraph (3)(a) (other than under subparagraph (3)(a)(ii.1), (iii) or (v)), paragraphs 20(1)(l) and (l.1) and 20(7)(c) of this Act and section 33 and paragraph 138(3)(c) of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, in its taxation year referred to in paragraph (h) in respect of the transferred property referred to in paragraph (b) or the obligations referred to in paragraph (c) is deemed to have been deducted by the transferee, and not the transferor, for its taxation year referred to in paragraph (h),

**(7) Paragraph 138(11.5)(k) of the Act is replaced by the following:**

(k) for the purposes of this section, sections 12, 12.4, 20, 138.1, 140 and 142, paragraphs 142.4(4)(c) and (d), section 148 and Part XII.3, the transferee is, in its taxation years following its taxation year referred to in paragraph (h), deemed to be the same person as, and a continuation of, the transferor in respect of the business referred to in paragraph (a), the transferred property referred to in paragraph (b) and the obligations referred to in paragraph (c),

**(8) Paragraph 138(11.5)(l) of the Act is replaced by the following:**

(l) for the purposes of this subsection and subsections (11.7) and (11.9), the fair market value of consideration received by the transferor from the transferee in respect of the

assumption or reinsurance of a particular obligation referred to in paragraph (c) is deemed to be the total of the amounts deducted by the transferor as a reserve under paragraph (3)(a) (other than under subparagraph (ii.1), (iii) or (v)) and paragraph 20(7)(c) in its taxation year referred to in paragraph (h) in respect of the particular obligation, and

**(9) Paragraph 138(11.91)(d) of the Act is replaced by the following:**

(d) for the purposes of paragraph (4)(a), subsection (9) and the definition “designated insurance property” in subsection (12) and paragraphs 12(1)(d) and (e), the insurer is deemed to have carried on the business in Canada in that preceding year and to have claimed the maximum amounts to which it would have been entitled under paragraphs (3)(a) (other than under subparagraph (ii.1), (iii) or (v)), 20(1)(l) and (l.1) and 20(7)(c) for that year,

**(10) The portion of paragraph 138(11.94)(b) of the Act after subparagraph (ii) is replaced by the following:**

to a corporation resident in Canada (in this subsection referred to as the “transferee”) that is a qualified related corporation (within the meaning assigned by subsection 219(8)) of the transferor that, immediately after that time, began to carry on that insurance business in Canada for consideration that includes shares of the capital stock of the transferee,

**(11) The definitions “1975 branch accounting election deficiency”, “1975-76 excess additional group term reserve”, “1975-76 excess capital cost allowance”, “1975-76 excess investment reserve”, “1975-76 excess policy dividend deduction”, “1975-76 excess policy dividend reserve” and “1975-76 excess policy reserves” in subsection 138(12) of the Act are repealed.**

**(12) The formula “(A + B + C) – (D + E + F + G + H)” in the definition “surplus funds derived from operations” in subsection 138(12) of the Act is replaced by the following:**

$$(A + B + C) - (D + E + F + G)$$

**(13) The description of B in the definition “surplus funds derived from operations” in subsection 138(12) of the Act is replaced by the following:**

B is the total of all amounts each of which is a portion of a non-capital loss that was deemed by subsection 111(7.1) as it read in its application to the 1976 taxation year to have been deductible in computing the insurer’s income for a taxation year that ended before 1977,

**(14) The definition “surplus funds derived from operations” in subsection 138(12) of the Act is amended by adding “and” at the end of the description of F, by striking out “and” at the end of the description of G and by repealing the description of H.**

**(15) Subsections (1) to (9) and (11) to (14) apply to taxation years that begin after ANNOUNCEMENT DATE.**

**(16) Subsection (10) applies to transfers made after October 2004.**

**42. (1) Subsections 138.1(3.1) and (3.2) of the Act are repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**43. (1) Subsections 142.5(4) to (7) of the Act are repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**44. (1) Paragraph 149(1)(d.6) of the Act is replaced by the following:**

*(d.6)* subject to subsections (1.2) and (1.3), a particular corporation all of the shares (except directors' qualifying shares) or of the capital of which was owned by one or more entities (referred to in this paragraph as "qualifying owners") each of which is, for the period, a corporation, commission or association to which paragraph (d.5) applies, a corporation to which this paragraph applies, a municipality in Canada, or a municipal or public body performing a function of government in Canada, if no more than 10% of the particular corporation's income for the period is from activities carried on outside

(i) if a qualifying owner is a municipality in Canada, or a municipal or public body performing a function of government in Canada, the geographical boundaries of each such qualifying owner,

(ii) if paragraph (d.5) applies to a qualifying owner, the geographical boundaries of the municipality, or municipal or public body, referred to in that paragraph in its application to each such qualifying owner, and

(iii) if this paragraph applies to a qualifying owner, the geographical boundaries of the municipality, or municipal or public body, referred to in subparagraph (i) or paragraph (d.5), as the case may be, in their respective applications to each such qualifying owner;

**(2) Section 149 of the Act is amended by adding the following after subsection (1.11):**

(1.12) If at any time there is an amalgamation (within the meaning assigned by subsection 87(1)) of a corporation (in this subsection referred to as the "parent") and one or more other corporations (each of which in this subsection is referred to as the "subsidiary") each of which is a subsidiary wholly-owned corporation of the parent, and immediately before that time the parent is a person to which subsection (1) does not apply by reason of the application of subsection (1.11), the new corporation is deemed, for purposes of subsection (1.11), to be the same corporation as, and a continuation of, the parent.

**(3) Subsection (1) applies in respect of taxation years that end after April 2004.**

**(4) Subsection (2) applies to amalgamations that occur after October 4, 2004.**

**45. (1) Paragraph 152(6)(e) of the Act is repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**46. (1) Subparagraph 161(7)(a)(vi) of the Act is repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

Subsidiaries of  
municipal  
corporations

Deemed  
election



**47. (1) Paragraph 164(5)(g) of the Act is repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**48. Subsection 170(2) of the Act is repealed.**

**49. Section 176 of the Act is repealed.**

**50. (1) Paragraph 181.2(3)(g) of the Act is replaced by the following:**

(g) the total of all amounts, each of which is the amount, if any, in respect of a partnership in which the corporation held a membership interest at the end of the year, either directly or indirectly through another partnership, determined by the formula

$$(A - B) \times C/D$$

where

A is the total of all amounts that would be determined under paragraphs (b) to (d) and (f) in respect of the partnership for its last fiscal period that ends at or before the end of the year if

(a) those paragraphs applied to partnerships in the same manner that they apply to corporations, and

(b) those amounts were computed without reference to amounts owing by the partnership

(i) to any corporation that held a membership interest in the partnership either directly or indirectly through another partnership, or

(ii) to any partnership in which a corporation described in subparagraph (i) held a membership interest either directly or indirectly through another partnership,

B is the partnership's deferred unrealized foreign exchange losses at the end of the period,

C is the share of the partnership's income or loss for the period to which the corporation is entitled either directly or indirectly through another partnership, and

D is the partnership's income or loss for the period

**(2) Paragraph 181.2(4)(d.1) of the Act is replaced by the following:**

(d.1) a loan or advance to, or a bond, debenture, note, mortgage, hypothecary claim or similar obligation of, a partnership each member of which was, throughout the year,

(i) another corporation (other than a financial institution) that was not exempt from tax under this Part (otherwise than because of paragraph 181.1(3)(d)), or

(ii) another partnership described in this paragraph,

**(3) Subsection (1) applies to the 2012 and subsequent taxation years.**

**(4) Subsection (2) applies to the 2004 and subsequent taxation years.**

**51. (1) Paragraph 190.1(3)(a) of the Act is replaced by the following:**

(a) the corporation's tax payable under Part I for the year; and

**(2) The definition "unused Part I tax credit" in subsection 190.1(5) of the Act is replaced by the following:**

"unused Part I  
tax credit"  
« crédit  
d'impôt de la  
partie I  
inutilisé »

"unused Part I tax credit", of a corporation for a taxation year, means the amount, if any, by which

(a) the corporation's tax payable under Part I for the year

exceeds

(b) the amount that would, but for subsection (3), be its tax payable under this Part for the year;

**(3) Subsections (1) and (2) apply to taxation years that begin after 2007.**

**52. (1) Section 190.16 of the Act and the heading before it are repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**53. The portion of subsection 227(8) of the Act before paragraph (a) is replaced by the following:**

Penalty

(8) Subject to subsection (9.5), every person who in a calendar year has failed to deduct or withhold any amount as required by subsection 153(1) or section 215 is liable to a penalty of

**54. Subsection 241(11) of the Act is replaced by the following:**

References to  
"this Act"

(11) The references in subsections (1), (3), (4) and (10) to "this Act" shall be read as references to "this Act or the *Federal-Provincial Fiscal Arrangements Act*".

**55. (1) The definition "eligible relocation" in subsection 248(1) of the Act is replaced by the following:**

"eligible  
relocation"  
« réinstalla-  
tion  
admissible »

"eligible relocation" means a relocation of a taxpayer in respect of which the following apply:

(a) the relocation occurs to enable the taxpayer

(i) to carry on a business or to be employed at a location (in section 62 and this definition referred to as "the new work location") that is, except if the taxpayer is absent from but resident in Canada, in Canada, or

(ii) to be a student in full-time attendance enrolled in a program at a post-secondary level at a location of a university, college or other educational institution (in section 62 and in this definition referred to as "the new work location"),

(b) the taxpayer ordinarily resided before the relocation at a residence (in section 62 and this definition referred to as “the old residence”) and ordinarily resided after the relocation at a residence (in section 62 and this definition referred to as “the new residence”),

(c) except if the taxpayer is absent from but resident in Canada, both the old residence and the new residence are in Canada, and

(d) the distance between the old residence and the new work location is not less than 40 kilometres greater than the distance between the new residence and the new work location;

**(2) The portion of the definition “employee benefit plan” in subsection 248(1) of the Act before paragraph (a) is replaced by the following:**

“employee benefit plan”  
« régime de prestations aux employés »

“employee benefit plan” means an arrangement under which contributions are made by an employer or by any person with whom the employer does not deal at arm’s length to another person (in this Act referred to as the “custodian” of an employee benefit plan) and under which one or more payments are to be made to or for the benefit of employees or former employees of the employer or persons who do not deal at arm’s length with any such employee or former employee (other than a payment that, if section 6 were read without reference to subparagraph 6(1)(a)(ii) and paragraph 6(1)(g), would not be required to be included in computing the income of the recipient or of an employee or former employee), but does not include any portion of the arrangement that is

**(3) Paragraph (f) of the definition “short-term preferred share” in subsection 248(1) of the Act is replaced with the following:**

(f) if a share of the capital stock of a corporation was issued after December 15, 1987 and at the time the share was issued the existence of the corporation was, or there was an arrangement under which it could be, limited to a period that was within five years from the date of its issue, the share is deemed to be a short-term preferred share of the corporation unless the share is

(i) a grandfathered share and the arrangement is a written arrangement entered into before December 16, 1987, or

(ii) issued to an individual after April 14, 2005 under an agreement referred to in subsection 7(1), if when the individual last acquired a right under the agreement to acquire a share of the capital stock of the corporation, the existence of the corporation was not, and no arrangement was in effect under which it could be, limited to a period that was within five years from the date of that last acquisition,

**(4) Subsection (1) applies to taxation years that end after ANNOUNCEMENT DATE.**

**(5) Subsection (2) is deemed to have come into force on the day following ANNOUNCEMENT DATE.**

**(6) Subsection (3) applies to shares issued after April 14, 2005.**

**56. (1) Subsection 249(3) of the Act is replaced by the following:**

Deemed year  
end if fiscal  
period exceeds  
365 days

(3) If a fiscal period of a corporation exceeds 365 days and by reason thereof the corporation does not have a taxation year that ends in a particular calendar year, for the purposes of this Act,

(a) the corporation's first taxation year that would otherwise end in the immediately following calendar year is deemed to end on the last day of the particular calendar year and its next taxation year is deemed to commence on the first day of the immediately following calendar year; and

(b) the corporation's first fiscal period that would otherwise end in the immediately following calendar year is deemed to end on the last day of the particular calendar year and its next fiscal period is deemed to commence on the first day of the immediately following calendar year.

**(2) Subsection (1) applies to the 2012 and subsequent taxation years.**

**57. (1) The portion of paragraph 249.1(1)(b) of the Act that is after subparagraph (iii) is replaced by the following:**

after the end of the calendar year in which the period began unless, in the case of a business, the business is not carried on in Canada,

**(2) Subsection (1) applies to fiscal periods that begin after Royal Assent.**

#### INCOME TAX AMENDMENTS ACT, 2000

**58. (1) Subsection 80(27) of the *Income Tax Amendments Act, 2000* is replaced by the following:**

**(27) Subsection (17) applies to distributions made on or after March 16, 2001, except that for a distribution made after 2001 and before 2009 by a particular trust of property (in this subsection referred to as "distributed property"), paragraph 107(4.1)(b) of the Act, as enacted by subsection (17), is to be read without reference to its subparagraph (ii), if**

**(a) subsection 75(2) of the Act was not applicable in respect of the distributed property, or property for which it was substituted (in this subsection referred to as "substituted property"), at any time during which the distributed property or the substituted property was held by**

**(i) the particular trust,**

**(ii) a trust that made a disposition, to which subsection 107.4(3) of the Act applied, to the particular trust, or**

**(iii) a trust that made a disposition, to which subsection 107.4(3) of the Act applied, to a trust described by subparagraph (ii) or by this subparagraph; and**

**(b) the only property in respect of which subsection 75(2) of the Act was applicable at a time at which it was held by a trust described by paragraph (a) is a property that was held by the trust before 1989 at a time at which subsection 75(2) of the *Income Tax Act, R.S.C., 1952* was applicable in respect of the property.**

**(2) Subsection (1) is deemed to have come into force on June 14, 2001.**

INCOME TAX REGULATIONS

**59. (1) Paragraph 104(3)(e) of the *Income Tax Regulations* is replaced by the following:**

(e) the total amount of the payment and all other such payments received by the annuitant in respect of the home at or before the time of the payment does not exceed the dollar amount specified in paragraph (h) of the definition “regular eligible amount” in subsection 146.01(1) of the Act;

**(2) Subsection (1) is deemed to have come into force on January 28, 2009.**

**60. (1) The portion of subsection 229(1) of the Regulations before paragraph (a) is replaced by the following:**

**229.** (1) Every member, of a partnership that carries on a business in Canada at any time in a fiscal period of the partnership (other than a member that is, because of subsection 115.2(2) of the Act, not considered to be carrying on business in Canada at that time), or of a partnership that is at any time in a fiscal period of the partnership, a Canadian partnership or a SIFT partnership, shall make for that period an information return in prescribed form containing the following information:

**(2) Subsection (1) applies to fiscal periods that end after 2007.**

**61. (1) Subclause 304(1)(c)(iv)(B)(II) of the Regulations is replaced by the following:**

(II) if the holder is a trust

1. in the case of a specified trust, for the life of an individual referred to in paragraph 104(4)(a) of the Act who is entitled to receive all of the income of the trust that arose before the individual's death, or, in the case of a joint spousal or common-law partner trust, until the day of the later of the death of the individual and the death of the beneficiary under the trust who is the individual's spouse or common-law partner, and

2. in the case of a testamentary trust other than a specified trust, for the life of an individual who was entitled when the contract was first held to receive all of the income of the trust that arose before the individual's death,

**(2) Clauses 304(1)(c)(iv)(C) to (E) of the Regulations are replaced by the following:**

(C) if the annuity payments are to be made over a term that is guaranteed or fixed, the guaranteed or fixed term not exceed 91 years minus the age, when the contract was first held, in whole years of the following individual:

(I) if the holder is not a trust, the individual who is

1. in the case of a joint and last survivor annuity, the younger of the first holder and the survivor,

2. in the case of a contract that is held jointly, the younger of the first holders, and

3. in any other case, the first holder,

(II) if the holder is a specified trust, the individual who is

1. in the case of a joint and last survivor annuity held by a joint spousal or common-law partner trust, the younger of the individuals referred to in paragraph 104(4)(a) of the Act who are in combination entitled to receive all of the income of the trust that arose before the later of their deaths, and

2. in the case of an annuity that is not a joint and last survivor annuity, the individual referred to in paragraph 104(4)(a) of the Act who is entitled to receive all of the income of the trust that arose before the individual's death,

(III) if the holder is a testamentary trust other than a specified trust, the individual who was the youngest beneficiary under the trust when the contract was first held,

(D) no loans exist under the contract,

(E) the holder's rights under the contract not be disposed of otherwise than

(I) if the holder is an individual, on the holder's death,

(II) if the holder is a specified trust (other than a joint spousal or common-law partner trust), on the death of the individual referred to in paragraph 104(4)(a) of the Act who is entitled to receive all of the income of the trust that arose before the individual's death,

(III) if the holder is a specified trust that is a joint spousal or common-law partner trust, on the later of the deaths of the individuals referred to in paragraph 104(4)(a) of the Act who are in combination entitled to receive all of the income of the trust that arose before the later of their deaths, and

(IV) if the holder is a testamentary trust, other than a specified trust, and the contract was first held after Announcement Date, on the earlier of

1. the time at which the trust ceases to be a testamentary trust, and

2. the death of the individual referred to in subclause (B)(II) or (C)(III), as the case may be, in respect of the trust, and

(F) no payments be made out of the contract other than as permitted by this section,

**(3) Subsections (1) and (2) apply to the 2000 and subsequent taxation years, except that with regard to a contract held by a trust created by a taxpayer at a particular time in 2000 for the benefit of another individual, subclauses 304(1)(c)(iv)(B)(II) and (C)(II) of the Regulations, as enacted by subsections (1) and (2), are to be read without reference to "or common-law partner", unless because of an election made under section 144 of the *Modernization of Benefits and Obligations Act*, chapter 12 of the Statutes of**

**Canada, 2000, sections 130 to 142 of that Act apply at the particular time to the taxpayer and the other individual.**

**62. (1) Subparagraph 309(1)(e)(i) of the Regulations is replaced by the following:**

- (i) policy dividends or other distributions of the life insurer's income from its participating life insurance business, or

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**63. (1) The Regulations are amended by adding the following after section 309:**

**309.1** For the purpose of subparagraph 309(1)(e)(i), in computing a life insurer's income for a taxation year from its participating life insurance business carried on in Canada,

- (a) there shall be included the amount determined by the formula

$$A \times B/C$$

where

**A** is the insurer's gross Canadian life investment income (in this section as defined in subsection 2400(1)) for the year,

**B** is the total of

- (i) the insurer's mean maximum tax actuarial reserve (in this section as defined in subsection 2400(1)) for the year in respect of participating life insurance policies in Canada, and

- (ii) 1/2 of the total of

- (A) all amounts on deposit with the insurer as at the end of the year in respect of policies described in subparagraph (i), and

- (B) all amounts on deposit with the insurer as at the end of the immediately preceding taxation year in respect of policies described in subparagraph (i), and

**C** the total of all amounts, each of which is

- (i) the insurer's mean maximum tax actuarial reserve for the year in respect of a class of life insurance policies in Canada, or

- (ii) 1/2 of the total of

- (A) all amounts on deposit with the insurer as at the end of the year in respect of a class of policies described in subparagraph (i), and

- (B) all amounts on deposit with the insurer as at the end of the immediately preceding taxation year in respect of a class of policies described in subparagraph (i);

- (b) there shall be included

Income from  
participating  
life insurance  
businesses

- (i) the insurer's maximum tax actuarial reserve for the immediately preceding taxation year in respect of participating life insurance policies in Canada, and
  - (ii) the maximum amount deductible by the insurer under subparagraph 138(3)(a)(ii) of the Act in computing its income for the immediately preceding taxation year in respect of participating life insurance policies in Canada;
- (c) there shall not be included any amount in respect of the insurer's participating life insurance policies in Canada that was deducted under subparagraph 138(3)(a)(i) or (ii) of the Act in computing its income for the immediately preceding taxation year;
- (d) subject to paragraph (a),
- (i) there shall not be included any amount
    - (A) as a reserve that was deducted under paragraph 20(1)(l) of the Act in computing the insurer's income for the immediately preceding taxation year, or
    - (B) that was included in determining the insurer's gross Canadian life investment income for the year, and
  - (ii) no deduction shall be made in respect of any amount
    - (A) taken into account in determining the insurer's gross Canadian life investment income for the year, or
    - (B) deductible under paragraph 20(1)(l) of the Act in computing the insurer's income for the year;
- (e) there shall be deducted
- (i) the insurer's maximum tax actuarial reserve for the year in respect of participating life insurance policies in Canada, and
  - (ii) the maximum amount deductible by the insurer under subparagraph 138(3)(a)(ii) of the Act in computing its income for the year in respect of participating life insurance policies in Canada;
- (f) no deduction shall be made in respect of any amount deductible under subparagraph 138(3)(a)(iii) of the Act in computing the insurer's income for the year;
- (g) except as otherwise provided in paragraph (e), no deduction shall be made in respect of a reserve deductible under subparagraph 138(3)(a)(i) or (ii) of the Act in computing the insurer's income for the year; and
- (h) except as otherwise provided in this section, the provisions of the Act relating to the computation of income from a source shall apply.

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE except that if a taxpayer has deducted an amount under subparagraph 138(3)(a)(iv) of the Act, as it read in its application to the taxpayer's last taxation year that began on or before Announcement Date, in computing the taxpayer's income for that taxation year, then for the taxpayer's first taxation year that begins after AN-**



**NOUNCEMENT DATE paragraph 309.1(1)(b) of the Regulations, as enacted by subsection (1), is to be read as follows:**

(b) there shall be included

(i) the amount deducted by the insurer under subparagraph 138(3)(a)(iv) of the Act, as it read in its application to the insurer's last taxation year that began on or before Announcement Date, in computing its income for the immediately preceding taxation year,

(ii) the insurer's maximum tax actuarial reserve for the immediately preceding taxation year in respect of participating life insurance policies in Canada, and

(iii) the maximum amount deductible by the insurer under subparagraph 138(3)(a)(ii) of the Act in computing its income for the immediately preceding taxation year in respect of participating life insurance policies in Canada;

**64. (1) Paragraph 600(b) of the Regulations is replaced by the following:**

(b) subsections 13(4), (7.4) and (29), 14(6), 20(24), 44(1) and (6), 45(2) and (3), 50(1), 53(2.1), 56.4(13), 70(6.2), (9.01), (9.11), (9.21) and (9.31), 72(2), 73(1), 80.1(1), 82(3), 83(2), 104(14), 107(2.001), 143(2), 146.01(7), 146.02(7), 164(6) and (6.1), 184(3) and 256(9) of the Act;

**(2) Subsection (1) is deemed to have come into force on the day following ANNOUNCEMENT DATE.**

**65. (1) Subsection 1106(11) of the Regulations is replaced by the following:**

(11) For the purpose of the definition "assistance" in subsection 125.4(1) of the Act, "prescribed amount" means an amount paid or payable to a taxpayer under the License Fee Program of the Canada Media Fund.

**(2) Subsection (1) is deemed to have come into force on April 1, 2010.**

**66. (1) Subsection 1403(8) of the Regulations is replaced by the following:**

(8) Subsections (9) and (10) apply to an insurer if

(a) in a taxation year of the insurer, there has been a disposition to the insurer by another person with whom the insurer was dealing at arm's length in respect of which subsection 138(11.92) of the Act applied;

(b) as a result of the disposition, the insurer assumed obligations under life insurance policies (in this subsection and subsections (9) and (10) referred to as the "transferred policies") in respect of which an amount may be claimed by the insurer as a reserve under paragraph 1401(1)(c) for the taxation year;

(c) the amount (referred to in this subsection and subsections (9) and (10) as the "reserve deficiency") determined by the following formula is a positive amount:

$$(A - B) - C$$

where

A is the total of all amounts received or receivable by the insurer from the other person in respect of the transferred policies,

B is the total of all amounts paid or payable by the insurer to the other person in respect of commissions in respect of the amounts referred to in the description of A, and

C is the total of the maximum amounts that may be claimed by the insurer as a reserve under 1401(1)(c) (determined without reference to this subsection) in respect of the transferred policies for the taxation year; and

(d) the reserve deficiency can reasonably be attributed to the fact that the rates of interest, mortality or policy lapse used by the issuer of the transferred policies in determining the cash surrender values or premiums under the transferred policies are no longer reasonable in the circumstances.

(9) If this subsection applies to an insurer in respect of transferred policies for which there was a reserve deficiency, then, for the purposes of subsection (1) and subject to subsection (10),

(a) the insurer may make such revisions to the rates of interest, mortality or policy lapse used by the issuer of the transferred policies to eliminate all or any part of the reserve deficiency; and

(b) the revised rates are deemed to have been used by the issuer of the transferred policies in determining the cash surrender value or premiums under the policies.

(10) If, under subsection (9), an insurer has revised the rates of interest, mortality or policy lapse used by the issuer of transferred policies, the Minister may, for the purposes of subsection (1) and paragraph (9)(b), make further revisions to the revised rates to the extent that the insurer's revisions to those rates are not reasonable in the circumstances.

**(2) Subsection (1) applies to dispositions that occur after November 1999.**

**67. (1) Section 2402 of the Regulations and the heading before it are repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**68. (1) The heading before section 2404 and sections 2404 to 2409 of the Regulations are repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**69. (1) Part LXXXI of the Regulations is repealed.**

**(2) Subsection (1) applies to taxation years that begin after ANNOUNCEMENT DATE.**

**70. (1) Paragraph 8514(2.1)(a) of the Regulations is replaced by the following:**

(a) the plan contains no money purchase provision other than a money purchase provision under which each member account is allocated at a time (referred to in this paragraph as an "allocation time") an amount equal to that portion of the income, gains or losses, as

the case may be, earned or realized after the last allocation time, on all of the property held by the plan, that the fair market value of the property held by the plan in the member account at the allocation time is of the fair market value of all the property held by the plan at the allocation time;

**(2) Subsection (1) is deemed to have come into force on January 1, 2011.**

**71. (1) Section 8901 of the Regulations and the heading before it are repealed.**

**(2) Subsection (1) applies to fiscal periods that begin after Royal Assent.**

**PART 2**

**SALES AND EXCISE TAXES**

**EXCISE TAX ACT**

**72. Subsection 81.25(2) of the *Excise Tax Act* is repealed.**

**73. Subsection 81.29(3) of the Act is repealed.**

**74. (1) The Act is amended by adding the following after section 177:**

Collecting Body and Collective Societies

Meaning of  
"collective  
society"

**177.1** (1) In this section, "collective society" means a collective society, as defined in section 2 of the *Copyright Act*, that is a registrant.

*Copyright Act*  
expressions

(2) In this section, the expressions "collecting body", "eligible author", "eligible maker" and "eligible performer" have the same meanings as in section 79 of the *Copyright Act*.

Supply by  
collecting  
body or  
collective  
society

(3) If a collecting body or a collective society makes a taxable supply to a person that is an eligible author, eligible maker, eligible performer or a collective society and the supply includes a service of collecting or distributing the levy payable under section 82 of the *Copyright Act*, the value of the consideration for the supply is, for the purpose of determining tax payable in respect of the supply, deemed to be equal to the amount determined by the formula:

$$A - B$$

where

A is the value of that consideration as otherwise determined for the purposes of this Part;  
and

B is the part of the value of the consideration referred to in the description of A that is exclusively attributable to the service.

**(2) Subsection (1) is deemed to have come into force on March 19, 1998.**

**NEW HARMONIZED VALUE-ADDED TAX SYSTEM REGULATIONS, No. 2**

**75. Section 26 of the *New Harmonized Value-added Tax System Regulations, No. 2* is amended by adding the following in alphabetical order:**

“specified time”  
« *moment déterminé* »

“specified time” means in respect of a specified provincial input tax credit of a person that is attributable to tax in respect of a supply, importation or bringing into a province of a specified property or service that becomes payable by the person, that is paid by the person without having become payable or that would have become payable by the person if the rules described in paragraphs 29(1)(a) to (g) applied in respect of that supply, importation or bringing in or if subsection 29(2) applied in respect of that bringing in,

(a) in the case where that tax would have only become payable by the person if the rules described in paragraphs 29(1)(a) to (g) applied in respect of that supply, importation or bringing in or if subsection 29(2) applied in respect of that bringing in, the day on which that tax would have become payable by the person; and

(b) in any other case, the earlier of

(i) the day on which that tax becomes payable by the person, and

(ii) the day that is the later of July 1, 2010 and the day on which that tax is paid by the person.

**76. Subsection 27(11) of the Regulations is replaced by the following:**

Ceasing to be a large business  
— addition

(11) For the purposes of the definition “large business” in subsection 236.01(1) of the Act, a person is a prescribed person at the time prescribed by section 30 or 32 in respect of a specified provincial input tax credit of the person in respect of a specified property or service if the person ceased to be a large business

(a) before that time; and

(b) after

(i) in the case of a qualifying motor vehicle in respect of which section 32 applies, the time when the person first uses the qualifying motor vehicle otherwise than exclusively for the purpose referred to in subparagraph 28(2)(g)(i), and

(ii) in any other case, the specified time in respect of the specified provincial input tax credit.

**77. (1) The portion of section 30 of the Regulations before paragraph (a) is replaced by the following:**

Prescribed time

**30.** If a person acquires or imports a specified property or service or brings it into a specified province and tax under subsection 165(2) or section 212.1 or 218.1 of the Act or Division IV.1 of Part IX of the Act in respect of the supply, importation or bringing in becomes payable by the person, is paid by the person without having become payable or would have become payable by the person if the rules described in paragraphs 29(1)(a) to (g) applied in respect of that supply, importation or bringing in or if subsection 29(2) applied in respect of that bringing in, for the purposes of subsection 236.01(2) of the Act, the prescribed time in respect of a specified provincial input tax credit of the person in respect of the specified property or service is

**(2) Paragraphs 30(c) and (d) of the Regulations are replaced by the following:**

(c) in the case where that tax would have only become payable by the person if the rules described in paragraphs 29(1)(a) to (g) applied in respect of that supply, importation or bringing in or if subsection 29(2) applied in respect of that bringing in, the day that is

(i) the particular day on which that tax would have become payable by the person if

(A) the reporting period of the person is a fiscal year,

(B) the reporting period of the person is a fiscal quarter and either

(I) the particular day is in a fiscal month that is not the last fiscal month of the fiscal quarter, or

(II) the particular day is in the last fiscal month of the fiscal quarter and the person has added an amount to its net tax in respect of the specified provincial input tax credit for the reporting period of the person that includes the particular day, or

(C) the reporting period of the person is a fiscal month and the person has added an amount to its net tax in respect of the specified provincial input tax credit for the reporting period of the person that includes the particular day, and

(ii) otherwise, the first day of the reporting period following the reporting period that includes the day on which that tax would have become payable by the person; and

(d) in any other case, the earlier of

(i) the day that is

(A) the particular day on which that tax becomes payable by the person if

(I) an input tax credit in respect of that tax is claimed in the return under Division V of Part IX of the Act filed for the reporting period that includes that particular day,

(II) the reporting period of the person is a fiscal year,

(III) the reporting period of the person is a fiscal quarter and either

1. the particular day is in a fiscal month that is not the last fiscal month of the fiscal quarter, or

2. the particular day is in the last fiscal month of the fiscal quarter and the person has added an amount to its net tax in respect of the specified provincial input tax credit for the reporting period of the person that includes the particular day, or

(IV) the reporting period of the person is a fiscal month and the person has added an amount to its net tax in respect of the specified provincial input tax credit for the reporting period of the person that includes the particular day, and

(B) otherwise, the first day of the reporting period following the reporting period that includes the day on which that tax becomes payable by the person; and

(ii) the day that is the later of July 1, 2010 and

(A) the particular day on which that tax is paid by the person if

- (I) an input tax credit in respect of that tax is claimed in the return under Division V of Part IX of the Act filed for the reporting period that includes that day,
- (II) the reporting period of the person is a fiscal year,
- (III) the reporting period of the person is a fiscal quarter and either
  1. the particular day is in a fiscal month that is not the last fiscal month of the fiscal quarter, or
  2. the particular day is in the last fiscal month of the fiscal quarter and the person has added an amount to its net tax in respect of the specified provincial input tax credit for the reporting period of the person that includes the particular day, or
- (IV) the reporting period of the person is a fiscal month and the person has added an amount to its net tax in respect of the specified provincial input tax credit for the reporting period of the person that includes the particular day, and
- (B) otherwise, the first day of the reporting period following the reporting period that includes the day on which that tax is paid by the person.

**78. (1) The description of B in subsection 31(2) of the Regulations is replaced by the following:**

B is the recapture rate applicable at the specified time in respect of the specified provincial input tax credit.

**(2) The description of B in subsection 31(3) of the Regulations is replaced by the following:**

B is the recapture rate applicable at the specified time in respect of the specified provincial input tax credit.

**(3) The description of B in subsection 31(4) of the Regulations is replaced by the following:**

B is the recapture rate applicable at the specified time in respect of the specified provincial input tax credit.

**(4) The description of B in subsection 31(5) of the Regulations is replaced by the following:**

B is the recapture rate applicable at the specified time in respect of the specified provincial input tax credit.

**79. Sections 75 to 78 apply in respect of any reporting period of a person that ends on or after July 1, 2010.**

