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1987

Form 1987

# Notice of Ways and Means Motion to Amend the Income Tax Act

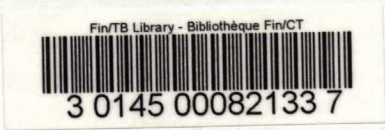
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December 1987

Canada

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Tax Reform 1987

# Notice of Ways and Means Motion to Amend the Income Tax Act

December 1987

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NOTICE OF WAYS AND MEANS MOTION  
INCOME TAX

That it is expedient to amend the Income Tax Act to provide among other things:

PERSONAL INCOME TAX

TAX RATES - INDIVIDUALS

(1) That for the 1988 and subsequent taxation years, the tax payable for a taxation year under section 117 of the Act by an individual, other than an inter vivos trust, be computed as proposed in the White Paper on Tax Reform at the following rates:

- (a) 17% on the first \$27,500 of the amount taxable,
- (b) 26% on the next \$27,500 of the amount taxable, and
- (c) 29% on that portion of the amount taxable that exceeds \$55,000,

and commencing with the 1989 taxation year, the dollar amounts referred to above be adjusted by reference to the annual increase in the Consumer Price Index in excess of 3%.

TAX RATE - INTER VIVOS TRUSTS

(2) That for the 1988 and subsequent taxation years, the tax payable for a taxation year by an inter vivos trust under section 122 of the Act be 29% of its amount taxable.

PERSONAL TAX CREDITS

- (3) That for the 1988 and subsequent taxation years,
  - (a) the personal exemptions and the disability deduction be eliminated and non-refundable credits of the following amounts be substituted therefor:

Basic personal credit	\$1,020
Married credit	\$850
Equivalent-to-married credit for a dependant who is under age 18 at any time in the year, the taxpayer's parent or grandparent or an infirm person related to the taxpayer	\$850
Dependants under age 18 at any time in year:	
- for each of the first two such dependants	\$65
- for each additional such dependant	\$130
Infirm dependants age 19 or over at any time in the year	\$250
Age credit	\$550
Disability credit	\$550

(b) the income threshold above which the credits are reduced be \$500 with respect to a spouse or dependant in respect of whom the married or the equivalent-to-married credit is claimed and \$2,500 with respect to any other dependant,

and commencing with the 1989 taxation year, the dollar amounts referred to in this paragraph be adjusted by reference to the annual increase in the Consumer Price Index in excess of 3%.

#### REFUNDABLE CHILD TAX CREDIT

(4) That the provisions relating to the refundable child tax credit be amended to provide that,

(a) for the 1988 taxation year, the maximum credit in respect of an eligible child be increased to \$559,

(b) for the 1989 and subsequent taxation years, the amount of \$559 be adjusted by reference to the annual increase in the Consumer Price Index in excess of 3%, and

(c) for the 1988 and subsequent taxation years, "eligible child" of an individual for a year include a child in respect of whom the individual is entitled, at any time in the year or in January of the following year, to receive a family allowance under the Family Allowances Act, 1973.



## MISCELLANEOUS TAX CREDITS

(5) That for the 1988 and subsequent taxation years, the following deductions for individuals be converted to non-refundable credits of the following amounts:

Pension income	17% (maximum of \$170) of eligible pension income
Tuition fees	17% of eligible tuition fees paid in a calendar year to a post-secondary or certified institution
Education	\$10 per month for full-time attendance at a designated educational institution
Medical expense	17% of the amount by which eligible medical expenses exceeds the lesser of \$1,500 and 3% of net income
Charitable donations (maximum of 20% of net income), gifts to the Crown, gifts of cultural property to institutions	17% of the first \$250 thereof and 29% of the excess
CPP/QPP contributions and UI premiums	17% of the amount payable in respect of the individual

## TRANSFER OF TAX CREDITS

(6) That for the 1988 and subsequent taxation years,

(a) the unused portion of an individual's disability credit for the year be transferable to the individual's spouse or supporting parent or grandparent or to a person who is the individual's child or grandchild and who is entitled to an equivalent-to-married credit for the year in respect of the individual or would have been so entitled had the person not been married and had the individual no income for the year,

(b) the unused portion of an individual's age and pension income credits be transferable to the individual's spouse, and

(c) in respect of the aggregate of an individual's tuition fee and education credits, the amount by which the lesser of such credits and \$600 exceeds the amount deductible by the individual in respect thereof be transferable to the individual's spouse or supporting parent or grandparent.

#### FAMILY ALLOWANCES

(7) That for the 1988 and subsequent taxation years, family allowances received in a year be required to be included in the income of the spouse with the higher income for the year, except in the case of spouses living separate and apart at the end of the year as a result of a marriage breakdown, and only the person required to so include such allowances in respect of a child be allowed the dependent credit in respect of that child.

#### FEDERAL SALES TAX CREDIT

(8) That for the 1988 and subsequent taxation years,

(a) the maximum amount of the refundable federal sales tax credit be increased to \$70 in respect of eligible individuals and to \$35 in respect of each dependent child under 18 years of age at any time in the year,

(b) the definition "eligible individual" for the purposes of the credit be amended to exclude an individual, other than one who is married or a parent supporting and maintaining a child, who was under age 18 at any time in the year, and

(c) the income threshold for the purposes of the credit be increased to \$16,000.

#### FORWARD AVERAGING

(9) That for the 1988 and subsequent taxation years, forward averaging cease to be permitted and a transitional rule be introduced to allow amounts forward-averaged before 1988 to be included in taxable income before 1998, as proposed in the White Paper on Tax Reform.

#### BLOCK AVERAGING

(10) That block averaging cease to apply for five-year blocks that commence after 1987, as proposed in the White Paper on Tax Reform.

### MINIMUM TAX

(11) That for the 1987 and subsequent taxation years, the minimum tax not apply to an individual for the year in which he dies and the provisions relating to the three-year carryback of the minimum tax on death be repealed.

### EMPLOYMENT EXPENSE DEDUCTION

(12) That for the 1988 and subsequent taxation years, the employment expense deduction be eliminated, as proposed in the White Paper on Tax Reform.

### EMPLOYEE-OWNED MUSICAL INSTRUMENTS

(13) That for the 1988 and subsequent taxation years, employed musicians be allowed to claim capital cost allowance on their musical instruments used in their employment and be allowed a deduction for expenses relating to the maintenance and insurance of such instruments, as proposed in the White Paper on Tax Reform.

### EMPLOYER-PROVIDED AUTOMOBILES

(14) That for the 1988 and subsequent taxation years, the calculation of the standby charge required to be included in income in respect of an employer-provided automobile be altered, as proposed in the White Paper on Tax Reform,

(a) to eliminate the special reduction in the standby charge where the personal use of the automobile is less than 1,000 kilometres per month, and

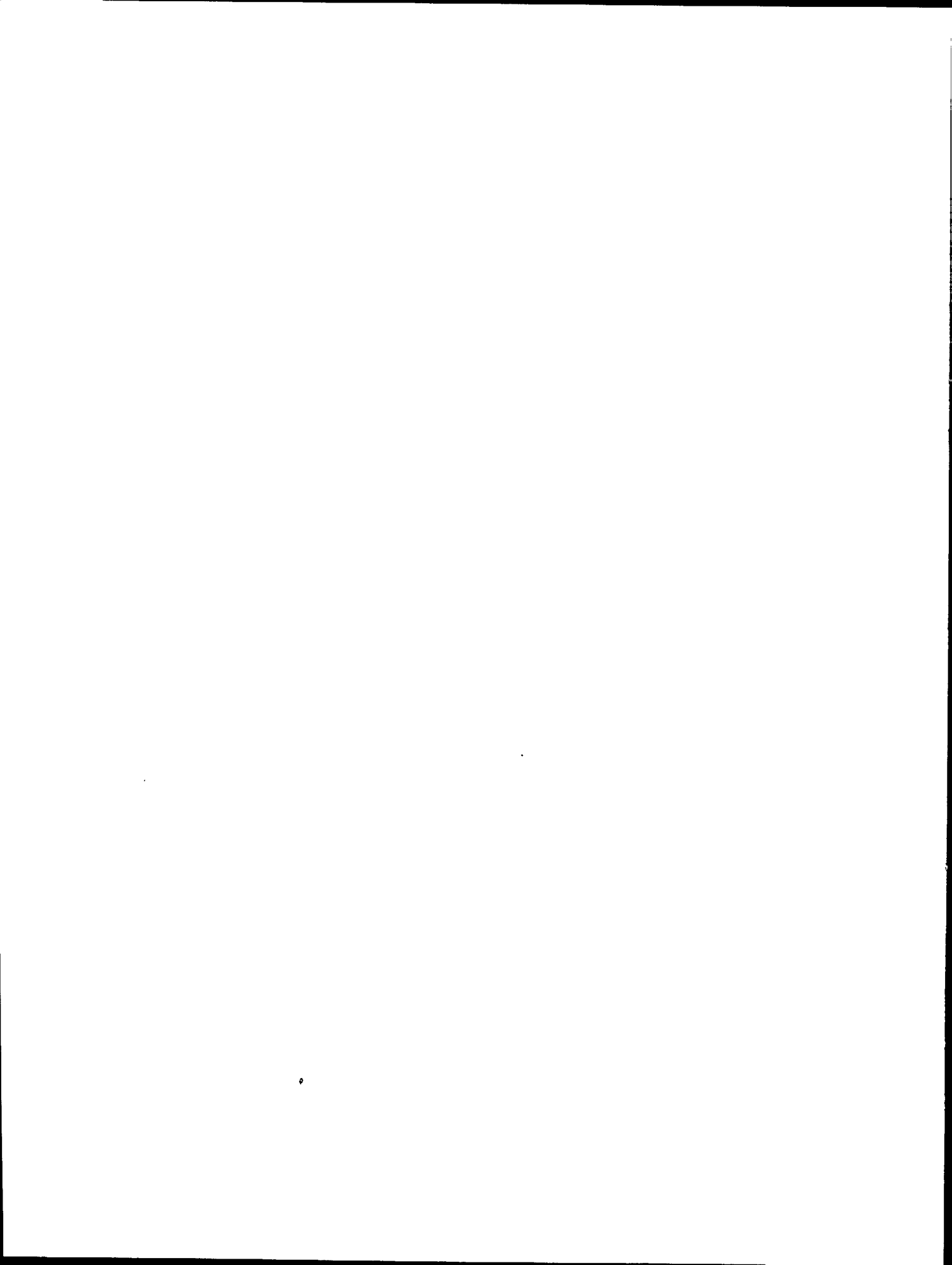
(b) to permit the election to include in income an additional one-half of the standby charge in respect of employer-paid operating expenses in lieu of itemizing these expenses only where the vehicle is used primarily in the performance of employment duties.

### INVESTMENT INCOME DEDUCTION

(15) That for the 1988 and subsequent taxation years, the \$1,000 investment income deduction be eliminated, as proposed in the White Paper on Tax Reform.

### TAXABLE DIVIDENDS

(16) That the amount of the gross-up in respect of taxable dividends included in an individual's income for taxation years ending after 1987 be reduced from 1/3 to 1/4 of taxable dividends received.



## CAPITAL GAINS

### CAPITAL GAINS INCLUSION RATE

(17) That the inclusion rate for capital gains and losses be increased, as proposed in the White Paper on Tax Reform,

(a) for individuals, to two-thirds for the 1988 and 1989 taxation years and to three-quarters for subsequent taxation years,

(b) for corporations that are Canadian-controlled private corporations throughout the taxation year, to two-thirds for the portion of any taxation year that is after 1987 and before 1990,

(c) for other corporations, to two-thirds for the portion of any taxation year that is after June 30, 1988 and before 1990,

(d) for all corporations, to three-quarters for the portion of any taxation year that is after 1989, and

(e) consequential or corresponding changes be made to other provisions of the Act, including the following:

- section 12.1 relating to the cash bonus on Canada Savings Bonds,
- subsections 13(7) and (21.1) relating to depreciable property,
- paragraph 20(1)(f) relating to discounts on debt obligations,
- paragraph 20(1)(z.1) relating to amounts paid on the cancellation of a lease,
- subsections 39(9) and (10) relating to the computation of the business investment loss of an individual (including a trust),
- subsection 41(1) relating to listed personal property,
- paragraphs 110(1)(d) to (d.3) relating to employee stock options, prospector's and grubstaker's shares and employer shares received out of a deferred profit sharing plan,

- section 110.6 relating to the capital gains exemption,
- paragraph 111(1)(b) to adjust the amount of net capital loss carryovers for deduction in a year with a different inclusion rate for capital gains,
- section 116 to change all references to 25% to 30% for 1988 and 1989 and to 33 1/3% for subsequent years as they relate to payments of tax on dispositions of property by non-residents,
- section 127.52 relating to the determination of adjusted taxable income for minimum tax purposes,
- section 130.1 relating to the capital gains of mortgage investment corporations, and
- paragraph 133(1)(d) relating to the capital gains of non-resident-owned investment corporations.

#### CAPITAL GAINS EXEMPTION - GENERAL

(18) That for the 1988 and subsequent taxation years, the maximum cumulative capital gains exemption be limited to \$100,000 of capital gains realized on the disposition of any property other than qualified farm property or shares of small business corporations, as proposed in the White Paper on Tax Reform.

#### CAPITAL GAINS EXEMPTION - QUALIFIED FARM PROPERTY

(19) That for the 1988 and subsequent taxation years, for the purposes of the cumulative capital gains exemption, the definition of "qualified farm property" of an individual be amended to include any such property that was owned by a family farm partnership of the individual or his spouse or that was used by a parent of the individual and be amended to exclude real property acquired by an individual or a family farm partnership of the individual after June 17, 1987 otherwise than pursuant to an agreement in writing entered into on or before that date unless, for at least 24 months immediately before its disposition, it was owned by the individual or a spouse, child, parent or family farm partnership of the individual and, before its disposition and while it was so owned,

- (a) in at least two calendar years, the gross revenue of the individual, spouse, child or parent of the individual for a fiscal period ending in the year from the farming business in which the property was used, and in which such

person was actively engaged on a regular and continuous basis, exceeded the net income of such person from all other sources in the year, or

(b) throughout a period of at least 24 months, the property was used by a family farm partnership or family farm corporation of the individual or of the spouse, child or parent of the individual in the course of carrying on the business of farming in Canada and in which such person was actively engaged on a regular and continuous basis.

CAPITAL GAINS EXEMPTION - SMALL BUSINESS CORPORATION SHARES

(20) That for the 1988 and subsequent taxation years, a capital gain of an individual resident in Canada, other than a trust, from the disposition after June 17, 1987 of shares of a small business corporation be eligible for a lifetime cumulative capital gains exemption of the amount, if any, by which \$500,000 exceeds all capital gains in respect of which the individual claimed the capital gains exemption, provided that

(a) such shares, or shares for which they were substituted, were not held by anyone other than the individual or persons related to him throughout the 24-month period immediately preceding the disposition, and

(b) throughout the required holding period more than 50% of the value of the assets of the corporation were used in an active business carried on primarily in Canada by the corporation or a corporation related to it, and for this purpose, the shares and debt of connected corporations held by a holding corporation shall be considered to have been used in an active business carried on by the holding corporation primarily in Canada if, throughout the 24-month period preceding the disposition, no person other than the holding corporation or persons related to it owned those shares and, throughout such part of that period in which the shares were held by the holding corporation or persons related to it, the connected corporations were small business corporations,

and for the purposes of this exemption, the Act shall be read without reference to paragraph 251(5)(b) thereof in respect of an agreement of purchase and sale of shares of a corporation and an individual shall be deemed to have disposed of shares that are identical properties in the order in which he acquired them.

## CAPITAL GAINS EXEMPTION - OPTIONS

(21) That subsection 110.6(10) of the Act, which denies the lifetime capital gains exemption for capital gains realized on the extension or renewal of an option to acquire property, not apply to the extension or renewal of an option to acquire qualified farm property, effective for the 1985 and subsequent taxation years, and be repealed, effective for the 1988 and subsequent taxation years.

## CAPITAL GAINS RESERVES

(22) That for the 1988 and subsequent taxation years, amounts included in an individual's income in respect of capital gains reserves relating to property disposed of after 1984 qualify for the lifetime capital gains exemption.

## DECEASED TAXPAYER - CAPITAL GAINS RESERVES

(23) That capital gains included in the income of a deceased taxpayer's spouse after 1987 as a result of the estate of the deceased taxpayer making an election under subsection 72(2) of the Act be eligible for the lifetime capital gains exemption.

## OPTIONS

(24) That the rules in subsections 49(3) and (4) of the Act relating to options to acquire property be extended to apply to individuals with respect to options exercised after 1987.

## CUMULATIVE NET INVESTMENT LOSS

(25) That for the 1988 and subsequent taxation years, for the purposes of the lifetime capital gains exemption,

(a) a taxpayer's cumulative gains limit at the end of a taxation year be reduced by his cumulative net investment loss at the end of that year, and for this purpose a taxpayer's cumulative net investment loss at the end of a year be defined as the amount by which the aggregate of his investment expense for years ending after 1987 exceeds the aggregate of his investment income for years ending after 1987,

(b) a taxpayer's investment expense for a taxation year be defined to include the following items that are deducted in computing his income for the year:

- deductions, including interest, with respect to property acquired for the purposes of earning interest, dividends, rent or other income from



property, but excluding capital cost allowances claimed for 1988 in respect of certified films and video tape productions acquired before 1988,

- carrying charges, including interest, with respect to an interest in, or a contribution to, a partnership or co-ownership arrangement where the taxpayer is not actively engaged on a regular and continuous basis in its business, or a limited partnership,
- the taxpayer's share of a loss of any co-ownership arrangement or partnership referred to above,
- 50% of the taxpayer's share of Canadian exploration and certain other resource expenditures that are attributed to a resource flow-through share or were incurred by a partnership or co-ownership arrangement where the taxpayer is not actively engaged on a regular and continuous basis in its business or by a limited partnership, and
- any loss from the renting or leasing of real property owned by the taxpayer or a partnership, not otherwise included in his investment expense, and

(c) a taxpayer's investment income for a taxation year be defined to include the following items that are included in computing his income for the year in respect of:

- interest, taxable dividends and other income from property,
- the taxpayer's share of the income from a partnership or co-ownership arrangement where the taxpayer is not actively engaged on a regular and continuous basis in its business or from a limited partnership, and
- income from the renting or leasing of real property owned by the taxpayer or a partnership not otherwise included in his investment income.



## BUSINESS AND CORPORATIONS

### PASSENGER VEHICLES

(26) That for each taxation year and fiscal period ("year") commencing after June 17, 1987 and ending after 1987,

(a) the depreciable capital cost of a passenger vehicle acquired after June 17, 1987, other than one acquired pursuant to an obligation in writing entered into before June 18, 1987, be limited to \$20,000,

(b) the depreciable capital cost of a passenger vehicle acquired by a taxpayer after June 17, 1987 from a person with whom the taxpayer was not dealing at arm's length be limited to the undepreciated capital cost to that person of the vehicle immediately before it was acquired by the taxpayer where this paragraph applied in determining the depreciable capital cost of the vehicle to that person,

(c) the amount deductible in respect of interest on indebtedness relating to the acquisition of a passenger vehicle after June 17, 1987 not exceed \$250 multiplied by the number of months in the year in respect of which it was paid or payable,

(d) the provisions of the Act relating to depreciation recapture and terminal losses not apply in respect of passenger vehicles to which the limitation in subparagraph (a) or (b) applies, and

(e) the amount deductible in respect of amounts paid or payable for the lease of a passenger vehicle, where the lease agreement was entered into, extended or renewed after June 17, 1987, be restricted to the lesser of

(i) the product obtained when the lesser of the actual monthly lease charge and \$600 is multiplied by the number of months in the year included in the leasing period, and

(ii) that proportion (not exceeding one) of the actual lease charges for the year that \$20,000 is of 85% of the manufacturer's suggested list price (including provincial sales tax),

and for this purpose, "passenger vehicle" means an automobile, a station wagon, a passenger van or a similar motor vehicle designed to carry not more than nine persons but does not include an ambulance,

a vehicle acquired primarily for use as a taxi or in connection with funerals, a vehicle acquired for hire in the course of a car rental or leasing business or a specially equipped van or pick-up truck acquired primarily for the transportation of goods and equipment.

#### MOTOR VEHICLE EXPENSES

(27) That for each taxation year and fiscal period ("year") commencing after June 17, 1987 and ending after 1987, the maximum deduction in computing an individual's income for the year in respect of motor vehicle costs be limited to that proportion of the aggregate of

(a) the fuel, maintenance and repair costs for the year relating to the vehicle, and

(b) the amount determined by multiplying the licensing and insurance fees, allowable interest charges, capital cost allowance otherwise available and leasing expenses by the percentage, not exceeding 100%, that the number of kilometres travelled for business or employment use of the vehicle for the year is of the lesser of

(i) 2,000 kilometres multiplied by the number of months in the year during which the vehicle is so used, and

(ii) the total number of kilometres travelled in the year during which the vehicle is used

that the use of the vehicle for business or employment purposes is of the total use of the vehicle, determined by reference to distance travelled in the year.

#### AUTOMOBILE ALLOWANCES

(28) That the maximum deduction allowed to a payor with respect to allowances paid for the use after 1987 by a taxpayer of an automobile in the course of his employment or business be restricted to a prescribed amount per kilometre - 21 cents (25 cents in the Yukon and Northwest Territories) for 1988.

#### HOME OFFICE EXPENSES

(29) That for fiscal periods commencing after 1987, the costs relating to a place of business in an establishment in which a self-employed individual resides be deductible, as proposed in the White Paper on Tax Reform, only to the extent of his income for the

period from the business and only where the place of business is used exclusively by the individual on a regular and continuous basis to earn business income and is either

- (a) the individual's principal place of business, or
- (b) used by the individual on a regular basis for meeting clients, customers or patients.

#### BUSINESS MEALS AND ENTERTAINMENT COSTS

(30) That the amount deductible in respect of food, beverage and entertainment for consumption or enjoyment after 1987 (other than costs incurred before June 18, 1987 and those excluded costs identified in the White Paper on Tax Reform) be limited to 80% of the amount otherwise deductible.

#### CARRYING CHARGES ON LAND

(31) That after 1987,

(a) where in the course of a business land is held, but not used, or land is held primarily for resale or development, interest and property taxes relating to a period after December 31, 1987 with respect to the land not be deductible in computing income for a taxation year to the extent that the total amount thereof exceeds the aggregate of

(i) any income otherwise determined from the land in the year, and

(ii) the product obtained when one million dollars (or a prorated portion thereof for taxation years of less than 12 months and corporations within a related group) is multiplied by a prescribed rate of interest

except that, for the 1988, 1989, 1990 and 1991 calendar years, 80%, 60%, 40% and 20%, respectively, of such excess shall remain deductible, and for this purpose the percentages will be prorated for any taxation year ending after 1988 that does not coincide with the calendar year, and

(b) any interest or property taxes the deduction of which is denied by virtue of subparagraph (a) be included in computing the cost of the land.

### CONSTRUCTION PERIOD SOFT COSTS

(32) That, with respect to expenses incurred after June 17, 1987 relating to any period after 1987,

(a) the exemption for principal-business corporations and partnerships from the requirement that construction period soft costs be added to the cost of the land and building to which they relate, be phased out for such costs over the years 1988 to 1992 inclusive in the manner proposed in the White Paper on Tax Reform, and

(b) all soft costs the deduction of which is denied under subsection 18(3.1) of the Act be added to the cost of the building to which they relate.

### ISSUE EXPENSES

(33) That expenses incurred after 1987 in the course of issuing or selling shares, units of trusts or interests in partnerships and of borrowing money be deductible rateably over a five-year period and any undeducted balance of borrowing costs be deductible for the year in which the related indebtedness is finally repaid.

### CUMULATIVE ELIGIBLE CAPITAL

(34) That for fiscal periods commencing after June 30, 1988 for corporations and for fiscal periods commencing after 1987 for individuals and partnerships,

(a) the portion of eligible capital expenditures made in such periods to be added in computing cumulative eligible capital be increased to 3/4,

(b) the portion of amounts that become payable in such periods in respect of the disposition of eligible capital property to be deducted in computing cumulative eligible capital be increased to 3/4, and

(c) the maximum deduction allowed in computing income for such periods in respect of cumulative eligible capital be reduced to 7%,

and the amount of a taxpayer's cumulative eligible capital be increased by 1/2 at the beginning of the fiscal period in which the changes described in this paragraph come into effect.

### ELIGIBLE CAPITAL PROPERTY - DISPOSITIONS

(35) That for dispositions of eligible capital property after June 17, 1987, otherwise than pursuant to an agreement in writing entered into on or before that date, the proceeds of disposition be deemed to have become payable at the time of disposition.

### INVESTMENT TAX CREDIT - RATES

(36) That the specified percentages with respect to the investment tax credit be reduced to

- (a) 15% for qualified property acquired after 1988 for use in Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula or in a prescribed offshore region,
- (b) 30% for certified property acquired after 1988, and
- (c) 45% for approved project property acquired after 1988 for use in Cape Breton.

### INVESTMENT TAX CREDIT - LIMITS

(37) That for taxation years ending after 1987, the amount of investment tax credit deductible in computing tax otherwise payable under Part I of the Act ("federal tax") by a taxpayer in a taxation year be limited to,

- (a) in the case of a Canadian-controlled private corporation, the aggregate of the federal tax (other than surtax) for the year on its income eligible for the small business deduction and 3/4 of the federal tax for the year on its other income,
- (b) in the case of any other corporation, 3/4 of its federal tax for the year, and
- (c) in the case of any other taxpayer, the aggregate of \$24,000 and 3/4 of the taxpayer's federal tax for the year in excess of \$24,000,

and in the case of a taxation year commencing before 1988, these limits apply only to a prorated portion of the federal tax for the year based on the number of days in the year that are after 1987.

### INVESTMENT TAX CREDIT - R&D BUILDINGS

(38) That the investment tax credit provisions in respect of expenditures for scientific research and experimental development be amended to exclude from the definition "qualified expenditure"

(a) any capital expenditure made in respect of a building, including a leasehold interest therein, acquired by a taxpayer or a partnership ("purchaser") after 1987 (other than a prescribed special purpose building, a building acquired before 1990 pursuant to an obligation in writing entered into by the purchaser before June 18, 1987 or a building acquired before 1990 the construction of which was commenced before June 18, 1987 by or on behalf of the purchaser), and

(b) any rental expense incurred after 1987 pursuant to a lease renewed, extended or entered into after June 17, 1987 for a building other than a prescribed special purpose building,

and any amount so excluded from that definition be denied treatment as an expenditure in respect of scientific research and experimental development for the purposes of section 37 of the Act.

#### INVESTMENT TAX CREDIT - CARRY FORWARD

(39) That the carry-forward period for investment tax credits earned after April 19, 1983 be extended to ten taxation years.

#### INVESTMENT TAX CREDIT - BASIS REDUCTION

(40) That for taxation years ending after 1987, the capital cost of a depreciable property and the balance of the pool of scientific research and experimental development expenditures be reduced by the amount deducted in respect of the related investment tax credit in the taxation year following that for which the credit is claimed or allocated.

#### REFUNDABLE INVESTMENT TAX CREDIT

(41) That

(a) the refundability of a portion of a taxpayer's investment tax credit earned in a taxation year, as provided for in section 127.1 of the Act, be extended for taxation years ending after 1988 for expenditures made and property acquired by qualifying corporations, individuals and eligible trusts, and

(b) refundability be available to other taxpayers only for investment tax credits earned in respect of qualified Canadian exploration expenditures made in taxation years commencing before 1988 and in respect of other expenditures made, and property acquired, before 1988.



## RESEARCH AND DEVELOPMENT EXPENDITURES

(42) That payments made after December 15, 1987, by a taxpayer to

(a) a non-profit corporation described in paragraph 149(1)(j) of the Act, an approved research institute, or an approved association, with which the taxpayer does not deal at arm's length,

(b) a corporation, or

(c) an approved university, college, or organization

to be used for scientific research and experimental development (other than payments made pursuant to an agreement in writing entered into before December 16, 1987 to a person with whom the taxpayer deals at arm's length) not qualify as expenditures in respect of scientific research and experimental development, or as qualified expenditures for the purposes of calculating the taxpayer's investment tax credit,

(d) in the case of such a payment to a person described in subparagraph (a) or (b), to the extent that the amount of the payment may reasonably be considered to have been made to enable the recipient to acquire a building or a leasehold interest in a building, and

(e) in the case of a payment to a person described in subparagraph (c), to the extent that the amount of the payment may reasonably be considered to have been made to enable the recipient to acquire a building, or leasehold interest in a building, in which the taxpayer has, or may reasonably be expected to acquire, an interest.

## RESEARCH AND DEVELOPMENT FINANCING ARRANGEMENTS

(43) That, as proposed in amendments to the Act announced by the Minister of Finance on December 16, 1987, and subject to the transitional provisions described therein,

(a) expenditures made after December 15, 1987 on scientific research and experimental development be deductible only if they are related to a business carried on by the person making the expenditure,

(b) for fiscal periods ending after December 15, 1987, partnerships be required to deduct eligible expenditures on scientific research and experimental development in calculating income for the period in which the expenditures are made, and

(c) for fiscal periods ending after December 15, 1987, any partnership loss or investment tax credit attributable to an expenditure made by it on scientific research and experimental development be denied in the hands of any partner who is a limited partner or who is not actively engaged on a regular and continuous basis in the business carried on by the partnership.

#### RECAPTURED DEPLETION

(44) That the amount to be included in income under subsection 59(3.3) of the Act relating to the recapture of mining exploration and earned depletion be reduced to

(a) 16 2/3 per cent with respect to amounts that become receivable and properties disposed of after June 30, 1988, and

(b) nil with respect to amounts that become receivable and properties disposed of after 1989.

#### CANADIAN DEVELOPMENT EXPENSE

(45) That costs incurred by a taxpayer after 1987 in the construction or extension of a mine shaft, main haulage way or similar underground work designed for continuing use that was constructed or extended after the mine came into production be treated as Canadian development expense.

#### CANADIAN EXPLORATION EXPENSE

(46) That subsection 66(12.66) of the Act be amended to apply in respect of oil and gas exploration expenses described in subparagraph 66.1(6)(a)(i), (ii.1) or (iii) of the Act incurred under a flow-through share agreement within 60 days after the end of 1987 and subsequent calendar years.

#### RESOURCE LIMITED PARTNERSHIPS

(47) That for taxation years ending after June 17, 1987, the following rules relating to Canadian exploration expense and other resource expenditures apply with respect to a taxpayer's interest (other than an exempt interest) as a limited partner as defined in the Act:

(a) the taxpayer's share of such resource expenditures incurred by the partnership in its fiscal period ending in the year be limited to the amount by which his at-risk amount in respect of the partnership interest at the end of the period exceeds his share of the investment tax credit earned by the partnership in the period, and

(b) the taxpayer's share of such resource expenditures in excess of the amount determined in respect thereof under subparagraph (a) be included in calculating his share of resource expenditures incurred by the partnership in its following fiscal period,

and for this purpose "exempt interest" has the meaning assigned by subsection 96(2.5) of the Act except that the references therein to "February 26, 1986" shall be read as "June 18, 1987", to "February 25, 1986" shall be read as "June 17, 1987", to "June 12, 1986" shall be read as "June 18, 1987", and to "January 1, 1987" shall be read as "January 1, 1988" and the reference therein to "prospectus, preliminary prospectus or registration statement" shall be read as including a reference to an "offering memorandum or notice required to be filed before any distribution of securities may commence".

#### PROPERTY ACQUIRED

(48) That capital property, other than an interest in a certified production, acquired by a taxpayer after 1989 be deemed not to have been acquired for the purposes of the provisions of the Act relating to investment tax credits, capital cost allowance and scientific research and experimental development expenditures until the earlier of

(a) the taxation year in which the property becomes available for use by the taxpayer for the purpose of earning income from a business or property, and

(b) the day that is 24 months after the actual acquisition of the property by the taxpayer or a person related to the taxpayer.



## CORPORATE INCOME TAX

### CORPORATE TAX RATES

- (49) That in respect of corporations,
- (a) the basic rate of federal tax, after the 10% provincial abatement, be reduced to 28% effective July 1, 1988,
  - (b) the basic rate of federal tax, after the 10% provincial abatement, payable by a Canadian-controlled private corporation on active business income eligible for the small business deduction be reduced to 12% effective July 1, 1988,
  - (c) the basic rate of federal tax, after the 10% provincial abatement, payable on Canadian manufacturing and processing profits (other than profits eligible for the small business deduction) be reduced to 26% effective July 1, 1988, 25% effective July 1, 1989, 24% effective July 1, 1990 and 23% effective July 1, 1991,
  - (d) the basic rate of federal tax, after the 10% provincial abatement, payable by an investment corporation on income other than capital gains or by a Canadian-controlled private corporation on investment income be reduced to 28% effective January 1, 1988, and
  - (e) the tax deduction provided under paragraph 125.1(1)(b) of the Act in respect of Canadian manufacturing and processing profits of a Canadian-controlled private corporation be eliminated effective July 1, 1988,

and that these changes in tax rates be prorated for those taxation years that straddle the effective dates of the change.

### REFUNDABLE DIVIDEND TAX

- (50) That
- (a) the refundable portion of Part I tax included in the refundable dividend tax on hand of Canadian-controlled private corporations and the special tax deduction provided to investment corporations be reduced to 1/5 of investment income earned after 1987,
  - (b) the dividend refund to private corporations be reduced to 1/4 of taxable dividends paid after 1987,

(c) the balance of the refundable dividend tax on hand of private corporations on December 31, 1987 be reduced by 1/4 of the amount otherwise determined, and

(d) the rate of tax under Part IV of the Act be reduced to 25% for taxable dividends received after 1987.

#### CAPITAL DIVIDENDS

(51) That

(a) for the 1988 and subsequent taxation years, the amount included in the capital dividend account of a corporation in respect of capital gains in excess of capital losses be reduced to reflect the proposed changes to the inclusion rate for capital gains, and

(b) a capital dividend paid before June 19, 1987 in respect of which an election was made before that date not be treated as an excessive dividend for the purposes of Part III of the Act to the extent that the dividend does not exceed the amount that would be the corporation's capital dividend account at the time the dividend was paid if that account were determined without reference to the change referred to in subparagraph (a).

#### YEAR-END CHANGES

(52) That an election be provided

(a) for a Canadian-controlled private corporation with a fiscal period that would include December 31, 1987 and otherwise end thereafter, to allow the fiscal period of the corporation to end on that date, and

(b) for any other private corporation with a fiscal period that would include June 30, 1988 and otherwise end thereafter, to allow the fiscal period of the corporation to end on that date,

and where such an election is made, the corporation be permitted to end its next fiscal period at any time in the subsequent 53 weeks.

## FINANCIAL INSTITUTIONS

### UNPAID CLAIMS

(53) That for taxation years commencing after June 17, 1987 and ending after 1987, the deduction in computing the income of insurance corporations in respect of claims under insurance policies of a particular class received before the end of a taxation year and unpaid at the end of the year be provided by way of a reserve the amount of which is determined on a present value basis as prescribed by regulation.

### OUTSTANDING DEBT TO SPECIFIED NON-RESIDENTS

(54) That for taxation years commencing after June 17, 1987 and ending after 1987, debts owing to a non-resident insurer by a corporation that it controls be excluded from the definition "outstanding debt to specified non-residents" in a taxation year for the purposes of the thin capitalization rules in subsections 18(4) to (6) of the Act where

(a) the non-resident insurer treats the debt as property used or held by it in the year in the course of carrying on an insurance business in Canada, and

(b) the gross investment revenue derived from the debt is included in the non-resident insurer's income from an insurance business carried on in Canada.

### ROLLOVERS

(55) That for dispositions of property occurring after 1986, the types of property eligible to be transferred on a rollover basis under section 85 of the Act to a taxable Canadian corporation be expanded to include a security or debt obligation used or held in the business of insurance or lending money.

### AMALGAMATIONS

(56) That the cost of property to a new corporation formed on an amalgamation after December 15, 1987 be deemed to be its cost amount to a predecessor corporation immediately before the amalgamation where that property is a security or debt obligation used or held in the business of insurance or lending money.

## AMALGAMATIONS

(57) That the new corporation formed on an amalgamation after December 15, 1987 of two or more predecessor corporations, including an insurance corporation, be deemed to be a continuation of each predecessor corporation for the purposes of sections 12, 20, 33, 138, 140 and 142 of the Act.

## WINDINGS-UP

(58) That rules be introduced to provide for the appropriate measurement of the income from an insurance business that is transferred by a subsidiary to its parent corporation on a winding-up commencing after December 15, 1987.

## ACCRUED POLICY DIVIDENDS

(59) That for taxation years commencing after June 17, 1987 and ending after 1987, the deduction in computing the income for a taxation year of a life insurer in respect of policy dividends to be paid in the following year be restricted to a prorated portion of such dividends that have accrued at the end of the year to or for the benefit of participating life insurance policyholders and, further, be denied to the extent that an amount in respect thereof has been included in the insurer's policy reserves for the year.

## POLICY RESERVES

(60) That for taxation years commencing after June 17, 1987 and ending after 1987, the deduction provided under subparagraph 138(3)(a)(i) of the Act in computing the income of a life insurer in respect of a policy reserve for life insurance policies of a particular class be computed using the 1 1/2 year preliminary term method.

## LAND AND BUILDINGS OF AN INSURER

(61) That, where in a taxation year commencing after June 17, 1987 and ending after 1987, a life insurer owns vacant land or renovates, alters or constructs a building owned by it, or during a period of renovation, alteration or construction of a building owns land that is subjacent to that building or land contiguous to such land that is held for use as a parking area, driveway, yard, garden or other use necessary in relation to the building, and the land or building is used by the insurer or held by it in the year in an insurance business carried on in Canada,

(a) a prescribed amount be included in computing the income of the insurer for the year in respect of the cost or capital cost of the land or building, and



(b) the prescribed amount to be included in income be computed using a prescribed interest rate and be included in computing the cost or capital cost to the insurer of the land or building,

and a rule be provided to prevent the avoidance of the application of this rule where the land or building is held by a designated corporation or a person or partnership that does not deal at arm's length with the insurer.

#### SUPERFICIAL LOSSES - INSURERS

(62) That where, in a taxation year commencing after June 17, 1987 and ending after 1987, a life insurer disposes of an investment property other than a capital property and the insurer or a person or partnership with whom it does not deal at arm's length acquires the same or an identical property during the period commencing 30 days before and ending 30 days after the disposition and owns that same or identical property at the end of that period, the amount of any loss sustained on the disposition of the investment property

(a) not be deductible by the insurer in computing its income for the year, and

(b) be added in computing the cost of the acquired property.

#### INVESTMENT INCOME OF INSURERS

(63) That for taxation years commencing after June 17, 1987 and ending after 1987, a resident multi-national life insurance corporation and a non-resident insurance corporation be required to include in computing its income for a taxation year from an insurance business carried on in Canada the aggregate of

(a) its gross investment revenue from property used or held by it in the year in the course of carrying on an insurance business in Canada, and

(b) such additional amount as is prescribed in respect of the minimum amount of net investment revenue required to be reported as net investment income for the year attributable to its insurance business carried on in Canada.

#### CHANGE-IN-USE OF PROPERTY

(64) That for taxation years commencing after June 17, 1987 and ending after 1987, the change-of-use rules in subsection 138(11.3) of the Act apply where any debt obligation acquired by a life insurer for

use in a life insurance business in Canada is later used in another insurance business carried on in Canada and vice versa, but the recognition of any gain on such property be deferred to the year in which the property is actually disposed of or transferred to a business carried on outside Canada.

#### INCORPORATION OF A BRANCH

(65) That the rules relating to the transfer to a corporation of an insurance business carried on in Canada by a non-resident insurer be amended for transfers after December 15, 1987 to allow for the rollover of reserves, to provide for the appropriate measurement of the investment revenues and to correct other technical deficiencies.

#### COMMENCING AN INSURANCE BUSINESS IN CANADA

(66) That for taxation years commencing after June 17, 1987 and ending after 1987, a non-resident life insurer be deemed to have had a preceding taxation year in which it claimed the maximum allowable policy reserve and unpaid claims reserve for the purpose of computing its income for the taxation year in which it commences to carry on an insurance business in Canada.

#### SALE OF AN INSURANCE BUSINESS

(67) That, in respect of the disposition after December 15, 1987 of an insurance business carried on in Canada, rules be provided to correct technical deficiencies relating to the measurement of the income of both the purchaser and vendor.

#### CANADA SECURITIES

(68) That for taxation years commencing after June 17, 1987 and ending after 1987, where an insurer has acquired property as a consequence of another person's failure to pay an amount owing in respect of a Canada security,

(a) the principal amount of the insurer's claim and any debt owing by the other person that has been extinguished as a consequence of the acquisition be included in the other person's proceeds of disposition of the property,

(b) any amount paid in respect of the insurer's claim by the other person after the acquisition be deemed to be a loss of that other person,

(c) the insurer be deemed to have acquired the property at its fair market value and to have disposed of the security for proceeds equal to that value,

(d) the insurer's claim be deemed to have a cost amount to the insurer of nil and to be a Canada security, and

(e) the insurer not be entitled to claim any further reserve for doubtful debts in respect of the security.

#### POLICY LOAN

(69) That for taxation years commencing after June 17, 1987 and ending after 1987, the full amount advanced by a life insurer to a policyholder in accordance with the terms and conditions of a life insurance policy in Canada be deemed to be a policy loan.

#### AMOUNTS CREDITED TO POLICYHOLDERS

(70) That

(a) for taxation years commencing after June 17, 1987 and ending after 1987, the deduction under section 140 of the Act in respect of a dividend, premium refund or refund of premium deposit be restricted to the amount paid to a policyholder or applied to discharge his premium liability during the year or within 12 months thereafter, and

(b) an insurer be required to include, in computing its income for its first taxation year commencing after 1987, all amounts deducted by virtue of paragraph 140(c) of the Act for preceding taxation years that had not been so paid or applied before the commencement of that first taxation year.

#### BENEVOLENT OR FRATERNAL SOCIETY

(71) That for taxation years commencing after June 17, 1987 and ending after 1987, for greater certainty the exemption for a benevolent or fraternal society under subsection 149(1) of the Act not apply to its taxable income from the sale of property used or held by it in carrying on a life insurance business in Canada.

#### PART XIV TAX

(72) That the provisions of section 219 of the Act relating to the cessation by a non-resident insurer of its insurance businesses carried on in Canada be amended for cessations after 1987 to apply on the cessation of each such business and to correct other technical deficiencies.

### GROUP TERM INSURANCE POLICY

(73) That the definition "group term life insurance policy" be amended, applicable after 1987, to exclude a group life insurance policy under which any benefit is payable otherwise than as a consequence of the death or disability of an individual.

### INVESTMENT INCOME TAX

(74) That for taxation years commencing after June 17, 1987 and ending after 1987, a special 15% investment income tax apply to investment income accruing to fund insurance liabilities of a life insurance corporation, the rate be phased in over a 5-year period with a rate of 3% in 1988, 6% in 1989, 9% in 1990, 12% in 1991 and 15% in 1992 and subsequent taxation years and the special tax payable for a taxation year be deductible in computing income for the year for the purposes of Part I of the Act.

### RESERVE FOR DOUBTFUL ACCOUNTS

(75) That for fiscal periods commencing after June 17, 1987 and ending after 1987, the formula doubtful debt reserves in sections 26, 33, 137, 137.1 and 138 of the Act be replaced by a reserve that is restricted to a reasonable amount and subject to adjustment for historical loan loss experience, in respect of doubtful debts arising from loans made or acquired in the ordinary course of business by a person or partnership whose business includes insurance or lending money.

### RESERVE FOR LOSSES UNDER GUARANTEES

(76) That for fiscal periods commencing after June 17, 1987 and ending after 1987, a reasonable reserve subject to an adjustment for historical loss experience be permitted in computing the income of a person or partnership whose business includes the lending of money in respect of losses on arm's length bankers' acceptances, letters of credit and other loan guarantee arrangements made or acquired in the ordinary course of that business.

### RESERVES - TRANSITION YEAR

(77) That a person or partnership whose business includes insurance or lending money be permitted to deduct in computing its income for its first fiscal period commencing after June 17, 1987 and ending after 1987 an amount not exceeding its net reserve adjustment and, for this purpose the "net reserve adjustment" be determined as the amount, if any, by which the aggregate of

(a) the amount of the reserves claimed under subparagraphs 138(3)(a)(i) and (iv), paragraphs 20(1)(l), 137(1)(a) and (b), 137.1(3)(c) and 138(3)(c) and subsection 33(1) of the Act in the immediately preceding fiscal period,

(b) where the person is an insurer, the amount deducted in computing its income in respect of claims made under insurance policies that were unpaid at the end of the immediately preceding fiscal period,

(c) where the person is an insurer, all amounts deducted in computing its income by virtue of paragraph 140(c) of the Act to the extent that such amounts were not paid to the policyholders at the end of the immediately preceding fiscal period, and

(d) where the person is a bank, the aggregate of its reserves for specific provisions, general provisions and special provision for losses on transborder claims and any positive balance of its tax allowable appropriations account at the end of its immediately preceding fiscal period

exceeds the aggregate of

(e) the maximum reserves that could have been claimed for the immediately preceding fiscal period if the proposals in paragraphs (53), (59), (60), (75) and (76) had been applicable for that period,

(f) the aggregate of the unused non-capital loss carry-overs at the end of the immediately preceding fiscal period, and

(g) other unused discretionary deductions including deductible capital cost allowance not claimed and unutilized deductions permitted under section 26 of the Act referred to in subparagraphs (78)(b) and (c) for the immediately preceding fiscal period,

and where an amount has been so deducted, an amount equal to 15% thereof in 1989, 25% in 1990, 25% in 1991 and 35% in 1992 be required to be included in the income of the person or partnership except where its fiscal period does not coincide with the calendar year, in which case, the percentage of the amount so required to be included in computing income for a fiscal period will be determined by prorating the percentages based on the number of days of its fiscal period within such calendar years.

#### BANK RESERVES - TRANSITION

(78) That a bank

(a) be required to include in computing its income for its first taxation year commencing after June 17, 1987 and ending after 1987 the aggregate of its reserves for specific provisions, general provisions and special provision for losses on transborder claims and any positive balance of its tax allowable appropriations account at the end of the immediately preceding taxation year,

(b) be permitted to deduct in computing its income for taxation years commencing after June 17, 1987 and ending after 1987 an amount not exceeding the amount of its undeducted five-year average loan loss experience, PAR transfers and special provision for losses on transborder claims in respect of loans made or acquired by the bank in the ordinary course of business at the end of its taxation year immediately preceding its first taxation year commencing after June 17, 1987 and ending after 1987,

(c) be permitted to deduct in computing its income for taxation years commencing after June 17, 1987 and ending after 1987 an amount in respect of any negative balance in its tax allowable appropriations account at the end of its taxation year immediately preceding its first taxation year commencing after June 17, 1987 and ending after 1987, and

(d) be deemed, for the purposes of determining the recovery of bad debts for taxation years commencing after June 17, 1987 and ending after 1987, to have deducted as a bad debt amounts written-off under section 26 of the Act in taxation years preceding its first taxation year commencing after June 17, 1987 and ending after 1987.

#### SUPERFICIAL LOSSES - LENDING INSTITUTIONS

(79) That for fiscal periods commencing after June 17, 1987 and ending after 1987, for the purposes of computing the income of a person or partnership whose business includes the lending of money, superficial loss rules similar to those with respect to capital property apply to other property used or held in the course of the business.

#### COST AMOUNT

(80) That paragraph (e) of the definition "cost amount" in subsection 248(1) of the Act be amended, applicable after 1986, in respect of property that is indebtedness or a right to receive an amount to mean the amortized cost for tax purposes of the property to the taxpayer or, where there is no such amortized cost, the amount of the debt or right that is outstanding.

CAPITAL TAX - FINANCIAL INSTITUTIONS

(81) That

(a) the special tax on financial institutions provided under Part VI of the Act be extended to apply after 1987 at a rate of 1% with respect to capital employed in Canada in excess of \$200,000,000 and at a rate of 1 1/4% in respect of such capital in excess of \$300,000,000,

(b) the tax so payable for the 1988 and subsequent taxation years not be deductible in computing income, and

(c) the tax so payable by a financial institution for the 1988 and each subsequent taxation year be deductible in computing its tax payable under Part I of the Act for the year and, to the extent that it has not been so deducted, from its tax payable under Part I for any of the three preceding taxation years that end after 1987 and any of the seven subsequent taxation years.





## ADMINISTRATION AND COMPLIANCE

### QUARTERLY INSTALMENTS

(82) That for the 1990 and subsequent taxation years, the due dates for quarterly tax instalments payable by individuals be changed to the 15th of March, June, September and December, as proposed in the White Paper on Tax Reform.

### FAILURE TO FILE - TAX RETURNS

(83) That after Royal Assent to any measure giving effect to this paragraph, subsections 162(1) and 163(1) of the Act be combined and the penalty for failure to file a particular return of income for a taxation year be increased to

(a) the greater of \$25 and the sum of 5% of the unpaid tax for the year and 1% per month (not exceeding 12%) of such unpaid tax where a taxpayer has failed to file the particular return as required and there is tax owing for the year, and

(b) the greater of \$50 and the sum of 10% of the unpaid tax for the year and 2% per month (not exceeding 40%) of such unpaid tax where a taxpayer has previously been subject to a penalty under this paragraph with respect to a return of income for any of the three preceding taxation years and a demand has been made by Revenue Canada, Taxation for the particular return.

### FAILURE TO FILE - INFORMATION RETURNS

(84) That after Royal Assent to any measure giving effect to this paragraph, the fine or penalty for failure to file certain information returns within a prescribed time be changed to

(a) a \$50 penalty for each failure described in section 234 of the Act, and

(b) an amount equal to the greater of \$25 per day per return and \$100 per return, not exceeding \$5,000 per return, for each penalty imposed under section 235 of the Act.

### PENALTY - FALSE STATEMENTS

(85) That after Royal Assent to any measure giving effect to this paragraph, the penalty under the existing provisions of the Act relating to false statements or omissions be increased to the greater

of \$100 and 50% of the resultant understatement of tax and a new penalty be imposed in circumstances not amounting to gross negligence of 25% of the understatement of tax for a taxation year where there has been a failure to report income for any of the three preceding taxation years.

#### PENALTY - SOURCE DEDUCTIONS

(86) That the penalties for failure to withhold or deduct an amount, or to remit or pay an amount deducted or withheld, after Royal Assent to any measure giving effect to this paragraph be increased to

- (a) 10% of the amount not deducted or withheld or not remitted or paid, and
- (b) 20% of such amount for a second or subsequent occurrence in a calendar year where a taxpayer has previously been subject to a penalty under this paragraph in the year.

#### OFFENCES

(87) That the sentence on conviction under subsections 238(1) and (2) of the Act for the failure, after Royal Assent to any measure giving effect to this paragraph, to file a return or to provide certain information be increased to a fine of not less than \$1,000 nor more than \$25,000, imprisonment for up to one year, or both, and provision be made for compliance orders.

#### OFFENCE - TAX EVASION

(88) That after Royal Assent to any measure giving effect to this paragraph, the provisions of the Act with respect to tax evasion be amended

- (a) to increase the minimum fine to 50% or, in the case of proceedings on indictment, 100% of the tax sought to be evaded, and
- (b) to remove the minimum term of imprisonment.

#### UNAUTHORIZED COMMUNICATION OF INFORMATION

(89) That the fine and term of imprisonment for the unauthorized use or communication of tax information after Royal Assent to any measure giving effect to this paragraph be increased to a maximum of \$5,000 and one year, respectively.

## PENALTY - DISHONOURED CHEQUES

(90) That after a date to be fixed by proclamation following Royal Assent to any measure giving effect to this paragraph, a penalty of \$10 be introduced for any dishonored bill of exchange presented in payment of any amount under the Act.

## PENALTY - TAX INSTALMENTS

(91) That for the 1989 and subsequent taxation years, an additional penalty on late or deficient tax instalment payments for a taxation year be introduced equal to 1/2 of the interest charged thereon for the year in excess of \$1,000.

## INFORMATION REPORTING

(92) That after a date to be fixed by proclamation following Royal Assent to any measure giving effect to this paragraph, information reporting provisions be introduced

- (a) to require each individual to supply his Social Insurance Number to any person in connection with all information returns required under the Act to be issued by that person and to require the reporting person to make a reasonable effort to obtain Social Insurance Numbers from individuals,
- (b) to require each investment dealer or financial institution to report sales on behalf of a taxpayer of shares, precious metals, commodities and other investments generating income or capital gains where the gross proceeds of such sales in a calendar year exceed a prescribed amount,
- (c) to require an annual information return to be filed in respect of each partnership, and
- (d) to require an identification number to be obtained for each tax shelter before the issuance of any selling instrument,

and a penalty be imposed where a tax shelter identification number is not obtained and any deduction, credit or other amount with respect to a tax shelter be denied to a taxpayer unless the identification number is provided by the taxpayer in his return of income.

## ACCESS TO FOREIGN INFORMATION

(93) That after Royal Assent to any measure giving effect to this paragraph,

(a) taxpayers who fail to comply with a requirement to provide foreign-based information be prohibited from introducing such information in any civil proceeding related to the administration or enforcement of the Act,

(b) persons carrying on business in Canada who engage in certain transactions with non-residents be required to file a prescribed form containing prescribed information relating to such transactions, and

(c) the statutory time limit for assessments in which such information is relevant be extended.

## PROVINCIAL REVENUE GUARANTEE

That it is expedient also to amend the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977 to provide that, for the purposes of section 9 thereof, all amendments made to the Income Tax Act to give effect to any measures referred to in a Notice of Ways and Means Motion tabled in the House of Commons be deemed to have been introduced in the House of Commons in the calendar year in which the first Motion in which the measures were referred to was so tabled.