

See Sept.
9/85

**INCOME
TAX
AMENDMENTS**

BILL C-72

SPECIAL RELEASE

SEPTEMBER 13, 1985



De Boo

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INCOME TAX AMENDMENTS

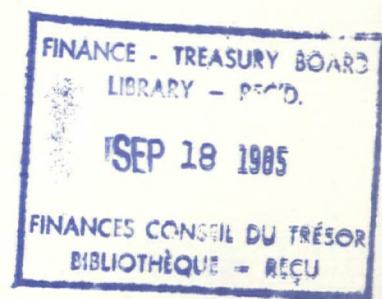
BILL C-72

SPECIAL RELEASE

Bill C-72, an Act to amend the statute law relating to income tax and to make a related amendment to the Tax Court of Canada Act, tabled for first reading in the House of Commons on September 13, 1985



De Boo



Preface

At the time of the May 23, 1985 Budget the federal government announced its intention to routinely separate technical income tax amendments from major policy measures introduced at Budget time. Bill C-72, reproduced in this Special Release, represents the first such endeavour, and as such has been identified as the 1985 "Technical Bill". A bill implementing the 1985 Budget proposals, likely to be known as the 1985 "Budget Bill", is yet to be introduced.

The amendments proposed in Bill C-72 implement and appear to be identical to the Ways and Means Motion relating to income tax tabled in the House of Commons on September 9, 1985. The September Ways and Means Motion was a consolidation and revision of draft amendments tabled in Ways and Means Motions in January and May of this year. Review by the House of Commons Standing Committee on Finance, Trade and Economic Affairs and input from interested persons led to adjustments (primarily technical) which were incorporated into the September Motion. (The most significant of these changes have been identified in a De Boo *Special Release* dated September 9, 1985.)

The table of concordance provided in this publication links the clauses of Bill C-72 (which correspond to those of the September Ways and Means Motion) to the provisions of the amended legislation and to the clauses of the January and May Ways and Means Motions.

TABLE OF CONCORDANCE

INCOME TAX ACT

Clause of Bill C-72 (and of Sept 9 W & MM)	Section of Act Affected	New Repealed Amended	Date of Application	W & MM of May 9/85 (or Jan 30/85*)
1(1)	2(2)	am	1985 et seq	1(1)
2(1)	6(1)(b)(ix)(B)	am	1984 et seq	2(1)
(2), (3)	6(6)(a), (b)(i)	am	1985 et seq	2(2), (3)
3(1)	7(1.4)	new	see cl 3(2)	3(2)
(1)	7(1.5)	new	see cl 3(3)	—
4(1)	10(6)	rep	1984 et seq	4(1)
5(1)	12(1)(o)(iv)	am	see cl 5(7)	5(1)
(2)	12(1)(o)(v)	am	see cl 5(8)	5(2)
(3)	12(8)	am	1985 et seq	5(3)
(4)	12(9.1)	new	see cl 5(10)	5(4)
(5)	12(11)(a)	am	1985 et seq	5(5)
(6)	12(11)(b)(iii)	new	—	5(6)
6(1)	12.2(4.1)	new	1985 et seq	6(1)
7(1)	13(7.2)	new	see cl 7(4)	7(1)
(2), (3)	13(21.1)	am	see cls 7(5), (6)	7(2), (3)
8	17(1)	am	—	8
9(1)	18(1)(m)(iv)	am	see cl 9(6)	9(1)
(2)	18(1)(m)(v)(A), (B)	am	see cl 9(7)	9(2)
(3)	18(3.1)(a)	am	see cl 9(8)	9(3)
(4)	18(6)	am	see cl 9(9)	9(4)
(5)	18(7)	rep	see cl 9(6)	9(5)
10(1)	20(1)(lh)	rep	1982 et seq	10(1)
(2)	20(1)(ll)(i)	am	1985 et seq	1*
(3)	20(24), (25)	new	see cl 10(6)	10(2)
11(1)	21(1)(a)	am	see cl 11(3)	11(1)
(2)	21(2), (4)	am	see cl 11(3)	11(2)
Sched I	23(3)	am	1985 et seq	Sched I
12(1)	24.1	am	see cl 12(2)	—
13(1)	34(1)(a)–(d)	am	1985 et seq	12(1)
14(1)	39(1)(a)(ii), (ii.1)	am, new	see cl 14(4)	—
(2)	39(1)(c)(vi)	am	1984 et seq	13(1)
(3)	39(5)(d)	am	—	—
15(1)	40(2)(g)(iii)	am	1985 et seq	14(1)
(2)	40(4)	am	see cl 15(6)	14(2)
(3)	40(5)	am	see cl 15(6)	14(3)
(4)	40(7)	new	see cl 15(6)	14(4)
16(1)	42	am	1985 et seq	15(1)
17	44(1.1)	am	—	16
18(1)	45(3), (4)	new	see cl 18(2)	17(1)
19(1)	47.1(7)	am	after Sept/83	18(1)
(2)	47.1(20)(c)	new	after Sept/83	18(2)
20(1)	50(2)	am	1985 et seq	19(1)

Table of Concordance

Clause of Bill C-72 (and of Sept 9 W & M M)	Section of Act Affected	New Repealed Amended	Date of Application	W & M M of May 9/85 (or Jan 30/85*)
21(1)	51(1)	am	see cl 21(4)	20(1)
(2)	51(2)(a)	am	see cl 21(4)	20(2)
(3)	51(2)(f)	am	see cl 21(4)	20(3)
22(1)	53(1)(e)(vi)	rep	see cl 22(12)	21(1)
(2)	53(1)(j)	am	see cl 22(13)	21(2)
(3)	53(1)(m)(ii)	am	after 1984	—
(4)	53(1)(n)	new	see cl 22(15)	21(3)
(5)	53(2)(c)(ii)(B)–(E)	am	see cl 22(16)	21(4)
(6)	53(2)(c)(ix)	new	see cl 22(17)	21(5)
(7)	53(2)(h)(v)	new	see cl 22(17)	21(6)
(8)	53(2)(i)(ii)	rep	see cl 22(16)	21(7)
(9)	53(2)(i)(ix)	am	see cl 22(18)	21(8)
(10)	53(2)(j)(ii)	rep	see cl 22(16)	21(9)
(11)	53(2)(j)(ix)	am	see cl 22(18)	21(10)
23(1)	54(g)(i), (ii)	am	see cls 23(3), (4)	22
(2)	54(g)	am	see cl 23(5)	22
24(1)	59(1), (1.1), (1.2)	am, rep, rep	see cl 24(9)	23(1), (2)
(2)	59(2), (2.1)	am, rep	see cl 24(10)	23(3)
(3)	59(3), (3.1)	rep	see cl 24(9)	23(4)
(4)	59(3.3)(a)	am	see cl 24(10)	23(5)
(5)	59(3.3)(e), (f)	am	see cl 24(10)	23(6)
(6)	59(3.4)(a), (b)	am	see cl 24(11)	23(7)
(7)	59(4)	rep	see cl 24(9)	23(8)
25(1)	60(n)	am	1984 et seq	24(1)
(2)	60(p)	am	1984 et seq	24(2)
(3)	60(q)(i)	am	1984 et seq	24(3)
(4)	60(s)	new	1982 et seq	24(4)
26	62(1)(g)	am	1985 et seq	25
27(1)	65(1)(b), (c), (d)	am, new, new	1985 et seq	26(1)
(2)	65(2)(a)(ii)	am	1985 et seq	26(2)
28(1)	66(3)	am	1985 et seq	27(1)
(2)	66(4)(b)(ii)(C)	am	see cl 28(19)	27(2)
(3)	66(6)	am	see cl 28(20)	27(3)
(4)	66(6)(b)(i)	am	see cl 28(19)	27(4)
Sched 2	66(6)(b)(iii)(A)	am	see cl 24(10)	Sched 2
28(5)	66(7)	am	see cl 28(20)	27(5)
(6)	66(7)(b)(i)	am	see cl 28(19)	27(6)
Sched 2	66(7)(b)(iii)(A)	am	see cl 24(10)	Sched 2
28(7)	66(8)(e)	am	see cl 28(19)	27(7)
(8)	66(9)(e)	am	see cl 28(19)	27(8)
(9)	66(11.1)(d)	am	see cl 28(19)	27(9)
(10)	66(11.1)(f)(i)	am	see cl 28(19)	27(10)
(11)	66(11.2)	am	see cl 28(19)	27(11)
(12)	66(12.1)	am	see cl 28(19)	27(12)
(13)	66(12.4)	am	see cl 28(19)	27(13)

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Clause of Bill C-72 (and of Sept 9 W & MM)	Section of Act Affected	New Repealed Amended	Date of Application	W & MM of May 9/85 (or Jan 30/85*)
(14)	66(15)(b)(v. 1)	am	see cl 28(19)	27(14)
(15)	66(15)(c)	am	see cl 28(21)	27(15)
(16)	66(15)(c)(vii)	am	see cl 28(19)	27(16)
(17)	66(15)(e)(v)	am	see cl 28(19)	27(17)
29(1)	66.1(3)	am	1985 et seq	28(1)
(2)	66.1(4)	am	see cl 29(10)	28(2)
(3)	66.1(4)(b)(i)	am	see cl 29(11)	28(3)
Sched 2	66.1(4)(b)(iii)(A)	am	see cl 24(10)	Sched 2
29(4)	66.1(5)	am	see cl 29(10)	28(4)
(5)	66.1(5)(b)(i)	am	see cl 29(11)	28(5)
Sched 2	66.1(5)(b)(iii)(A)	am	see cl 24(10)	Sched 2
29(6), (7)	66.1(6)(a)(iii)	am	see cl 29(12)	28(6)
(8)	66.1(6)(a)(iii. 1)	am	see cl 29(12)	28(8)
30(1)	66.2(3)	am	see cl 30(10)	29(1)
(2)	66.2(3)(a)(ii)	am	see cl 30(11)	29(2)
Sched 2	66.2(3)(b)(ii)(A)	am	see cl 24(10)	Sched 2
30(3)	66.2(4)	am	see cl 30(10)	29(3)
(4)	66.2(4)(a)	am	see cl 30(12)	29(4)
(5)	66.2(4)(a)(ii)	am	see cl 30(11)	29(5)
Sched 2	66.2(4)(b)(ii)(A)	am	see cl 24(10)	Sched 2
30(6)	66.2(5)(a)(i)(E)	new	see cl 30(13)	29(6)
(7)	66.2(5)(a)(iii)	am	see cl 30(11)	29(7)
(8)	66.2(5)(b)(v)	am	see cl 30(14)	29(8)
(9)	66.2(7)	am	see cl 30(11)	29(9)
31(1)	66.4(3)	am	see cl 31(9)	30(1)
(2)	66.4(3)(a)(ii)	am	see cl 31(10)	30(2)
Sched 2	66.4(3)(b)(ii)(A)	am	see cl 24(10)	Sched 2
31(3)	66.4(4)	am	see cl 31(9)	30(3)
(4)	66.4(4)(a)(i)	am	see cl 31(11)	30(4)
(5)	66.4(4)(a)(ii)	am	see cl 31(10)	30(5)
Sched 2	66.4(4)(b)(ii)(A)	am	see cl 24(10)	Sched 2
31(6)	66.4(5)(a)(i)	am	see cl 31(10)	30(6)
(7)	66.4(5)(b)(v)	am	see cl 31(12)	30(7)
(8)	66.4(5)(c)	new	see cl 31(10)	30(8)
32(1)	69(2), (3)	am	see cl 32(4)	31(1)
(2)	69(8)	am	1978 et seq	31(2)
(3)	69(9)	am	1978 et seq	31(3)
33(1)	70(2)	am	1985 et seq	32(1)
(2)	70(3.1)	am	see cl 33(23)	32(2)
(3)	70(5)(c)-(e)	am	see cl 33(24)	32(3)
(4)	70(5.1)	am	see cl 33(24)	32(4)
(5)	70(5.2)(a), (b)	am, rep	see cl 33(25)	32(5), (6)
(6)	70(5.2)(d)	am	see cl 33(26)	32(7)
(7)	70(5.2)(f)	am	see cl 33(26)	32(8)
(8)	70(5.3)	am	see cl 33(27)	32(9)
(9)	70(5.4)(e), (f)	am	see cl 33(24)	32(10)
(10)	70(5.4)(g)(i)	am	see cl 33(24)	32(11)

Table of Concordance

Clause of Bill C-72 (and of Sept 9 W & MM)	Section of Act Affected	New Repealed Amended	Date of Application	W & MM of May 9/85 (or Jan 30/85*)
(11)	70(5.4)(g)(ii)	am	see cl 33(26)	32(12)
(12)	70(6)	am	see cl 33(24)	32(13)
(13)	70(6)	am	see cl 33(26)	32(14)
(14)	70(6)(f)	rep	see cl 33(24)	32(15)
(15)	70(9)	am	see cl 33(26)	32(16)
(16)	70(9.1)	am	1984 et seq	32(17)
(17)	70(9.2)	am	see cl 33(26)	32(18)
(18)	70(9.4)	am	see cl 33(26)	32(19)
(19)	70(9.5)(d)(iv)	am	—	32(20)
(20)	70(9.5)(f)	am	—	32(21)
(21)	70(9.7)(b)	am	see cl 33(29)	32(22)
34(1)	72(2)(a)(iii)(C),(D)	am	see cl 34(2)	33(1)
35(1)	73(3)(a)-(b.1)	am	see cl 35(7)	34(1)-(3)
(2)	73(3)(d)	am	see cl 35(7)	34(4)
(3)	73(4)(a)	am	see cl 35(7)	34(5)
(4)	73(4)(c)	am	see cl 35(7)	34(6)
(5)	73(5)(a)	am	see cl 35(7)	34(7)
(6)	73(5)(b)	am	see cl 35(7)	34(8)
36(1)	75(3)	new	1982 et seq	35(1)
37(1)	80(1)(d)	am	see cl 37(5)	36(1)
(2)	80(1)(g), (h)	new	see cl 37(5)	36(2)
(3)	80(3)	am	see cl 37(6)	36(3)
(4)	80(4)	new	see cl 37(5)	36(4)
38(1)	80.4(1)(a)	am	—	37(1)
(2)	80.4(1)	am	1984 et seq	37(2)
(3)	80.4(2)(d)	am	—	37(3)
39(1)	81(1)(g.1), (g.2), (g.3)	am, am, rep	1984 et seq	38(1)
40	84(9)	new	—	39
41(1)	85(1)	am	see cl 41(3)	40(1)
(2)	85(2)(a)	am	see cl 41(3)	40(2)
42(1)	87(1.2), (1.3)	am, rep	see cl 42(7)	41(1), (2)
(2)	87(1.4)	am	see cl 42(7)	41(2), (3)
(3)	87(2)(b)	am	see cl 42(8)	41(4)
(4)	87(2)(v)	am	see cl 42(9)	41(5)
(5)	87(2)(mm)	rep	see cl 42(9)	41(6)
(6)	87(2)(oo)	new	see cl 42(10)	41(7)
43(1)	88(1)(a)(i)	am	see cl 43(12)	42(1)
(2)	88(1)(e.6)(i)	am	1984 et seq	42(2)
(3)	88(1)(e.8)	new	see cl 43(14)	42(3)
(4)	88(1.1)	am	see cl 43(15)	42(4)
(5)	88(1.1)(d), (d.1)	am, new	see cl 43(15)	42(5)
(6)	88(1.1)(e)(i)	am	see cl 43(16)	42(6)
(7)	88(1.1)(e)(ii)(B)	am	see cl 43(17)	42(7)
(8)	88(1.4)	am	see cl 43(18)	42(8)
(9)	88(1.5)	new	see cl 43(18)	42(9)
(10)	88(2)	am	see cl 43(18)	42(10)
(11)	88(2.1)(c)	am	see cl 43(18)	42(11)

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Clause of Bill C-72 (and of Sept 9 W & MM)	Section of Act Affected	New Repealed Amended	Date of Application	W & MM of May 9/85 (or Jan 30/85*)
44(1)	89(1)(b.1)	am	after Nov 12/81	43
45	94(1)(b)(i)	am	—	—
148	94.1	applic am	see cl 148 below	117
46	94.1(1)(f)(ii)	am	—	44
47(1)	95(1)(f)(ii)	am	see cl 47(2)	45(1)
48(1)	96(1)(d)	am	see cl 48(2)	46(1)
Sched 1	96(3)	am	1985 et seq	Sched 1
49(1)	97(2)	am	see cl 49(2)	—
50(1)	104(4)	am	see cl 50(8)	47(1)
(2)	104(5)	am	see cl 50(8)	47(2)
(3)	104(5.2)	new	see cl 50(8)	47(3)
(4)	104(18)	am	1985 et seq	47(4)
(5)	104(2.1)	new	1985 et seq	47(5)
(6)	104(23)(d)	am	1985 et seq	47(6)
(7)	104(26)	am	1985 et seq	47(7)
51(1)	107(4)(a)	am	see cl 51(2)	48(1)
52(1)	108(1)(i)(ii), (iii)	am	see cl 52(2)	49(1)
53(1), (2)	109(1)(d), (e)	am	1985 et seq	50(1), (2)
(3), (4)	109(3), (5)	rep, am	1985 et seq	50(3), (4)
54(1), (2)	110(1)(a), (b), (b.1)	am	see cl 54(10)	51(1), (2)
(3)	110(1)(c)	am	1985 et seq	51(3)
(4)	110(1)(c)(v)	am	1985 et seq	51(4)
(5)	110(1)(c)(xv), (xvi)	am, new	1985 et seq	51(5)
(6)	110(1)(e.2)	am	1985 et seq	51(6)
(7)	110(1.2)	am	1984 et seq	51(7)
(8)	110(6), (6.1), (7)	am, rep, am	1985 et seq	51(8)
(9)	110(8)(a)(iii)	am	—	51(9)
55(1)	110.4(6), (6.1)	am, new	see cls 55(4), (5)	2(1)*
(2)	110.4(7)	rep	1982 et seq	52(1)
(3)	110.4(8)(a)	am	1985 et seq	52(2)
56(1)	110.5	new	1985 et seq	53(1)
57(1)	111(5)(a)(i)	am	see cl 57(5)	54(1)
(2)	111(5)(a)(ii)(B)	am	see cl 57(6)	54(2)
(3), (4)	111(8)(a), (b)	am	1985 et seq	54(3), (4)
58	112(2.1)(a)	am	—	55
59(1)	114.2	new	1985 et seq	56(1)
60(1)	115(1)(a)(iii.3)	am	see cl 60(6)	57(1)
(2)	115(1)(b)(v)(B), (B.1)	am, rep	see cl 60(6)	57(2)
(3)	115(1)(d)	am	see cl 60(7)	57(3)
(4), (5)	115(4), (4)(b)	am	see cl 60(6)	57(4), (5)
61(1), (2)	116(5.1), (5.2)	am	see cl 61(3)	58(1), (2)
62(1)	117(1)-(5.1)	rep	—	59(1)
(2)	117(6)	am	1984 et seq	59(2)
63(1)	117.1(1)(e)	am	1985 et seq	60(1)
(2)	117.1(6)	am	1984 et seq	60(2)
(3)	117.1(7.1)	rep	1985 et seq	60(3)
64(1), (2)	119(9), (10)	am	1985 et seq	61(1), (2)

Table of Concordance

Clause of Bill C-72 (and of Sept 9 W & M M)	Section of Act Affected	New Repealed Amended	Date of Application	W & M M of May 9/85 (or Jan 30/85*)
65(1)	120(3.1)	am	1984 et seq	62(1)
66(1), (2)	122(1), (3)	am, rep	1985 et seq	63(1), (2)
67(1)	122.1	rep	1985 et seq	64(1)
68(1)	122.3(1)(d)	am	1985 et seq	65(1)
69(1)	123.1-123.5	rep	1985 et seq	66(1)
70(1)	125.1(3)(b)(vi), (vi.1), (vi.2)	am, am, new	1985 et seq	67(1)
71(1)	126(1)(b)(ii)(A)	am	1985 et seq	68(1)
(2)	126(2.1)(a)(ii)(A)	am	1985 et seq	68(2)
72(1)	127(3.2)(c)	am	—	—
(2), (3), (4)	127(6)(a), (b), (d)	am	1985 et seq	69(1), (2), (3)
(5)	127(7)-(9)	am	1985 et seq	69(4)
(6)	127(10)-(10.4), (10.5)	am, rep	1985 et seq	69(5)
(7)	127(11), (11.1), (11.2)	am, am, rep	1985 et seq	69(6)
(8)	127(12.1), (12.2)	am	1985 et seq	69(7)
73(1), (2)	127.1(2)(a), (d)	am	1985 et seq	70(1), (2)
74(1)	129(4)(a)(ii)	am	see cl 74(3)	71(1)
(2)	129(4.3)	am	after Nov 12/81	71(2)
75(1)	130.1(4.1)	new	see cl 75(3)	72(1)
(2)	130.1(6)(f)(ii)(B)	am	—	—
76(1)	131(6)(c)	rep	1985 et seq	73(1)
77	133(7.3), (7.4)-(7.6)	am, rep	—	74
78(1)	134	am	after 1984	75(1)
79(1)	136(1)	am	1985 et seq	76(1)
80(1)	137(7)	am	1985 et seq	77(1)
81(1)	137.1(3)(a)	am	1983 et seq	78(1)
(2)	137.1(4)(e)	am	1983 et seq	78(2)
82(1)	146(5.4)(a)	am	1984 et seq	79(1)
(2)	146(8.3)	am	see cl 82(4)	79(2)
83(1)	148(2)(b)	am	see cl 83(6)	80(1)
(2)	148(9)(a)(iv)	am	1982 et seq	80(2)
(3)	148(9)(c)(x)	new	see cl 83(8)	80(3)
(4)	148(9)(d)	rep	—	—
(5)	148(9)(e.3)	new	—	—
84(1)	149(10)(b)	am	see cl 84(2)	81(1)
85(1)	150(1)(d)	am	—	82(1)
(2)	150(4)	am	1985 et seq	82(2)
86(1)	152(1)(b)	am	1983 et seq	83(1)
(2)	152(1.1)	am	—	83(2)
87(1)	153(1)(d)	am	1985 et seq	84(1)
(2)	153(1)(o)	new	—	84(2)
88(1)	157(1)	am	1986 et seq	85(1)
(2)	157(1)(b)(i)	am	1985 et seq	85(2)
(3)	157(1)(b)(ii)	am	1986 et seq	85(3)
(4)	157(2)	am	1986 et seq	85(4)
(5)	157(3)	am	1986 et seq	85(5)

Table of Concordance

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Clause of Bill C-72 (and of Sept 9 W & M M)	Section of Act Affected	New Repealed Amended	Date of Application	W & M M of May 9/85 (or Jan 30/85*)
89(1)	158	am	see cl 89(2)	3(1)*
90(1)	159(1)	am	see cl 90(3)	4(1)*
(1)	159(2), (3)	am	—	86(1)
(2)	159(7)	am	—	86(2)
147	161(1), (3)	applic am	see cl 147 below	
91(1), (2)	161(2), (4.1)(a)	am	—	87(1), (2)
(3)	161(7)(b)	am	see cl 91(4)	87(3)
92	163(2.1)	am	—	89
93(1)	164(1)(a)	am	—	5(1)*
(2)	164(1.1)-(1.3)	new	see cl 93(13)	5(2)*
(3), (7), (9)	[French version only]			
(4)	164(3)	am	see cl 93(14)	{ 5(4)* 90(1)
(5)	164(3.1)(b)	am	—	90(2)
(6)	164(4)	am	see cl 93(15)	5(5)*
(8)	164(4.1)(d), (e)	am	after Feb 15/84	90(3)
(10)	164(5)	am	see cl 93(17)	90(4)
(11)	164(5.1)	new	see cl 93(18)	5(7)*
(12)	164(7)	new	see cl 93(18)	5(7)*
94	179	am	—	91
95(1)	179.1	new	see cl 95(2)	6(1)*
96	180(1)(a)	am	—	92
97(1)	181(2)(b)	am	see cl 97(2)	93(1)
98(1)	182(2), (3)	am	see cl 98(2)	94(1)
99(1)	185(2), (3)	am	after 1984	{ 7(1)* 95(1)
100	186(3)	rep	—	96
101(1)	187(2), (3)	am	see cl 101(2)	97(1)
102(1)	189(7), (8)	am, new	see cl 102(2)	98(1)
103(1)	192(2)(a)(ii)	am	1985 et seq	99(1)
(2)	192(10)	am	1985 et seq	99(2)
104(1)	193(3)	am	—	100(1)
(2)	193(4)	am	1986 et seq	100(2)
105(1)	194(2)(a)(ii)(A)	am	1985 et seq	101(1)
106(1)	195(3)	am	—	102(1)
(2)	195(4)	am	1986 et seq	102(2)
107	202(5)	am	—	103
108	204.4(2)(a)(viii)(B)	am	—	—
109	208(1), (1.1), (4)	am, new, am	1985 et seq	104
110	212(1)(h)(vi), (j.1)	am	see cl 110(3)	105
111(1)	219(3)	am	—	106
(2)	219(7)(b)	am	—	—
112	219.2	new	1985 et seq	107
113	220(4.1), (4.2)	am, new	—	8*
114	223(1)	am	—	9*
115	225(1)	am	—	10*

Clause of Bill C-72 (and of Sept 9 W & MM)	Section of Act Affected	New Repealed Amended	Date of Application	W & MM of May 9/85 (or Jan 30/85*)
116(1)	225.1, 225.2	new	see cl 116(2)-(6)	11(1)*
117(1), (2)	227(7), (10), (10.1)	am, am, new	after 1984	12(1), (2)*
118	228	am	—	—
119(1)	230(6)	am	after July 18/83	108(1)
120	232(8)	am	—	109
121(1)	244(14)	am	—	13(1)*
122(1)	248(1):			
	“Canadian resource property”, “death benefit”, foreign resource property”;	am	see cl 122(6)	110(1)
(2)	“Canadian develop- ment expense”, “Canadian explo- ration and devel- opment expenses”, “Canadian explora- tion expense”, “foreign explora- tion and devel- opment expenses”, “investment tax credit”, “life insurance policy”, “life insurance policy in Canada”, “tar sands”, “un- depreciated capital cost”	new	see cl 122(7), (8)	110(2)
(3)	“taxable Canadian property”, para (a)	am	see cl 122(7)	110(3)
(4)	“term preferred share”, subpara (j)(ii)	am	see cl 122(9)	110(4)
(5)	248(7), (8)	new	see cl 122(10), (11)	110(5)
(5)	248(9)	new	see cl 122(11)	—
123(1)	250(5)	new	see cl 123(2)	111(1)
124(1)	252(1)	am	1985 et seq	112(1)
125(1)	258(2)(a)	am	after Nov 16/78	113(1)
126	[French version only]			

INCOME TAX APPLICATION RULES, 1971

Clause of Bill C-72 (and of Sept 9 W & M M)	Section of Act Affected	New Repealed Amended	Date of Application	W & M M of May 9/85 (or Jan 30/85*)
127	10(1)-(3)	rep	—	115(1)
128(1)	11(1)-(3)	rep	—	115(2)
(2)	11(4)	rep	1985 et seq	115(3)
129	22	rep	—	115(4)
130	23(1), (2)	rep	—	115(4)
131(1)	26(2)	rep	—	—
(2)	26(3)(c)(i)	am	see cl 131(5)	115(5)
(3)	26(8)(e)	am	after Sept/83	115(6)
(4)	26(18)(c)	am	see cl 131(7)	115(7)
132	27, 28	rep	—	115(8)
133(1)	29(25)	am	see cl 133(8)	115(9)
(2)	29(25)(d)(i)	am	see cl 133(9)	—
(3)	29(27)	am	see cl 133(8)	115(10)
(4)	29(28)	am	see cl 133(8)	115(11)
(5)	29(29)	am	see cl 133(8)	115(12)
(6)	29(29)(b)(i)	am	see cl 133(9)	—
(7)	29(30)	am	see cl 133(8)	115(13)
134	32.1(3)-(3.2), (5), (6)	rep	—	115(14)
135	33	rep	—	—
136(1)	34(2), (3)	rep	—	115(14)
(2)	34(4)-(6)	am, rep, rep	see cl 136(4)	115(15)-(17)
(3)	34(8)	rep	—	115(17)
137	35(3)	rep	—	115(17)
138	35.1	rep	—	115(17)
139	37-39	rep	—	115(17)
140	41-48	rep	—	115(17)
141	51-56.1	rep	—	115(17)
142(1)	57(1)-(7), (10), (12)	rep	—	115(17)
143	57.1	rep	—	115(17)
144	58(2)-(3.1), (4), (4.1)	rep	—	115(17)
145	59(1)	rep	—	115(17)
146	60	rep	—	115(17)

SC 1984, C 1, SUBSEC 86(1), (3)

147	ITA 161(1), (3)	applic am	after April 19/83	116
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SC 1984, C 45, PARA 30(2)(a)

148	ITA 94.1	applic am	Dec 20/84	117
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Table of Concordance

TAX COURT OF CANADA ACT

Clause of Bill C-72 (and of Sept 9 W & M M)	Section of Act Affected	New Repealed Amended	Date of Application	W & M M of May 9/85 (or Jan 30/85*)
149	16	am	—	118

INCOME TAX CONVENTIONS INTERPRETATION ACT

150	6.1	new	see cl 150(2)	—
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1st Session, 33rd Parliament, 33-34 Elizabeth II, 1984-85

THE HOUSE OF COMMONS OF CANADA

BILL C-72

An Act to amend the statute law relating to income tax and to make a related amendment to the Tax Court of Canada Act

Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

PART I

INCOME TAX ACT

R.S. 1952, c.
148; 1970-71-
72, c. 63; 1972,
c. 9; 1973-74,
cc. 14, 29, 30,
44, 45, 49, 51;
1974-75-76, cc.
26, 50, 58, 71,
87, 88, 95;
1976-77, cc. 4,
10, 54;
1977-78, cc. 1,
4, 32, 41, 42;
1978-79, c. 5;
1979, c. 5;
1980-81-82-83,
cc. 40, 47, 48,
68, 102, 104,
109, 140; 1984,
cc. 1, 19, 31, 45

1. (1) Subsection 2(2) of the *Income Tax Act* is repealed and the following substituted therefor:

Taxable income
defined

"(2) The taxable income of a taxpayer for a taxation year is his income for the year plus the additions and minus the deductions permitted by Division C."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

2. (1) Clause 6(1)(b)(ix)(B) of the said Act is repealed and the following substituted therefor:

"(B) the school the child attends primarily uses that language for instruction and is not farther from that place than the community nearest to that place in which there is such a school having suitable boarding facilities;"

(2) Paragraph 6(6)(a) of the said Act is repealed and the following substituted therefor:

"(a) his board and lodging for a period at

(i) a special work site, being a location at which the duties performed by him were of a temporary nature, if he maintained at another location a self-contained domestic establishment as his principal place of residence

(A) that was, throughout the period, available for his occupancy and not rented by him to any other person, and

(B) to which, by reason of distance, he could not reasonably be expected to have returned daily from the special work site, or

(ii) a location at which, by virtue of its remoteness from any established community, the taxpayer could not reasonably be expected to establish and maintain a self-contained domestic establishment,

if the period during which he was required by his duties to be away from his principal place of residence, or to be at the special work site or location, was not less than 36 hours; or"

(3) Subparagraph 6(6)(b)(i) of the said Act is repealed and the following substituted therefor:

"(i) his principal place of residence and the special work site referred to in subparagraph (a)(i), or"

(4) Subsection (1) is applicable to the 1984 and subsequent taxation years.

(5) Subsections (2) and (3) are applicable to the 1985 and subsequent taxation years.

3. (1) Section 7 of the said Act is amended by adding thereto, immediately after subsection (1.3) thereof, the following subsections:

Rules where
options
exchanged

"(1.4) For the purposes of this section, where a taxpayer exchanges rights that he has acquired under an agreement referred to in this section (in this subsection referred to as an "exchanged option") on an amalgamation or merger of two or more corporations and receives no consideration for the disposition of the exchanged option other than rights under an agreement of the corporation resulting from the amalgamation or merger to issue or sell to the taxpayer shares of its capital stock or of the capital stock of a corporation with which it does not deal at arm's length (in this subsection referred to as a "new option"), the following rules apply:

(a) the taxpayer shall be deemed not to have disposed of the exchanged option and not to have acquired the new option;

(b) the new option shall be deemed to be the same option as, and a continuation of, the exchanged option; and

Rules where
shares
exchanged

(c) the amalgamated or merged corporation shall be deemed to be the same corporation as, and a continuation of, each predecessor corporation.

(1.5) For the purposes of subsection (1.1), where, in circumstances where subsection 85.1(1) or 87(4) apply, a taxpayer acquires shares of a Canadian corporation (in this subsection referred to as "new shares") in exchange for shares of a Canadian corporation acquired under an agreement referred to in subsection (1.1) (in this subsection referred to as "exchanged shares"), the following rules apply:

(a) the taxpayer shall be deemed not to have disposed of the exchanged shares and not to have acquired the new shares;

(b) the new shares shall be deemed to be the same shares as, and a continuation of, the exchanged shares;

(c) the purchaser (within the meaning assigned by section 85.1) or the new corporation (within the meaning assigned by section 87), as the case may be, shall be deemed to be the same corporation as, and a continuation of, the corporation that issued the exchanged shares; and

(d) where the exchanged shares were issued under an agreement, the new shares shall be deemed to have been issued under that agreement."

(2) Subsection 7(1.4) of the said Act, as enacted by subsection (1), is applicable with respect to rights acquired on an amalgamation or merger occurring after 1984.

(3) Subsection 7(1.5) of the said Act, as enacted by subsection (1), is applicable with respect to shares acquired on an amalgamation, merger or share for share exchange occurring after 1984.

4. (1) Subsection 10(6) of the said Act is repealed.

(2) Subsection (1) is applicable to the 1984 and subsequent taxation years.

5. (1) Subparagraph 12(1)(o)(iv) of the said Act is repealed and the following substituted therefor:

"(iv) the acquisition, development or ownership of a Canadian resource property, or"

(2) Subparagraph 12(1)(o)(v) of the said Act is repealed and the following substituted therefor:

"(v) the production in Canada

(A) of petroleum, natural gas or related hydrocarbons from an oil or gas well,

(B) to any stage that is not beyond the prime metal stage or its equivalent, of metal or minerals (other

than iron or petroleum or related hydrocarbons) from a mineral resource,

(C) to any stage that is not beyond the pellet stage or its equivalent, of iron from a mineral resource, or

(D) to any stage that is not beyond the crude oil stage or its equivalent, of petroleum or related hydrocarbons from tar sands from a mineral resource,

situated on property in Canada in which the taxpayer had an interest with respect to which the obligation imposed by statute or the contractual obligation, as the case may be, applied;"

(3) Subsection 12(8) of the said Act is repealed and the following substituted therefor:

"(8) Where a taxpayer (other than a taxpayer to whom subsection (3) applies) who holds an interest in a debt obligation elects in his return of income under this Part for a taxation year, he shall, in computing his income for the year and each subsequent taxation year during which he holds an interest in the debt obligation, include the interest accrued to him on the debt obligation to the end of the year to the extent that it was not otherwise included in computing his income for the year or any preceding taxation year."

Accrued
interest may be
included in
income

(4) Section 12 of the said Act is further amended by adding thereto, immediately after subsection (9) thereof, the following subsection:

"(9.1) Where a taxpayer disposes of an interest in a debt obligation that, by virtue of paragraph 7000(1)(b) of the *Income Tax Regulations*, is a prescribed debt obligation for the purposes of subsection (9), such portion of the proceeds of the disposition received by him as may reasonably be considered to represent a recovery of the cost to him of the debt obligation shall, notwithstanding any other provision of this Act, not be included in computing his income under this Part."

Exception for
certain interests
in prescribed
debt obligation

(5) Paragraph 12(11)(a) of the said Act is repealed and the following substituted therefor:

"(a) "investment contract", in relation to a taxpayer, means any debt obligation (other than a prescribed contract, an income bond, an income debenture, a small business development bond or a small business bond); and"

"investment
contract"
"contrat de
placement"

(6) Paragraph 12(11)(b) of the said Act is amended by striking out the word "and" at

the end of subparagraph (i) thereof, by adding the word "and" at the end of subparagraph (ii) thereof and by adding thereto, immediately after subparagraph (ii) thereof, the following subparagraph:

"(iii) the day on which the contract was disposed of,"

(7) Subsection (1) is applicable to taxation years commencing after 1984.

(8) Subsection (2) is applicable with respect to amounts receivable after 1984.

(9) Subsections (3) and (5) are applicable to the 1985 and subsequent taxation years.

(10) Subsection (4) is applicable to taxation years commencing after 1981.

6. (1) Section 12.2 of the said Act is amended by adding thereto, immediately after subsection (4) thereof, the following subsection:

"(4.1) Where not later than 120 days after the end of a taxation year a taxpayer revokes an election made under subsection (4) in respect of his interest in a life insurance policy or an annuity contract by notifying the issuer thereof in writing, the following rules apply for that year and each subsequent taxation year:

(a) he shall be deemed for the purposes of subsection (3) not to have made an election under subsection (4) in respect of his interest; and

(b) he is not entitled to make an election under subsection (4) in respect of his interest."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

7. (1) Section 13 of the said Act is amended by adding thereto, immediately after subsection (7.1) thereof, the following subsection:

"(7.2) For the purposes of subsection (7.1), where at a particular time a taxpayer who is a beneficiary of a trust or a member of a partnership has received or is entitled to receive assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, the amount of the assistance that may reasonably be considered to be in respect of, or for the acquisition of, depreciable property of the trust or partnership shall be deemed to have been received at that time by the trust or partnership, as the case may be, as assistance from the government, municipality or other public authority for the acquisition of depreciable property."

Disposition of a building

(2) All that portion of subsection 13(2.1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(2.1) Notwithstanding subsection (7) and paragraph 54(h), where at any particular time in a taxation year a taxpayer disposed of a building of a prescribed class and the proceeds of disposition of the building determined without reference to this subsection are less than the lesser of the cost amount and the capital cost to the taxpayer of the building immediately before its disposition, for the purposes of clause (21)(f)(iv)(A) and subdivision c, the following rules apply:"

(3) Paragraph 13(2.1)(a) of the said Act is repealed and the following substituted therefor:

"(a) where in the same taxation year the taxpayer or a person with whom he was not dealing at arm's length disposed of the land subjacent to, or immediately contiguous to and necessary for the use of, the building, the proceeds of disposition of the building shall be deemed to be the lesser of

(i) the amount, if any, by which

(A) the aggregate of the fair market value of the building at the particular time and the fair market value of the land immediately before its disposition

exceeds

(B) the lesser of the fair market value of the land immediately before its disposition and the amount, if any, by which the cost amount to the vendor of the land (determined without reference to this subsection) exceeds the aggregate of the capital gains (determined without reference to subparagraphs 40(1)(a)(ii) and (iii)) in respect of dispositions of the land within the 3 year period preceding the particular time by the taxpayer or by a person with whom he was not dealing at arm's length to the taxpayer or to another person with whom the taxpayer was not dealing at arm's length, and

(ii) the greater of

(A) the fair market value of the building at the particular time, and
(B) the lesser of the cost amount and the capital cost to the taxpayer of the building immediately before its disposition

and, notwithstanding any other provision of this Act, the proceeds of disposition of the land shall be deemed to be the amount, if any, by which

(iii) the aggregate of the proceeds of disposition of the building and of the

Revocation of election

Receipt of public assistance

land determined without reference to this subsection

exceeds

(iv) the proceeds of disposition of the building as determined under this paragraph,

and the cost to the purchaser of the land shall be determined without reference to this subsection; and"

(4) Subsection (1) is applicable with respect to property acquired after May 9, 1985 other than property acquired pursuant to an agreement in writing entered into before May 10, 1985.

(5) Subsection (2) is applicable with respect to dispositions occurring after November 12, 1981 other than dispositions occurring pursuant to the terms of an agreement in writing entered into on or before that date.

(6) Subsection (3) is applicable with respect to dispositions occurring after May 9, 1985 other than dispositions occurring pursuant to the terms of an agreement in writing entered into on or before that date.

8. Subsection 17(1) of the said Act is repealed and the following substituted therefor:

"17. (1) Where a corporation resident in Canada has loaned money to a non-resident person and the loan remained outstanding for one year or longer without interest thereon computed at a reasonable rate having been included in computing the lender's income, the corporation shall be deemed to have received, on the last day of each taxation year during which the loan was outstanding, interest on the loan at the prescribed rate computed for the period in the taxation year during which it was outstanding."

9. (1) Subparagraph 18(1)(m)(iv) of the said Act is repealed and the following substituted therefor:

"(iv) the acquisition, development or ownership of a Canadian resource property, or"

(2) Clauses 18(1)(m)(v)(A) and (B) of the said Act are repealed and the following substituted therefor:

"(A) petroleum, natural gas or related hydrocarbons from an oil or gas well in Canada,

(B) metal or minerals (other than iron or petroleum or related hydrocarbons) from a mineral resource in Canada to any stage that is not beyond the prime metal stage or its equivalent,

(C) iron from a mineral resource in Canada to any stage that is not beyond the pellet stage or its equivalent, or

(D) petroleum or related hydrocarbons from tar sands from a mineral resource in Canada to any stage that, is not beyond the crude oil stage or its equivalent;"

(3) Paragraph 18(3.1)(a) of the said Act is repealed and the following substituted therefor:

"(a) no deduction shall be made in respect of any outlay or expense made or incurred by the taxpayer, other than an amount deductible by virtue of paragraph 20(1)(a) or (aa) or section 37 or 37.1, that may reasonably be regarded as a cost attributable to the period of the construction, renovation or alteration of a building and relating to the construction, renovation or alteration or a cost attributable to that period and relating to the ownership during that period, of land

(i) that is subjacent to the building,

or

(ii) that

(A) is immediately contiguous to the land subjacent to the building,

(B) is used, or is intended to be used, for a parking area, driveway, yard, garden or any other similar use, and

(C) is necessary for the use or intended use of the building; and"

(4) Subsection 18(6) of the said Act is repealed and the following substituted therefor:

"(6) Where any loan (in this subsection referred to as the "first loan") has been made

(a) by a specified non-resident shareholder of a corporation, or

(b) by a non-resident person, or a non-resident-owned investment corporation, who was not dealing at arm's length with a specified shareholder of a corporation,

to another person on condition that a loan (in this subsection referred to as the "second loan") be made by any person to a particular corporation resident in Canada, for the purposes of subsections (4) and (5), the lesser of

(c) the amount of the first loan, and

(d) the amount of the second loan

shall be deemed to be a debt incurred by the particular corporation to the person who made the first loan."

(5) Subsection 18(7) of the said Act is repealed.

Loan to
non-resident

Loans made on
condition

(6) Subsections (1) and (5) are applicable to taxation years commencing after 1984.

(7) Subsection (2) is applicable with respect to amounts payable after 1984.

(8) Subsection (3) is applicable with respect to outlays and expenses made or incurred after May 9, 1985.

(9) Subsection (4) is applicable with respect to loans outstanding in taxation years of corporations resident in Canada referred to in subsection 18(6) of the said Act, as enacted by subsection (4), commencing after May 9, 1985.

10. (1) Paragraph 20(1)(hh) of the said Act is repealed.

(2) Subparagraph 20(1)(l)(i) of the said Act is repealed and the following substituted therefor:

"(i) paragraph 164(3.1)(a) or (4)(a) or any similar provision of any Act of a province that imposes a tax similar to the tax imposed under this Act, or"

(3) Section 20 of the said Act is further amended by adding thereto the following subsections:

"(24) Where a taxpayer has under paragraph 12(1)(a) included in computing his income for a taxation year amounts in respect of services not rendered or goods not delivered before the end of the year and the taxpayer has paid a reasonable amount in a particular taxation year to another taxpayer for undertaking to provide such services or goods, if the payer and the recipient have jointly so elected, the following rules apply:

(a) the payer may deduct the payment in computing his income for the particular year and no amount is deductible in respect of such services and goods under paragraph (1)(m) in computing his income for that or any subsequent taxation year; and

(b) for the purposes of paragraph 12(1)(a), the recipient shall be deemed to have received the payment in the course of a business on account of services not rendered or goods not delivered before the end of the taxation year in which he received the payment.

(25) An election under subsection (24) shall be made by notifying the Minister in writing on or before the earlier of the days on or before which either the payer or the recipient is required to file a return of income pursuant to section 150 for the taxation year in which the payment to which the election relates was made."

(4) Subsection (1) is applicable to the 1982 and subsequent taxation years.

(5) Subsection (2) is applicable to the 1985 and subsequent taxation years.

(6) Subsection (3) is applicable to the 1982 and subsequent taxation years, except that an election under subsection 20(24) of the said Act, as enacted by subsection (3), made on or before the day that is 90 days after the day on which this Act is assented to shall be deemed to have been made before the day on or before which the election is required to be made by subsection 20(25) of the said Act, as enacted by subsection (3).

11. (1) Paragraph 21(1)(a) of the said Act is repealed and the following substituted therefor:

"(a) in computing his income for the year and for such of the 3 immediately preceding taxation years as the taxpayer had, paragraphs 20(1)(c), (d) and (e) do not apply to the amount or to the part of the amount specified by him in his election that, but for an election under this subsection in respect thereof, would have been deductible in computing his income (other than exempt income) for any such year in respect of borrowed money used to acquire the depreciable property or the amount payable for the depreciable property acquired by him; and"

(2) Subsections 21(2) to (4) of the said Act are repealed and the following substituted therefor:

"(2) Where in a taxation year a taxpayer has used borrowed money for the purpose of exploration, development or the acquisition of property and the expenses incurred by him in respect thereof are Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, as the case may be, if he elects under this subsection in his return of income under this Part for the year,

(a) in computing his income for the year and for such of the 3 immediately preceding taxation years as the taxpayer had, paragraphs 20(1)(c), (d) and (e) do not apply to the amount or to the part of the amount specified by him in his election that, but for an election under this subsection in respect thereof, would have been deductible in computing his income (other than exempt income) for any such year in respect of the borrowed money used for the exploration, development or acquisition of property, as the case may be; and

(b) the amount or the part of the amount, as the case may be, described in paragraph (a) shall be deemed to be

Amounts paid for undertaking future obligations

Borrowed money used for exploration or development

Manner of election

Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, as the case may be, incurred by him in the year.

Borrowing for
depreciable
property

(3) In computing the income of a taxpayer for a particular taxation year, where the taxpayer

- (a) in any preceding taxation year
 - (i) made an election under subsection (1) in respect of borrowed money used to acquire depreciable property or an amount payable for depreciable property acquired by him, or
 - (ii) was, by virtue of subsection 18(3.1), required to include an amount in respect of the construction of a depreciable property in computing the capital cost to him of the depreciable property,

and

- (b) in each taxation year, if any, after that preceding taxation year and before the particular year, made an election under this subsection covering the total amount that, but for an election under this subsection in respect thereof, would have been deductible in computing his income (other than exempt income) for each such year in respect of the borrowed money used to acquire the depreciable property or the amount payable for the depreciable property acquired by him,

if he elects under this subsection in his return of income under this Part for the particular year, paragraphs 20(1)(c), (d) and (e) do not apply to the amount or to the part of the amount specified by him in his election that, but for an election under this subsection in respect thereof, would have been deductible in computing his income (other than exempt income) for the particular year in respect of the borrowed money used to acquire the depreciable property or the amount payable for the depreciable property acquired by him, and the said amount or part of the amount, as the case may be, shall be added to the capital cost to him of the depreciable property so acquired by him.

Borrowing for
exploration, etc.

(4) In computing the income of a taxpayer for a particular taxation year, where the taxpayer

- (a) in any preceding taxation year made an election under subsection (2) in respect of borrowed money used for the purpose of exploration, development or acquisition of property, and
- (b) in each taxation year, if any, after that preceding taxation year and before

the particular year, made an election under this subsection covering the total amount that, but for an election under this subsection in respect thereof, would have been deductible in computing his income (other than exempt income) for each such year in respect of the borrowed money used for the exploration, development or acquisition of property, as the case may be,

if he elects under this subsection in his return of income under this Part for the particular year, paragraphs 20(1)(c), (d) and (e) do not apply to the amount or to the part of the amount specified by him in his election that, but for an election under this subsection in respect thereof would have been deductible in computing his income (other than exempt income) for the particular year in respect of the borrowed money used for the exploration, development or acquisition of property, and the said amount or part of the amount, as the case may be, shall be deemed to be Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses, as the case may be, incurred by him in the particular year."

(3) Subsections (1) and (2) are applicable to taxation years commencing after 1984.

12. (1) All that portion of section 24.1 of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefore:

Judges

"24.1 Where in a taxation year a taxpayer has been appointed a judge by the Governor General or the Governor in Council or by the lieutenant governor in council of a province and the taxpayer elects in his return of income under this Part for the year to have this section apply to the computation of his income,"

(2) Subsection (1) is applicable to appointments made in the 1984 and subsequent taxation years.

13. (1) Section 34 of the said Act is repealed and the following substituted therefor:

Professional
business

"34. In computing the income of a taxpayer for a taxation year from a business that is the professional practice of an accountant, dentist, lawyer, medical doctor, veterinarian or chiropractor, the following rules apply:

- (a) where the taxpayer so elects in his return of income under this Part for the year, there shall not be included any

amount in respect of work in progress at the end of the year; and

(b) where the taxpayer has made an election under this section, paragraph (a) shall apply in computing his income from the business for all subsequent taxation years unless the taxpayer, with the concurrence of the Minister and upon such terms and conditions as are specified by the Minister, revokes his election to have that paragraph apply."

(2) The said Act is further amended in the manner and to the extent set out in Schedule I.

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

14. (1) Subparagraph 39(1)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) a Canadian resource property,
(ii.1) a foreign resource property,"

(2) Subparagraph 39(1)(c)(vi) of the said Act is repealed and the following substituted therefor:

"(vi) in the case of a share referred to in subparagraph (iii) that was issued before 1972 or a share (in this subparagraph and subparagraph (vii) referred to as a "substituted share") that was substituted or exchanged for such a share or for a substituted share, the aggregate of all amounts each of which is an amount received after 1971 and before or upon the disposition of the share or an amount receivable at the time of such a disposition by

(A) the taxpayer,

(B) where the taxpayer is an individual, his spouse, or

(C) a trust of which the taxpayer or his spouse was a beneficiary

as a taxable dividend on the share or on any other share in respect of which it is a substituted share, except that this subparagraph shall not apply in respect of a share or substituted share that was acquired after 1971 from a person with whom the taxpayer was dealing at arm's length, and"

(3) Paragraph 39(5)(d) of the said Act is repealed and the following substituted therefor:

"(d) a credit union,"

(4) Subsection (1) is applicable to taxation years commencing after 1984.

(5) Subsection (2) is applicable to the 1984 and subsequent taxation years.

15. (1) Subparagraph 40(2)(g)(iii) of the said Act is repealed and the following substituted therefor:

"(iii) a loss from the disposition of any personal-use property of the taxpayer (other than listed personal property or a debt referred to in subsection 50(2)), or"

(2) All that portion of subsection 40(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(4) Where a taxpayer has, after 1971, disposed of property to an individual in circumstances to which subsection 70(6) or 73(1) applied, for the purposes of computing the individual's gain from the disposition of the property under paragraph (2)(b) or (c), as the case may be,"

(3) Subsection 40(5) of the said Act is repealed and the following substituted therefor:

"(5) For the purposes of determining whether any property of a trust described in subsection 70(6) or 73(1) was its principal residence for any taxation year, the reference in subparagraph 54(g)(i) to "the taxpayer" shall be read as if it were a reference to the spouse referred to in subparagraph 70(6)(b)(i) or 73(1)(c)(i), as the case may be."

(4) Section 40 of the said Act is further amended by adding thereto the following subsection:

"(7) Where property has been acquired by a taxpayer in satisfaction of all or any part of his capital interest in a trust, in circumstances to which subsection 107(2) applies and subsection 107(4) does not apply, for the purposes of paragraphs (2)(b) and 54(g) he shall be deemed to have owned the property continuously since the trust last acquired it."

(5) Subsection (1) is applicable to the 1985 and subsequent taxation years.

(6) Subsections (2) to (4) are applicable with respect to dispositions occurring after May 9, 1985.

16. (1) Section 42 of the said Act is repealed and the following substituted therefor:

"42. In computing a taxpayer's proceeds of disposition of any property for the purposes of this subdivision, there shall be included any amount received or receivable by the taxpayer as consideration for any warranty, covenant or other conditional or contingent obligation given or incurred by the taxpayer in respect of the disposition, and in computing the taxpayer's income for the taxation year in which the property was disposed of and for each subsequent taxation year, any outlay or expense made or incurred by the taxpayer in any such year pursuant to or by virtue of the obligation shall be deemed to be a

Disposal of principal residence to spouse or trust for spouse

Where principal residence is property of trust for spouse

Property in satisfaction of interest in trust

Dispositions subject to warranty

loss of the taxpayer for that taxation year from the disposition of a capital property."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

17. Subsection 44(1.1) of the said Act is repealed and the following substituted therefor:

Farm property
disposed of to
child

"(1.1) Where the former property referred to in subparagraph (1)(e)(iii) is real property in respect of the disposition of which the rules in subsection 73(3) apply, in computing the amount of any claim in respect of such property under that subparagraph, it shall be read as if the references therein to "1/5" and "4" were references to "1/10" and "9" respectively."

18. (1) Section 45 of the said Act is amended by adding thereto the following subsections:

Election to use
property as
principal
residence

"(3) Where at any time a property that was acquired by a taxpayer for the purpose of gaining or producing income therefrom or for the purpose of gaining or producing income from a business ceases to be used for that purpose and becomes the principal residence of the taxpayer, subsection (1) shall not apply to deem the taxpayer to have disposed of the property at that time and to have reacquired it immediately thereafter if he so elects by notifying the Minister in writing on or before the earlier of

(a) the day that is 90 days after a demand by the Minister for an election under this subsection is sent to him; and

(b) April 30 following the year in which the property is actually disposed of by him.

Where election
cannot be made

(4) Notwithstanding subsection (3), an election described therein shall be deemed not to have been made in respect of a property if any deduction in respect thereof has been allowed for any taxation year ending after 1984 under paragraph 20(1)(a) or subsection 104(16) to the taxpayer, his spouse or a trust under which his spouse is a beneficiary."

(2) Subsection (1) is applicable with respect to property that a taxpayer commences to use as a principal residence after 1981, except that for any such property actually disposed of in taxation years ending after 1981 and before 1985, the reference in subsection 45(3) of the said Act, as enacted by subsection (1), to "April 30 following the year in which the property is actually disposed of by him" shall be read as a reference to "April 30, 1986".

Gain or loss

19. (1) All that portion of subsection 47.1(7) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(7) For the purposes of subsections (3), (9), (10), (24), 48(1.1), 70(5.4), 104(5.1) and 128(2),"

(2) Subsection 47.1(20) of the said Act is amended by striking out the word "and" at the end of paragraph (c) thereof, by adding the word "and" at the end of paragraph (d) thereof and by adding thereto the following paragraph:

"(e) any acquisition fee, within the meaning of subsection 138.1(6), in respect of the interest shall be deemed to be a cost in respect of the interest."

(3) Subsections (1) and (2) are applicable after September, 1983.

20. (1) All that portion of subsection 50(2) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Where debt a
personal-use
property

"(2) Where at the end of a taxation year a debt that is a personal-use property of a taxpayer is owing to him by a person with whom he deals at arm's length and is established by him to have become a bad debt in the year."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

21. (1) Subsection 51(1) of the said Act is repealed and the following substituted therefor:

Convertible
property

"51. (1) Where shares of the capital stock of a corporation have been acquired by a taxpayer in exchange for a capital property of the taxpayer that was a share, bond, debenture or note of the corporation (in this section referred to as a "convertible property") the terms of which conferred upon the holder the right to make the exchange and no consideration was received by the taxpayer for the convertible property other than those shares. the following rules apply:

(a) the exchange shall be deemed not to have been a disposition of property; and

(b) the cost to the taxpayer of all the shares of a particular class acquired by him on the exchange shall be deemed to be that proportion of the adjusted cost base to him of the convertible property immediately before the exchange that

(i) the fair market value, immediately after the exchange, of all the shares of the particular class acquired by him on the exchange

is of

(ii) the fair market value, immediately after the exchange, of all the shares acquired by him on the exchange."

(2) Paragraph 51(2)(a) of the said Act is repealed and the following substituted therefor:

"(a) shares of the capital stock of a corporation have been acquired by a taxpayer in exchange for a convertible property in circumstances such that, but for this subsection, subsection (1) would have applied."

(3) Paragraph 51(2)(f) of the said Act is repealed and the following substituted therefor:

"(f) the cost to the taxpayer of all the shares of a particular class acquired in exchange for the convertible property shall be deemed to be that proportion of the lesser of

(i) the adjusted cost base to the taxpayer of the convertible property immediately before the exchange, and
(ii) the aggregate of the fair market value immediately after the exchange of all the shares acquired by him in exchange for the convertible property and the amount that, but for paragraph (e), would have been the taxpayer's capital loss on the disposition of the convertible property,

that

(iii) the fair market value, immediately after the exchange, of all the shares of the particular class acquired by him on the exchange

is of

(iv) the fair market value, immediately after the exchange, of all the shares acquired by him on the exchange."

(4) Subsections (1) to (3) are applicable with respect to exchanges of property

(a) occurring after May 9, 1985; or
(b) occurring before May 10, 1985 and after 1983 where the taxpayer so elects by notifying the Minister in writing before 1986.

22. (1) Subparagraph 53(1)(e)(vi) of the said Act is repealed.

(2) Paragraph 53(1)(j) of the said Act is repealed and the following substituted therefor:

"(j) where the property is a share and, in respect of its acquisition by the taxpayer, a benefit was deemed by section 7 to have been received in any taxation year ending after 1971 and commencing before that time by the taxpayer or by a person that did not deal at arms' length with the taxpayer, the amount of the

benefit so deemed to have been received;"

(3) Subparagraph 53(1)(m)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) where the taxpayer is a controlled foreign affiliate (within the meaning of paragraph 95(1)(a)), of a person resident in Canada, any amount included in respect of the property in computing the foreign accrual property income of the controlled foreign affiliate by virtue of subparagraph 95(1)(b)(ii.1) for a taxation year commencing before that time; and"

(4) Subsection 53(1) of the said Act is further amended by striking out the word "and" at the end of paragraph (f) thereof and by adding thereto the following paragraph:

"(n) the reasonable costs incurred by the taxpayer, before that time, of surveying or valuing the property for the purpose of its acquisition or disposition (to the extent that those costs are not deducted by the taxpayer in computing his income for any taxation year or attributable to any other property)."

(5) Clauses 53(2)(c)(ii)(B) to (E) of the said Act are repealed and the following substituted therefor:

"(B) the Canadian exploration and development expenses and foreign exploration and development expenses, if any, incurred by the partnership in the fiscal period,
(C) the Canadian exploration expense, if any, incurred by the partnership in the fiscal period,
(D) the Canadian development expense, if any, incurred by the partnership in the fiscal period, and
(E) the Canadian oil and gas property expense, if any, incurred by the partnership in the fiscal period."

(6) Paragraph 53(2)(c) of the said Act is further amended by striking out the word "and" at the end of subparagraph (vii) thereof, by adding the word "and" at the end of subparagraph (viii) thereof and by adding thereto the following subparagraph:

"(ix) an amount equal to the amount of all assistance received by the taxpayer before that time that has resulted in a reduction of the capital cost of a depreciable property to the partnership by virtue of subsection 13(7.2)."

(7) Paragraph 53(2)(h) of the said Act is amended by striking out the word "and" at the end of subparagraph (iii) thereof, by

adding the word "and" at the end of subparagraph (iv) thereof and by adding thereto the following subparagraph:

"(v) an amount equal to the amount of all assistance received by the taxpayer before that time that has resulted in a reduction of the capital cost of a depreciable property to the trust by virtue of subsection 13(7.2);"

(8) Subparagraph 53(2)(i)(ii) of the said Act is repealed.

(9) Subparagraph 53(2)(i)(ix) of the said Act is repealed and the following substituted therefor:

"(ix) the aggregate of the cost amounts to the trust at that time of such of the trust properties as were properties described in subparagraphs (i) to (v);"

(10) Subparagraph 53(2)(j)(ii) of the said Act is repealed.

(11) Subparagraph 53(2)(j)(ix) of the said Act is repealed and the following substituted therefor:

"(ix) the aggregate of the cost amounts to the trust at that time of such of the trust properties as were properties described in subparagraphs (i) to (v);"

(12) Subsection (1) is applicable with respect to dispositions occurring after 1984, but for property disposed of by a partnership prior to 1985, subparagraph 53(1)(e)(iv) of the said Act shall apply and be read as it was at the time of the disposition having regard to any subsequent amendments thereto that applied at that time.

(13) Subsection (2) is applicable in computing the adjusted cost base of a share acquired after 1984.

(14) Subsection (3) is applicable after 1984.

(15) Subsection (4) is applicable with respect to costs incurred after 1984.

(16) Subsections (5), (8) and (10) are applicable to taxation years commencing after 1984.

(17) Subsections (6) and (7) are applicable with respect to property acquired after May 9, 1985.

(18) Subsections (9) and (11) are applicable in computing the adjusted cost base of property owned by a taxpayer after May 9, 1985.

23. (1) Subparagraphs 54(g)(i) and (ii) of the said Act are repealed and the following substituted therefor:

"(i) ordinarily inhabited in the year by the taxpayer, his spouse or former spouse, or a child of the taxpayer who, during the year, was dependent

upon him for support and was a person described in subparagraph 109(1)(d)(i), (ii) or (iii), or
(ii) property in respect of which the taxpayer has made an election for the year in accordance with subsection 45(2) or (3)."

(2) All that portion of paragraph 54(g) of the said Act following subparagraph (iv) thereof is repealed and the following substituted therefor:

"and

(v) for the purposes of this paragraph the principal residence of a taxpayer for a taxation year shall be deemed to include, except where the property consists of a share of the capital stock of a co-operative housing corporation, the land subjacent to the housing unit and such portion of any immediately contiguous land as may reasonably be regarded as contributing to the taxpayer's use and enjoyment of the housing unit as a residence, except that where the total area of the subjacent land and of that portion exceeds 1/2 hectare, the excess shall be deemed not to have contributed to the individual's use and enjoyment of the housing unit as a residence unless the taxpayer establishes that it was necessary to such use and enjoyment, and
(vi) for the purposes of subparagraph (iii), a property designated by a trust referred to in subsection 70(6) or 73(1) shall be deemed to be property designated by the spouse who is a beneficiary of the trust and property designated by the spouse who is a beneficiary of any such trust shall be deemed to be a property designated by the trust;"

(3) Subparagraph 54(g)(i) of the said Act, as enacted by subsection (1), is applicable to the 1985 and subsequent taxation years.

(4) Subparagraph 54(g)(ii) of the said Act, as enacted by subsection (1), is applicable to the 1982 and subsequent taxation years.

(5) Subsection (2) is applicable with respect to dispositions occurring after May 9, 1985.

24. (1) Subsections 59(1) to (1.2) of the said Act are repealed and the following substituted therefor:

"59. (1) Where a taxpayer has disposed of a foreign resource property, the amount, if any, by which his proceeds of disposition therefrom exceeds any outlays or expenses made or incurred by him for the purpose of making the disposition and that were not otherwise deductible for the purposes of this Part shall be included in computing

Consideration
for foreign
resource prop.

his income for a taxation year to the extent that the proceeds become receivable in that year."

(2) Subsections 59(2) and (2.1) of the said Act are repealed and the following substituted therefor:

Deduction
under s. 64 in
preceding year

"(2) There shall be included in computing a taxpayer's income for a taxation year any amount that has been deducted as a reserve under subsection 64(1), (1.1) or (1.2) in computing his income for the immediately preceding taxation year."

(3) Subsections 59(3) and (3.1) of the said Act are repealed.

(4) All that portion of paragraph 59(3.3)(a) of the said Act following subparagraph (iii) thereof is repealed and the following substituted therefor:

"and in respect of which the consideration given by the taxpayer was a property (other than a property disposed of by the taxpayer to any person with whom he was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property) or services the cost of which may reasonably be regarded as having been an expenditure that was added in computing the earned depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the earned depletion base of a predecessor where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be;"

(5) Paragraphs 59(3.3)(e) and (f) of the said Act are repealed and the following substituted therefor:

"(e) 66 2/3% of the aggregate of all amounts, each of which is an amount that became receivable by the taxpayer after December 11, 1979 and in the year and in respect of which the consideration given by the taxpayer was a property (other than a share or a Canadian resource property) or services the cost of which may reasonably be regarded as having been an expenditure in connection with an oil or gas well in respect of which an amount was included in computing the taxpayer's frontier exploration base or in computing the frontier exploration base of a predecessor where the taxpayer is a successor corporation or a second successor corporation to the predecessor, as the case may be; and

(f) 33 1/3% of the aggregate of all amounts, each of which is an amount that became receivable by the taxpayer after April 19, 1983 and in the year and in respect of which the consideration given by the taxpayer was a property (other than a property disposed of by

the taxpayer to any person with whom he was not dealing at arm's length, a share, depreciable property of a prescribed class or a Canadian resource property) or services the cost of which may reasonably be regarded as having been an expenditure that was included in computing the mining exploration depletion base of the taxpayer or of a person with whom he was not dealing at arm's length or in computing the mining exploration depletion base of a specified predecessor of the taxpayer."

(6) Paragraphs 59(3.4)(a) and (b) of the said Act are repealed and the following substituted therefor:

"successor
corporation"

"(a) 'successor corporation' means a corporation that has at any time after November 7, 1969 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another person (in this subsection and subsection (3.3) referred to as the 'predecessor') all or substantially all of the Canadian resource properties of the predecessor and that, with respect to acquisitions of property after November 16, 1978 (except in the case of an amalgamation or a winding-up), has jointly elected with the predecessor under subsection 66.1(4), 66.2(3) or 66.4(3):

"second
successor
corporation"
= seconde
corporation
remplacante

(b) 'second successor corporation' means a corporation that has at any time after November 7, 1969 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another corporation (in this paragraph referred to as the 'first successor corporation') that was a successor corporation, all or substantially all of the Canadian resource properties of the first successor corporation and that, with respect to acquisitions of property after November 16, 1978 (except in the case of an amalgamation or a winding-up), has jointly elected with the first successor corporation under subsection 66.1(5), 66.2(4) or 66.4(4); and"

(7) Subsection 59(4) of the said Act is repealed.

(8) The said Act is further amended in the manner and to the extent set out in Schedule II.

(9) Subsections (1), (3) and (7) are applicable with respect to dispositions occurring in taxation years commencing after 1984.

(10) Subsections (2), (4), (5) and (8) are applicable to taxation years commencing after 1984.

(11) Subsection (6) is applicable with respect to acquisitions occurring after 1982 except that with respect to acquisitions occurring after 1982 and in a taxation year commencing before 1985

(a) the reference in paragraph 59(3.4)(a) of the said Act, as enacted by subsection (6), to "Canadian resource properties of the predecessor" shall be read as a reference to "property of the predecessor used by him in carrying on in Canada any of the businesses described in any of subparagraphs 66(15)(h)(i) to (vii) as were carried on by him"; and

(b) the reference in paragraph 59(3.4)(b) of the said Act, as enacted by subsection (6), to "Canadian resource properties of the first successor corporation" shall be read as a reference to "property of the first successor corporation used by it in carrying on in Canada any of the businesses described in any of subparagraphs 66(15)(h)(i) to (vii) as were carried on by it".

25. (1) Paragraph 60(n) of the said Act is amended by striking out the word "or" at the end of subparagraph (ii.1) thereof, by adding the word "or" at the end of subparagraph (iii) thereof and by repealing all that portion thereof following subparagraph (iii) thereof and substituting the following therefor:

"(iv) any amount described in paragraph 56(1)(m)

received by the taxpayer and included in computing his income for the year or a preceding taxation year, to the extent of the amount thereof repaid by him in the year otherwise than by virtue of Part VIII of the *Unemployment Insurance Act, 1971*;"

(2) Paragraph 60(p) of the said Act is repealed and the following substituted therefor:

"(p) the amount of any overpayment of an allowance included in computing his income for the year or a preceding taxation year by virtue of subsection 56(5) or (8) or an amount included in computing his taxable income earned in Canada for the year or a preceding taxation year by virtue of subparagraph 115(2)(e)(iii) to the extent of the amount thereof that has been repaid in the year under the *Family Allowances Act, 1973*, or under a law of a province that provides for the payment of an allowance similar to the family allowance provided under the *Family Allowances Act, 1973*;"

Overpayment of allowance

(3) Subparagraph 60(q)(i) of the said Act is repealed and the following substituted therefor:

"(i) the amount has been included in computing his income for the year or a preceding taxation year as an amount described in subparagraph 56(1)(n)(i) or paragraph 56(1)(o) paid to him by the payer."

(4) Section 60 of the said Act is further amended by striking out the word "and" at the end of paragraph (q) thereof, by adding the word "and" at the end of paragraph (r) thereof and by adding thereto the following paragraph:

"(s) the aggregate of payments made by the taxpayer in the year in respect of a policy loan (within the meaning assigned by paragraph 148(9)(e)) made under a life insurance policy, not exceeding the amount, if any, by which

(i) the aggregate of all amounts required by subsection 148(1) to be included in computing his income for the year or a preceding taxation year from a disposition described in subparagraph 148(9)(c)(ii) in respect of that policy

exceeds

(ii) the aggregate of all repayments made by the taxpayer in respect of the policy loan that were deductible in computing his income for a preceding taxation year."

(5) Subsections (1) to (3) are applicable to the 1984 and subsequent taxation years.

(6) Subsection (4) is applicable to the 1982 and subsequent taxation years.

26. (1) Paragraph 62(1)(g) of the said Act is repealed and the following substituted therefor:

"(g) any reimbursement or allowance received by him in respect of such expenses is included in computing his income."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

27. (1) Subsection 65(1) of the said Act is amended by striking out the word "or" at the end of paragraph (a) thereof and by repealing paragraph (b) thereof and substituting the following therefor:

"(b) the processing of ore (other than iron ore or tar sands) from a mineral resource to any stage that is not beyond the prime metal stage or its equivalent,

(c) the processing of iron ore from a mineral resource to any stage that is not beyond the pellet stage or its equivalent, or

Repayment of policy loan

(d) the processing of tar sands from a mineral resource to any stage that is not beyond the crude oil stage or its equivalent"

(2) Subparagraph 65(2)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) processing operations described in any of paragraphs (1)(b), (c) or (d) that are carried on by the taxpayer; and"

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

28. (1) Subsection 66(3) of the said Act is repealed and the following substituted therefor:

Expenses of other taxpayers

"(3) A taxpayer other than a principal-business corporation may deduct, in computing his income for a taxation year, the aggregate of his Canadian exploration and development expenses to the extent that they were not deducted in computing his income for a preceding taxation year."

(2) All that portion of clause 66(4)(b)(ii)(C) of the said Act preceding subclause (I) thereof is repealed and the following substituted therefor:

"(C) the aggregate of amounts each of which is an amount, in respect of a foreign resource property that has been disposed of by him, equal to the amount, if any, by which"

(3) All that portion of subsection 66(6) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Successor corp's. Cdn. explo. & dev. expenses

"(6) Where a corporation (in this subsection referred to as the "successor corporation") has at any time after 1971 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another person (in this subsection referred to as the "predecessor") all or substantially all of the Canadian resource properties of the predecessor and (except in the case of an amalgamation or a winding-up) the predecessor and the successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to

which the election relates occurred, there may be deducted by the successor corporation in computing its income under this Part for a taxation year the lesser of"

(4) Subparagraph 66(6)(b)(i) of the said Act is repealed and the following substituted therefor:

"(i) the disposition of any Canadian resource property owned by the predecessor immediately before the acquisition by the successor corporation of the property so acquired,"

(5) All that portion of subsection 66(7) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Second successor corp's. Cdn. explo. & dev. expenses

"(7) Where a corporation (in this subsection referred to as the "second successor corporation") has at any time after 1971 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another corporation (in this subsection referred to as the "first successor corporation") that was a successor corporation, within the meaning of subsection (6), all or substantially all of the Canadian resource properties of the first successor corporation and (except in the case of an amalgamation or a winding-up) the first successor corporation and the second successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the second successor corporation in computing its income under this Part for a taxation year the lesser of"

(6) Subparagraph 66(7)(b)(i) of the said Act is repealed and the following substituted therefor:

"(i) the disposition of any Canadian resource property owned by the predecessor of the first successor corporation, within the meaning of subsection (6), immediately before the acquisition by the first successor corporation of the property so acquired by the second successor corporation,"

(7) Paragraph 66(8)(e) of the said Act is repealed and the following substituted therefor:

"(e) the references therein to "Canadian resource property" and "Canadian resource properties" were read as refer-

ences to "foreign resource property" and "foreign resource properties", respectively."

(8) Paragraph 66(9)(e) of the said Act is repealed and the following substituted therefor:

"(e) the references therein to "Canadian resource property" and "Canadian resource properties" were read as references to "foreign resource property" and "foreign resource properties", respectively."

(9) Paragraph 66(11.1)(d) of the said Act is repealed and the following substituted therefor:

"(d) the corporation shall be deemed to have acquired at that time all or substantially all of the Canadian resource properties and foreign resource properties of the predecessor owned by it immediately before that time;"

(10) Subparagraph 66(11.1)(f)(i) of the said Act is repealed and the following substituted therefor:

"(i) any disposition by the corporation, in the year before that time, of a Canadian resource property or foreign resource property shall be deemed to be a disposition described in subparagraphs (6)(b)(i) and 66.1(4)(b)(i)."

(11) All that portion of subsection 66(11.2) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(11.2) Where a corporation (in this subsection referred to as the "acquiring corporation") has at any time after November 12, 1981 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another corporation (in this subsection referred to as the "predecessor"), all or substantially all of the Canadian resource properties of the predecessor and (except in the case of an amalgamation or a winding-up) the predecessor and the acquiring corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to which the election relates occurred, and the provisions in subsection (11.1) apply with respect to the deduction of Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses or Canadian oil and gas property expenses (in this subsection referred to as "exploration and development expenses") made or

incurred by the predecessor, the following rules apply:"

(12) Subsection 66(12.1) of the said Act is repealed and the following substituted therefor:

"(12.1) Except as expressly otherwise provided in this Act,

(a) where as a result of a transaction occurring after May 6, 1974 an amount has become receivable by a taxpayer at a particular time in a taxation year and the consideration given by the taxpayer therefor was property (other than a share or a Canadian resource property, or an interest therein or a right thereto) or services, the original cost of which to the taxpayer may reasonably be regarded as having been primarily Canadian exploration and development expenses of the taxpayer (or would have been so regarded if they had been incurred by him after 1971 and before May 7, 1974) or a Canadian exploration expense, there shall at that time be included in the amount referred to in subparagraph 66.1(6)(b)(vi) the amount that became receivable by him at that time; and

(b) where as a result of a transaction occurring after May 6, 1974 an amount has become receivable by a taxpayer at a particular time in a taxation year and the consideration given by the taxpayer therefor was property (other than a share or a Canadian resource property, or an interest therein or a right thereto) or services, the original cost of which to the taxpayer may reasonably be regarded as having been primarily a Canadian development expense, there shall at that time be included in the amount referred to in subparagraph 66.2(5)(b)(vi) the amount that became receivable by him at that time."

(13) All that portion of subsection 66(12.4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(12.4) Where, as a result of a transaction occurring after May 6, 1974, an amount has become receivable by a taxpayer at a particular time in a taxation year and the consideration given by the taxpayer therefor was property (other than a foreign resource property) or services, the original cost of which to the taxpayer may reasonably be regarded as having been primarily foreign exploration and development expenses of the taxpayer (or would have been so regarded if they had been incurred by him after 1971), the following rules apply:"

(14) Subparagraph 66(15)(b)(v.1) of the said Act is repealed and the following substituted therefor:

Limitations of
Cdn. explo. &
dev. expenses

Limitation of
foreign explo.
& dev. exp.

Idem

"(v.1) any annual payment made by the taxpayer for the preservation of a Canadian resource property;"

(15) All that portion of paragraph 66(15)(c) of the said Act preceding subparagraph (i) thereof is repealed and the following substituted therefor:

"Canadian resource property"

"(c) "Canadian resource property" of a taxpayer means any property of the taxpayer that is"

(16) Subparagraph 66(15)(c)(vii) of the said Act is repealed and the following substituted therefor:

"(vii) any right to or interest in any property described in any of subparagraphs (i) to (vi), other than such a right or interest that the taxpayer has by virtue of being a beneficiary of a trust;"

(17) Subparagraph 66(15)(e)(v) of the said Act is repealed and the following substituted therefor:

"(v) any annual payment made by the taxpayer for the preservation of a foreign resource property;"

(18) Subsection (1) is applicable to the 1985 and subsequent taxation years.

(19) Subsections (2), (4), (6) to (14), (16) and (17) are applicable with respect to transactions occurring in taxation years commencing after 1984.

(20) Subsections (3) and (5) are applicable with respect to acquisitions occurring after 1982 except that with respect to acquisitions occurring after 1982 and in a taxation year commencing before 1985

(a) the reference in subsection 66(6) of the said Act, as amended by subsection (3), to "Canadian resource properties of the predecessor" shall be read as a reference to "property of the predecessor used by him in carrying on in Canada such of the businesses described in any of subparagraphs (15)(h)(i) to (vii) as were carried on by him"; and

(b) the reference in subsection 66(7) of the said Act, as amended by subsection (5), to "Canadian resource properties of the first successor corporation" shall be read as a reference to "property of the first successor corporation used by it in carrying on in Canada such of the businesses described in any of subparagraphs (15)(h)(i) to (vii) as were carried on by it".

(21) Subsection (15) is applicable to taxation years commencing after 1984.

29. (1) Subsection 66.1(3) of the said Act is repealed and the following substituted therefor:

Expenses of other taxpayers

"(3) A taxpayer other than a principal-business corporation may deduct, in computing his income for a taxation year, such amount as he may claim not exceeding his cumulative Canadian exploration expense at the end of the year."

(2) All that portion of subsection 66.1(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Successor corp's Cdn. explo. exp.

"(4) Where a corporation (in this subsection referred to as the "successor corporation") has at any time after May 6, 1974 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another person (in this subsection referred to as the "predecessor") all or substantially all of the Canadian resource properties of the predecessor and (except in the case of an amalgamation or a winding-up) the predecessor and the successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the successor corporation in computing its income under this Part for a taxation year such amount as it may claim not exceeding the lesser of"

(3) Subparagraph 66.1(4)(b)(i) of the said Act is repealed and the following substituted therefor:

"(i) the amount included in computing its income for the year under paragraph 59(3.2)(c) that may reasonably be regarded as being attributable to the disposition in the year or a preceding taxation year of any Canadian resource property owned by the predecessor immediately before the acquisition of the property by the successor corporation to the extent that the proceeds of such disposition have not been included in determining an amount under this subparagraph for a preceding taxation year or in determining an amount under subparagraph (5)(b)(i) in the year or a preceding taxation year,"

(4) All that portion of subsection 66.1(5) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Second
successor
corp's. Cdn.
explo. exp.

"(5) Where a corporation (in this subsection referred to as the "second successor corporation") has at any time after May 6, 1974 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another corporation (in this subsection referred to as the "first successor corporation") that was a successor corporation, within the meaning of subsection (4), all or substantially all of the Canadian resource properties of the first successor corporation and (except in the case of an amalgamation or a winding-up) the first successor corporation and the second successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the second successor corporation in computing its income under this Part for a taxation year such amount as it may claim not exceeding the lesser of"

(5) Subparagraph 66.1(5)(b)(i) of the said Act is repealed and the following substituted therefor:

"(i) the amount included in computing its income for the year under paragraph 59(3.2)(c) that may reasonably be regarded as being attributable to the disposition in the year or a preceding taxation year of any Canadian resource property owned by the predecessor, within the meaning of subsection (4), of the first successor corporation immediately before the acquisition by the first successor corporation of the property so acquired by the second successor corporation to the extent that the proceeds of such disposition have not been included in determining an amount under this subparagraph for a preceding taxation year,"

(6) All that portion of subparagraph 66.1(6)(a)(iii) of the said Act preceding clause (A) thereof is repealed and the following substituted therefor:

"(iii) any expense incurred by him (other than an expense incurred in drilling or completing an oil or gas well or in building a temporary access road to, or preparing a site in respect of, any such well) for the purpose of determining the existence, location, extent or quality of a mineral resource in Canada including any expense incurred in the course of"

(7) Clause 66.1(6)(a)(iii)(F) of the said Act is repealed and the following substituted therefor:

"(F) any expense that may reasonably be considered to be related to a mine that has come into production in reasonable commercial quantities or to be related to a potential or actual extension thereof,"

(8) All that portion of subparagraph 66.1(6)(a)(iii.1) of the said Act preceding clause (A) thereof is repealed and the following substituted therefor:

"(iii.1) any expense incurred by him after November 16, 1978 for the purpose of bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the coming into production of the new mine, including"

(9) Subsection (1) is applicable to the 1985 and subsequent taxation years.

(10) Subsections (2) and (4) are applicable with respect to acquisitions occurring after 1982 except that with respect to acquisitions occurring after 1982 and in a taxation year commencing before 1985

(a) the reference in subsection 66.1(4) of the said Act, as amended by subsection (2), to "Canadian resource properties of the predecessor" shall be read as a reference to "property of the predecessor used by him in carrying on in Canada such of the businesses described in subparagraphs 66(15)(h)(i) to (vii) as were carried on by him"; and

(b) the reference in subsection 66.1(5) of the said Act, as amended by subsection (4), to "Canadian resource properties of the first successor corporation" shall be read as a reference to "property of the first successor corporation used by it in carrying on in Canada such of the businesses described in subparagraphs 66(15)(h)(i) to (vii) as were carried on by it".

(11) Subsections (3) and (5) are applicable to taxation years commencing after 1984.

(12) Subsections (6), (7) and (8) are applicable with respect to expenses incurred after May 9, 1985.

30. (1) All that portion of subsection 66.2(3) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(3) Where a corporation (in this subsection referred to as the "successor corporation") has at any time after May 6, 1974 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other

Successor
corp's. Cdn.
dev. exp.

than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply, from another person (in this subsection referred to as the "predecessor") all or substantially all of the Canadian resource properties of the predecessor and (except in the case of an amalgamation or a winding-up) the predecessor and the successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the successor corporation in computing its income under this Part for a taxation year such amount as it may claim not exceeding the lesser of"

(2) Subparagraph 66.2(3)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) the aggregate of all amounts each of which is an amount that became receivable by the successor corporation in the taxation year or a preceding taxation year, is included in the amount determined under clause (5)(b)(v)(A) and may reasonably be regarded as attributable to the disposition by the successor corporation of any property owned by the predecessor immediately before the acquisition thereof by the successor corporation, and"

(3) All that portion of subsection 66.2(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(4) Where a corporation (in this subsection referred to as the "second successor corporation") has at any time after May 6, 1974 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another corporation (in this subsection referred to as the "first successor corporation") that was a successor corporation, within the meaning of subsection (3), all or substantially all of the Canadian resource properties of the first successor corporation and (except in the case of an amalgamation or a winding-up) the first successor corporation and the second successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150

for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the second successor corporation in computing its income under this Part for a taxation year such amount as it may claim not exceeding the lesser of"

(4) All that portion of paragraph 66.2(4)(a) of the said Act preceding subparagraph (ii) thereof is repealed and the following is substituted therefor:

"(a) 30% of the amount by which
(i) the amount, if any, by which the amount determined under subparagraph (3)(a)(i) in respect of the first successor corporation immediately after the property so acquired was acquired by the second successor corporation exceeds the amount determined under paragraph (3)(a)(ii) in respect of the first successor corporation at that time, to the extent it has not been deducted by the first successor corporation in computing its income for any taxation year and has not been deducted by the second successor corporation in computing its income for a preceding taxation year exceeds"

(5) Subparagraph 66.2(4)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) the aggregate of all amounts each of which is an amount that became receivable in the taxation year or a preceding taxation year by the second successor corporation, is included in the amount determined under clause (5)(b)(v)(A) and may reasonably be regarded as attributable to the disposition by the second successor corporation of any property owned by the predecessor of the first successor corporation immediately before the acquisition thereof by the first successor corporation, and"

(6) Subparagraph 66.2(5)(a)(i) of the said Act is amended by striking out the word "or" at the end of clause (C) thereof, by adding the word "or" at the end of clause (D) thereof, and by adding thereto the following clause:

"(E) drilling or converting a well in Canada for the purposes of monitoring fluid levels, pressure changes or other phenomena in an accumulation of petroleum or natural gas,"

(7) Subparagraph 66.2(5)(a)(iii) of the said Act is repealed and the following substituted therefor:

"(iii) notwithstanding paragraph 18(1)(m), the cost to him of any property described in subparagraph 66(15)(c)(ii), (v) or (vi) or any right to or interest in such property (other than such a right or interest that he has by virtue of being a beneficiary of a trust) but not including any payment made to any of the persons referred to in any of subparagraphs 18(1)(m)(i) to (iii) for the preservation of a taxpayer's rights in respect of a Canadian resource property nor a payment to which paragraph 18(1)(m) applied by virtue of subparagraph (v) thereof,"

(8) All that portion of subparagraph 66.2(5)(b)(v) of the said Act preceding clause (B) thereof is repealed and the following substituted therefor:

"(v) the aggregate of all amounts each of which is an amount in respect of a property described in subparagraph 66(15)(c)(ii), (v) or (vi) or a right to or interest in such property, other than such a right or interest that he has by virtue of being a beneficiary of a trust, (in this subparagraph referred to as the "particular property") disposed of by the taxpayer before that time equal to the amount, if any, by which

(A) the amount, if any, by which the proceeds of disposition in respect of the particular property that became receivable by him after May 6, 1974 and before that time exceeds any outlays or expenses that were made or incurred by him after May 6, 1974 and before that time for the purpose of making the disposition and that were not otherwise deductible for the purposes of this Part exceeds"

(9) Subsection 66.2(7) of the said Act is repealed and the following substituted therefor:

"(7) Where a non-resident person is a member of a partnership that is deemed under paragraph 115(4)(b) to have disposed of a property, his share of any amount that would be an amount referred to in clause (5)(b)(v)(A) or subparagraph (5)(b)(vi) or (xi) in respect of the partnership for a taxation year of the partnership if section 96 were read without reference to paragraph (1)(d) thereof shall, for the purposes of this Act, be deemed in respect of the non-resident person to be an amount referred to in clause (5)(b)(v)(A) or subparagraph (5)(b)(vi) or (xi), as the case may be, for the taxation year of the non-resident person that is deemed under paragraph 115(4)(a) to have ended."

Exception

(10) Subsections (1) and (3) are applicable with respect to acquisitions occurring after 1982 except that with respect to acquisitions occurring after 1982 and in a taxation year commencing before 1985

(a) the reference in subsection 66.2(3) of the said Act, as amended by subsection (1), to "Canadian resource properties of the predecessor" shall be read as a reference to "property of the predecessor used by him in carrying on in Canada such of the businesses described in any of subparagraphs 66(15)(h)(i) to (vii) as were carried on by him"; and

(b) the reference in subsection 66.2(4) of the said Act, as amended by subsection (3), to "Canadian resource properties of the first successor corporation" shall be read as a reference to "property of the first successor corporation used by it in carrying on in Canada such of the businesses described in any of subparagraphs 66(15)(h)(i) to (vii) as were carried on by it".

(11) Subsections (2), (5), (7) and (9) are applicable with respect to dispositions occurring in taxation years commencing after 1984.

(12) Subsection (4) is applicable to taxation years ending after 1984.

(13) Subsection (6) is applicable with respect to expenses incurred after 1981.

(14) Subsection (8) is applicable with respect to dispositions occurring in taxation years commencing after 1984, but for dispositions occurring in taxation years commencing before 1985 subparagraph 66.2(5)(b)(v) of the said Act shall apply and be read as it was at the time the disposition occurred having regard to any subsequent amendments thereto that applied at that time.

31. (1) All that portion of subsection 66.4(3) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Successor
corp's, Cdn. oil
& gas prop.
exp.

"(3) Where a corporation (in this subsection referred to as the "successor corporation") has at any time acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another person (in this subsection referred to as the "predecessor") all or substantially all of the Canadian resource properties of the predecessor and (except in the case of an amalgamation or a winding-up) the predecessor and the successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transac-

tion to which the election relates occurred, there may be deducted by the successor corporation in computing its income under this Part for a taxation year such amount as it may claim not exceeding the lesser of"

(2) Subparagraph 66.4(3)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) the aggregate of all amounts each of which is an amount that became receivable in the taxation year or a preceding taxation year by the successor corporation, is included in the amount determined under clause (5)(b)(v)(A) and may reasonably be regarded as attributable to the disposition by the successor corporation of any property owned by the predecessor immediately before the acquisition thereof by the successor corporation, and"

(3) All that portion of subsection 66.4(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(4) Where a corporation (in this subsection referred to as the "second successor corporation") has at any time acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) or a winding-up to which the rules in subsection 88(1) apply), from another corporation (in this subsection referred to as the "first successor corporation") that was a successor corporation, within the meaning of subsection (3), all or substantially all of the Canadian resource properties of the first successor corporation and (except in the case of an amalgamation or a winding-up) the first successor corporation and the second successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the second successor corporation in computing its income under this Part for a taxation year such amount as it may claim not exceeding the lesser of"

(4) Subparagraph 66.4(4)(a)(i) of the said Act is repealed and the following substituted therefor:

"(i) the amount, if any, by which the amount determined under subparagraph (3)(a)(i) in respect of the first successor corporation immediately after the property so acquired was acquired by the second successor cor-

poration exceeds the amount determined under paragraph (3)(a)(ii) in respect of the first successor corporation at that time, to the extent it has not been deducted by the first successor corporation in computing its income for any taxation year and has not been deducted by the second successor corporation in computing its income for a preceding taxation year,"

(5) Subparagraph 66.4(4)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) the aggregate of all amounts each of which is an amount that became receivable in the taxation year or a preceding taxation year by the second successor corporation, is included in the amount determined under clause (5)(b)(v)(A) and may reasonably be regarded as attributable to the disposition by the second successor corporation of any property owned by the predecessor of the first successor corporation immediately before the acquisition thereof by the first successor corporation, and"

(6) Subparagraph 66.4(5)(a)(i) of the said Act is repealed and the following substituted therefor:

"(i) notwithstanding paragraph 18(1)(m), the cost to him of any property described in subparagraph 66(15)(c)(i), (iii) or (iv) or a right to or interest in such property (other than such a right or interest that he has by reason of being a beneficiary of a trust) or an amount paid or payable to Her Majesty in right of the Province of Saskatchewan as a net royalty payment pursuant to a net royalty petroleum and natural gas lease that was in effect on March 31, 1977 to the extent that it can reasonably be regarded as a cost of acquiring the lease, but not including any payment made to any of the persons referred to in any of subparagraphs 18(1)(m)(i) to (iii) for the preservation of a taxpayer's rights in respect of a Canadian resource property nor a payment (other than a net royalty payment referred to in this subparagraph) to which paragraph 18(1)(m) applied by virtue of subparagraph (v) thereof,"

(7) All that portion of subparagraph 66.4(5)(b)(v) of the said Act preceding clause (B) thereof is repealed and the following substituted therefor:

Second
successor
corp's. Cdn. oil
& gas prop.
exp.

"(v) the aggregate of all amounts each of which is an amount in respect of a property described in subparagraph 66(15)(c)(i), (iii) or (iv) or a right to or interest in such property, other than such a right or interest that he has by reason of being a beneficiary of a trust, (in this subparagraph referred to as "the particular property") disposed of by the taxpayer before that time equal to the amount, if any, by which

(A) the amount, if any, by which the proceeds of disposition in respect of the particular property that became receivable by him before that time exceeds any outlays or expenses made or incurred by him before that time for the purpose of making the disposition and that were not otherwise deductible for the purposes of this Part exceeds"

(8) Subsection 66.4(5) of the said Act is amended by striking out the word "and" at the end of paragraph (a) thereof, by adding the word "and" at the end of paragraph (b) thereof and by adding thereto the following paragraph:

"(c) "disposition" and "proceeds of disposition" have the meanings assigned by section 54."

(9) Subsections (1) and (3) are applicable with respect to acquisitions occurring after 1982 except that with respect to acquisitions occurring after 1982 and in taxation years commencing before 1985

(a) the reference in subsection 66.4(3) of the said Act, as amended by subsection (1), to "Canadian resource properties of the predecessor" shall be read as a reference to "property of the predecessor used by him in carrying on in Canada such of the businesses described in any of subparagraphs 66(15)(h)(i) to (vii) as were carried on by him"; and

(b) the reference in subsection 66.4(4) of the said Act, as amended by subsection (3), to "Canadian resource properties of the first successor corporation" shall be read as a reference to "property of the first successor corporation used by it in carrying on in Canada such of the businesses described in any of the subparagraphs 66(15)(h)(i) to (vii) as were carried on by it".

(10) Subsections (2), (5), (6) and (8) are applicable with respect to dispositions occurring in taxation years commencing after 1984.

(11) Subsection (4) is applicable to taxation years ending after 1984.

(12) Subsection (7) is applicable with respect to dispositions occurring in taxation

years commencing after 1984, but for dispositions occurring in taxation years commencing before 1985 subparagraph 66.4(5)(b)(v) of the said Act shall apply and be read as it was at the time the disposition occurred having regard to any subsequent amendments thereto that applied at that time.

32. (1) Subsections 69(2) and (3) of the said Act are repealed and the following substituted therefor:

"(2) Where a taxpayer has paid or agreed to pay to a non-resident person with whom he was not dealing at arm's length as price, rental, royalty or other payment for or for the use or reproduction of any property, or as consideration for the carriage of goods or passengers or for other services, an amount greater than the amount (in this subsection referred to as "the reasonable amount") that would have been reasonable in the circumstances if the non-resident person and the taxpayer had been dealing at arm's length, the reasonable amount shall, for the purpose of computing the taxpayer's income under this Part, be deemed to have been the amount that was paid or is payable therefor.

(3) Where a non-resident person has neither paid nor agreed to pay to a taxpayer with whom he was not dealing at arm's length as price, rental, royalty or other payment for or for the use or reproduction of any property, or as consideration for the carriage of goods or passengers or for other services, the amount that would have been reasonable in the circumstances if the non-resident person and the taxpayer had been dealing at arm's length, that amount shall, for the purpose of computing the taxpayer's income under this Part, be deemed to have been received or receivable by the taxpayer therefor."

(2) All that portion of subsection 69(8) of the said Act following paragraph (a) thereof is repealed and the following substituted therefor:

"exceeds the aggregate of

(b) the average aggregate of all expenses (including depreciation) incurred by that person in respect of that month for each like unit that may reasonably be attributed to transmitting, transporting, marketing or processing thereof to the extent that such expenses are reasonable and necessary and do not include any cost of acquisition thereof, and

(c) in respect of the unit disposed of by the taxpayer, the amount that may reasonably be attributed as being an amount paid to, an amount that became

Unreasonable consideration

Idem

"disposition" and "proceeds of disposition"

payable to or an amount that became receivable by, Her Majesty in Right of Canada for the use and benefit of a band or bands as defined in the *Indian Act*."

(3) Subsection 69(9) of the said Act is repealed and the following substituted therefor:

Fair market value of resource output acquired from Crown

"(9) For the purposes of subsection (7), the fair market value of a unit of any particular quantity of petroleum, natural gas or related hydrocarbons or metals or minerals acquired by the taxpayer referred to in that subsection from a person referred to in any of paragraphs (7)(a) to (c) shall be deemed to be equal to the aggregate of

(a) the amount, if any, paid or payable to the taxpayer by that person in respect of that unit, and

(b) the amount, if any, in respect of that unit paid or payable to Her Majesty in right of Canada by that person for the use and benefit of a band or bands as defined in the *Indian Act*."

(4) Subsection (1) is applicable with respect to transactions or events occurring after May 9, 1985.

(5) Subsections (2) and (3) are applicable to the 1978 and subsequent taxation years.

33. (1) Subsection 70(2) of the said Act is repealed and the following substituted therefor:

Amounts receivable

"(2) Where a taxpayer who has died had at the time of his death rights or things (other than any capital property, indexed security or any amount included in computing his income by virtue of subsection (1)), the amount of which when realized or disposed of would have been included in computing his income, the value thereof at the time of death shall be included in computing the taxpayer's income for the taxation year in which he died unless his legal representative has, not later than the day that is one year after the date of death of the taxpayer or the day that is 90 days after the mailing of any notice of assessment in respect of the tax of the taxpayer for the year of death, whichever is the later day, elected otherwise, in which case the legal representative shall file a separate return of income for the year under this Part and pay the tax for the year under this Part as if

(a) the taxpayer were another person;

(b) that other person's only income for the year were the value of the rights or things; and

(c) subject to section 114.2, that other person were entitled to the deductions to which the taxpayer was entitled under

sections 109 to 110.2 for the year in computing his taxable income for the year."

(2) Subsection 70(3.1) of the said Act is repealed and the following substituted therefor:

Exception

"(3.1) For the purposes of this section, "rights or things" do not include an interest in a life insurance policy (other than an annuity contract of a taxpayer where the payment therefor was deductible in computing his income by virtue of paragraph 60(f)), eligible capital property, land included in the inventory of a business, a Canadian resource property or a foreign resource property."

(3) Paragraphs 70(5)(c) to (e) of the said Act are repealed and the following substituted therefor:

"(c) any person who, as a consequence of the death of the taxpayer, has acquired any particular capital property of the taxpayer (other than depreciable property of a prescribed class) that is deemed by paragraph (a) to have been disposed of by him at any time shall be deemed to have acquired it immediately after that time at a cost equal to its fair market value immediately before the death of the taxpayer;

(d) any person who, as a consequence of the death of the taxpayer, has acquired any particular depreciable property of the taxpayer of a prescribed class that is deemed by paragraph (b) to have been disposed of by him at any time shall be deemed to have acquired it immediately after that time at a cost equal to that proportion of the proceeds of disposition of all depreciable property of that class deemed by paragraph (b) to have been received by the taxpayer that the fair market value immediately before the death of the taxpayer of the particular property is of the fair market value at that time of all of that property of that class; and

(e) where any depreciable property of the taxpayer of a prescribed class that is deemed by paragraph (b) to have been disposed of by the taxpayer has been acquired by any person as a consequence of the death of the taxpayer and the amount that was the capital cost to the taxpayer of that property exceeds the amount determined under paragraph (d) to be the cost to that person thereof, for the purposes of sections 13 and 20 and any regulations made under paragraph 20(1)(a),

(i) the capital cost to that person of the property shall be deemed to be the

amount that was the capital cost to the taxpayer of the property, and (ii) the excess shall be deemed to have been allowed to that person in respect of the property under regulations made under paragraph 20(1)(a) in computing income for taxation years before the acquisition by him of the property."

(4) All that portion of subsection 70(5.1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Eligible capital property of deceased

"(5.1) Notwithstanding subsection 24(1), where in a taxation year a taxpayer has died and any person (other than a spouse or corporation to whom subsection 24(2) applies), as a consequence of the death of the taxpayer, has acquired any particular eligible capital property of the taxpayer, the following rules apply:"

(5) Paragraphs 70(5.2)(a) and (b) of the said Act are repealed and the following substituted therefor:

"(a) for the purposes of subsection 59(1) and clauses 66.2(5)(b)(v)(A) and 66.4(5)(b)(v)(A), the taxpayer shall be deemed to have disposed, immediately before his death, of each property owned by him at that time that was a Canadian resource property or a foreign resource property and to have received proceeds of disposition therefor equal to its fair market value at that time;"

(6) Paragraph 70(5.2)(d) of the said Act is repealed and the following substituted therefor:

"(d) notwithstanding paragraph (a), where any property of a taxpayer who was resident in Canada immediately before his death that is a Canadian resource property or foreign resource property has, on or after the death of the taxpayer and as a consequence thereof, been transferred or distributed to the taxpayer's spouse referred to in paragraph (6)(a) or a trust referred to in paragraph (6)(b), if it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the spouse or trust, as the case may be, the following rules apply:

(i) the taxpayer shall be deemed to have disposed of the property immediately before his death and to have

received proceeds of disposition therefor equal to such amount as is specified by the taxpayer's legal representative in the return of income of the taxpayer referred to in paragraph 150(1)(b), not exceeding the fair market value of the property immediately before his death, and (ii) the spouse or trust, as the case may be, shall be deemed to have acquired the property for an amount equal to the amount included in the taxpayer's income by virtue of subsection 59(1) or included in the amount determined under clause 66.2(5)(b)(v)(A) or 66.4(5)(b)(v)(A), as the case may be, in respect of the property;"

(7) Paragraph 70(5.2)(f) of the said Act is repealed and the following substituted therefor:

"(f) notwithstanding paragraph (e), where any property of a taxpayer who was resident in Canada immediately before his death that is land included in the inventory of a business has, on or after his death and as a consequence thereof, been transferred or distributed to the taxpayer's spouse referred to in paragraph (6)(a) or a trust referred to in paragraph (6)(b), if it can be shown within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the spouse or trust, as the case may be, the taxpayer shall be deemed to have disposed of the land immediately before his death and to have received proceeds of disposition therefor equal to the cost amount thereof immediately before his death and the spouse or trust, as the case may be, shall be deemed to have acquired the property for an amount equal to those proceeds."

(8) Subsection 70(5.3) of the said Act is repealed and the following substituted therefor:

"(5.3) For the purposes of subsections (5), (9.4) and (9.5), the fair market value, immediately before the death of the taxpayer referred to in any of those subsections, of any share of the capital stock of a corporation deemed to have been disposed of as a consequence of his death shall be determined as though the fair market value at that time of any life insurance policy under which the taxpayer was the person whose life was insured were the cash surrender value (within the meaning assigned by paragraph 148(9)(b)) of the policy at that time."

Fair market value

(9) Paragraphs 70(5.4)(e) and (f) of the said Act are repealed and the following substituted therefor:

"(e) any person who, as a consequence of the death of the taxpayer, has acquired any security of the taxpayer that is deemed by paragraph (a) to have been disposed of by the taxpayer at any time shall be deemed to have acquired the security immediately after that time at a cost equal to its fair market value (within the meaning assigned by paragraph 47.1(1)(d)) immediately before the death of the taxpayer;

(f) any person who, as a consequence of the death of the taxpayer, has assumed the obligation in respect of any put or call option deemed by paragraph (b) to have been closed out by the taxpayer any time shall be deemed to have written the option immediately after that time for proceeds equal to the amount the taxpayer would have had to pay immediately before his death if he had closed out the option on a prescribed stock exchange in Canada; and"

(10) Subparagraph 70(5.4)(g)(i) of the said Act is repealed and the following substituted therefor:

"(i) all indexed securities owned under an indexed security investment plan by the taxpayer immediately before his death and all obligations outstanding at that time in respect of options written under the plan have, on or after his death and as a consequence thereof, been transferred or distributed to or assumed by the taxpayer's spouse referred to in paragraph (6)(a) or a trust referred to in paragraph (6)(b), and"

(11) All that portion of subparagraph 70(5.4)(g)(ii) of the said Act preceding clause (B) thereof is repealed and the following substituted therefor:

"(ii) it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that

(A) all rights and obligations of the taxpayer under the contract evidencing the plan have been transferred to or assumed by the spouse or trust, as the case may be, and"

(12) All that portion of subsection 70(6) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Where transfer or distribution to spouse or trust

"(6) Where any property of a taxpayer who was resident in Canada immediately before his death that is a property to which paragraphs (5)(a) and (c), or paragraphs (5)(b) and (d), as the case may be, would otherwise apply has, on or after his death and as a consequence thereof been transferred or distributed to"

(13) All that portion of subsection 70(6) of the said Act following paragraph (b) thereof and preceding paragraph (c) thereof is repealed and the following substituted therefor:

"if it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the spouse or trust, as the case may be, the following rules apply:"

(14) Subsection 70(6) of the said Act is further amended by adding the word "and" at the end of paragraph (d) thereof, by striking out the word "and" at the end of paragraph (e) thereof and by repealing paragraph (f) thereof.

(15) All that portion of subsection 70(9) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(9) Where any land in Canada or depreciable property in Canada of a prescribed class of a taxpayer to which paragraphs (5)(a) and (c) or paragraphs (5)(b) and (d), as the case may be, would otherwise apply was, immediately before his death, used by him, his spouse or any of his children in the business of farming and the property has, on or after the death of the taxpayer and as a consequence thereof, been transferred or distributed to a child of the taxpayer who was resident in Canada immediately before the death of the taxpayer and it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the child, the following rules apply:"

(16) All that portion of subsection 70(9.1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Transfer of farm property to child

Transfer of
farm property
from spouse's
trust to settlor's
children

"(9.1) Where any property in Canada of a taxpayer that is land or depreciable property of a prescribed class has been transferred or distributed to a trust described in subsection (6) or subsection 73(1) and the property or a replacement property therefor in respect of which the trust has made an election under subsection 13(4) or 44(1) was, immediately before the death of the taxpayer's spouse who was a beneficiary under the trust, used in the business of farming and has, on the death of the spouse and as a consequence thereof, been transferred or distributed to and become vested indefeasibly in a child of the taxpayer who was resident in Canada immediately before the death of the spouse, the following rules apply:"

(17) All that portion of subsection 70(9.2) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Transfer of
family farm
corps. and
partnerships

"(9.2) Where at any particular time after April 10, 1978 property of a taxpayer that was, immediately before the taxpayer's death, a share of the capital stock of a family farm corporation of the taxpayer or an interest in a family farm partnership of the taxpayer to which paragraphs (5)(a) and (c) would otherwise apply has, on or after the death of the taxpayer and as a consequence thereof, been transferred or distributed to a child of the taxpayer who was resident in Canada immediately before the death of the taxpayer and it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the child, the following rules apply:"

(18) All that portion of subsection 70(9.4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Transfer of
shares of small
business corp.

"(9.4) Where at any particular time property of a taxpayer that was, immediately before the taxpayer's death, a share of the capital stock of a small business corporation to which paragraphs (5)(a) and (c) would otherwise apply has, on or after the death of the taxpayer and as a consequence thereof, been transferred or distributed to a child of the taxpayer who was resident in Canada immediately before the death of the taxpayer and it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period,

within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the child, the following rules apply:"

(19) Subparagraph 70(9.5)(d)(iv) of the said Act is repealed and the following substituted therefor:

"(iv) such lesser amount as is specified by the trust in respect of the transfer or distribution of the share;"

(20) Paragraph 70(9.5)(f) of the said Act is repealed and the following substituted therefor:

"(f) where two or more shares have been disposed of by the trust at the same time, this subsection applies as if each share so disposed of had been separately disposed of in the order designated by the trust or if no such designation is made, in the order designated by the Minister."

(21) Paragraph 70(9.7)(b) of the said Act is repealed and the following substituted therefor:

"(b) it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances, that the property has become vested indefeasibly in the parent, and"

(22) Subsection (1) is applicable to the 1985 and subsequent taxation years.

(23) Subsection (2) is applicable to taxation years commencing after 1984.

(24) Subsections (3), (4), (9), (10), (12) and (14) are applicable with respect to transfers, distributions and acquisitions occurring after 1981.

(25) Subsection (5) is applicable with respect to deaths occurring in taxation years commencing after 1984.

(26) Subsections (6), (7), (11), (13), (15), (17) and (18) are applicable

(a) with respect to deaths occurring after 1984; and

(b) with respect to any property of a taxpayer who died after 1981 and before 1985 if the taxpayer's legal representative and each person to whom any interest in the property is transferred or distributed as a consequence of the death of the taxpayer jointly elect to have this paragraph apply by notifying the Minister of National Revenue in writing on or before the later of December 31, 1985 and the day that is 90 days after this Act is assented to,

except that in the application of paragraph 70(5.2)(d) of the said Act as enacted by subsection (6) with respect to such property, any reference in that paragraph to "a Canadian resource property or foreign resource property" shall be read as a reference to "a property referred to in any of paragraphs 59(2)(a) to (e)".

(27) Subsection (8) is applicable with respect to deaths occurring after December 1, 1982.

(28) Subsection (16) is applicable to the 1984 and subsequent taxation years.

(29) Subsection (21) is applicable

(a) with respect to deaths occurring after 1984; and

(b) with respect to any property of a taxpayer who died in 1984 if the taxpayer's legal representative and each person to whom any interest in the property is transferred or distributed as a consequence of the death of the taxpayer jointly elect to have this paragraph apply by notifying the Minister of National Revenue in writing on or before the later of December 31, 1985 and the day that is 90 days after this Act is assented to.

34. (1) Clauses 72(2)(a)(iii)(C) and (D) of the said Act are repealed and the following substituted therefor:

"(C) an amount that by virtue of subsection 59(1) has been included in computing the transferee's income for a preceding taxation year, or

(D) for the purposes of subsection 64(1.1), an amount that by virtue of paragraph 59(3.2)(c) has been included in computing the transferee's income for a preceding taxation year and to be an amount deducted by the transferee pursuant to paragraph 64(1.1)(a) in computing his income for his last taxation year ending before the death."

(2) Subsection (1) is applicable with respect to deaths occurring in taxation years commencing after 1984.

35. (1) Paragraphs 73(3)(a) to (b.1) of the said Act are repealed and the following substituted therefor:

"(a) where the property transferred was depreciable property of a prescribed class, the taxpayer shall be deemed to have disposed of the property at the time of the transfer for proceeds of disposition equal to,

(i) in any case to which neither subparagraph (ii) nor subparagraph (iii) applies, the proceeds of disposition otherwise determined,

(ii) if the proceeds of disposition otherwise determined exceeded the greater of

(A) the fair market value of the property immediately before the time of the transfer, and

(B) that proportion of the undepreciated capital cost to him immediately before the time of the transfer of all of the depreciable property of the taxpayer of that class that the fair market value at that time of the property so transferred was of the fair market value at that time of all of the depreciable property of the taxpayer of that class,

the greater of the amounts referred to in clauses (A) and (B), or

(iii) if the proceeds of disposition otherwise determined were less than the lesser of the amounts referred to in clauses (ii)(A) and (B), the lesser of those amounts;

(b) where the property transferred was land, the taxpayer shall be deemed to have disposed of the property at the time of the transfer for proceeds of disposition equal to,

(i) in any case to which neither subparagraph (ii) nor subparagraph (iii) applies, the proceeds of disposition otherwise determined,

(ii) if the proceeds of disposition otherwise determined exceeded the greater of

(A) the fair market value of the land immediately before the time of the transfer, and

(B) the adjusted cost base to the taxpayer of the land immediately before the time of the transfer,

the greater of the amounts referred to in clauses (A) and (B), or

(iii) if the proceeds of disposition otherwise determined were less than the lesser of the amounts referred to in clauses (ii)(A) and (B), the lesser of those amounts;

(b.1) where the property transferred was eligible capital property, the taxpayer shall be deemed to have disposed of the property at the time of the transfer for proceeds of disposition equal to,

(i) in any case to which neither subparagraph (ii) nor subparagraph (iii) applies, the proceeds of disposition otherwise determined,

(ii) if the proceeds of disposition otherwise determined exceeded the greater of

(A) the fair market value of the property immediately before the time of the transfer, and

(B) 2 times the taxpayer's cumulative eligible capital in respect of the business immediately before the time of the transfer,

the greater of the amounts referred to in clauses (A) and (B), or
(iii) if the proceeds of disposition otherwise determined were less than the lesser of the amounts referred to in clauses (ii)(A) and (B), the lesser of those amounts;"

(2) Paragraph 73(3)(d) of the said Act is repealed and the following substituted therefor:

"(d) the child shall be deemed to have acquired the depreciable property or the land; as the case may be, for an amount equal to the proceeds of disposition determined under paragraph (a) or (b), respectively;"

(3) Paragraph 73(4)(a) of the said Act is repealed and the following substituted therefor:

"(a) the taxpayer shall be deemed to have disposed of the property at the time of the transfer for proceeds of disposition equal to,

(i) in any case to which neither subparagraph (ii) nor subparagraph (iii) applies, the proceeds of disposition otherwise determined,

(ii) if the proceeds of disposition otherwise determined exceeded the greater of

(A) the fair market value of the property immediately before the time of the transfer, and

(B) the adjusted cost base to the taxpayer of the property immediately before the time of the transfer,

the greater of the amounts referred to in clauses (A) and (B), or
(iii) if the proceeds of disposition otherwise determined were less than the lesser of the amounts referred to in clauses (ii)(A) and (B), the lesser of those amounts;"

(4) Paragraph 73(4)(c) of the said Act is repealed and the following substituted therefor:

"(c) the child shall be deemed to have acquired the property for an amount equal to the proceeds of disposition determined under paragraph (a)."

(5) All that portion of paragraph 73(5)(a) of the said Act preceding subparagraph (i) thereof is repealed and the following substituted therefor:

"(a) the taxpayer shall be deemed to have disposed of the share at the time of the transfer for proceeds of disposition equal to the amount, if any, by which"

(6) Paragraph 73(5)(b) of the said Act is repealed and the following substituted therefor:

"(b) the child shall be deemed to have acquired the share at a cost equal to the proceeds of disposition determined under paragraph (a); and"

(7) Subsections (1) to (6) are applicable with respect to transfers occurring after 1981.

36. (1) Section 75 of the said Act is amended by adding thereto the following subsection:

Exceptions

"(3) Subsection (2) does not apply to property held in a taxation year

(a) by a trust governed by a registered pension fund or plan, an employees profit sharing plan, a registered supplementary unemployment benefit plan, a registered retirement savings plan, a deferred profit sharing plan, a registered education savings plan, a registered home ownership savings plan, a registered retirement income fund or an employee benefit plan;

(b) by an employee trust, a related segregated fund trust (within the meaning assigned by section 138.1) or a trust described in paragraph 149(1)(y);

(c) by a trust that

(i) is not resident in Canada,

(ii) is resident in a country under the laws of which an income tax is imposed,

(iii) is exempt under the laws referred to in subparagraph (ii) from the payment of income tax to the government of the country of which the trust is a resident, and

(iv) was established principally in connection with, or the principal purpose of which is to administer or provide benefits under, one or more superannuation, pension or retirement funds or plans or any funds or plans established to provide employee benefits; or

(d) by a prescribed trust."

(2) Subsection (1) is applicable to the 1982 and subsequent taxation years.

37. (1) Paragraph 80(1)(d) of the said Act is repealed and the following substituted therefor:

"(d) the debt or obligation was such that

(i) where interest was paid or payable by the taxpayer in respect of it pursuant to a legal obligation, or

(ii) if interest had been paid or payable by the taxpayer in respect of it pursuant to a legal obligation.

no amount in respect of the interest was or would have been deductible under this Part in computing his income if this Act were read without reference to subsections 18(2), (3.1) and (4) and section 21."

(2) Subsection 80(1) of the said Act is further amended by striking out the word "or" at the end of paragraph (e) thereof and by adding thereto the following paragraphs:

"(g) the excess would be deemed by subsection 39(3) to be a capital gain of the taxpayer for the year from the disposition of a capital property if this Act were read without reference to this subsection, or

(h) the debt or obligation is settled or extinguished by way of bequest or inheritance."

(3) Subsection 80(3) of the said Act is repealed and the following substituted therefor:

"(3) Where

(a) there has been a winding-up to which the rules in subsection 88(1) applied and a debt or other obligation of the subsidiary to pay an amount to the parent or a debt or other obligation of the parent to pay an amount to the subsidiary is settled or extinguished on the winding-up without any payment or by the payment of an amount that is less than both the principal amount of the debt or obligation and the amount that would have been the cost amount to the parent or the subsidiary, as the case may be, of the debt or obligation immediately before the winding-up if the definition "cost amount" in section 248 were read without reference to paragraph (e) thereof, and

(b) the parent so elects in prescribed form on or before the day on or before which the parent is required to file a return of income pursuant to section 150 for the taxation year in which the debt or obligation was settled or extinguished,

the debt or obligation shall be deemed to have been settled or extinguished on the winding-up by the payment of an amount equal to the amount that would have been the cost amount to the parent or the subsidiary, as the case may be, of the debt or obligation immediately before the winding-up if the definition "cost amount" in section 248 were read without reference to paragraph (e) thereof."

(4) Section 80 of the said Act is further amended by adding thereto the following subsection:

"(4) For the purposes of subsections (1) and (3), an amount of interest payable by a taxpayer on a debt or other obligation shall be deemed to have a principal amount equal to the portion thereof that was deducted, or would, but for subsection 18(2) or (3.1) or section 21, have been deductible, in computing his income for a taxation year under this Part."

(5) Subsections (1), (2) and (4) are applicable with respect to debts and obligations settled or extinguished after May 9, 1985.

(6) Subsection (3) is applicable with respect to debts and other obligations settled or extinguished after 1983 except that an election under subsection 80(3) of the said Act, as enacted by subsection (3), in respect of the settlement or extinguishment of a debt or other obligation of a parent to pay an amount to a subsidiary may be filed in prescribed form at any time on or before the day that is the later of

(a) the day on or before which it would be required by the said subsection 80(3) to be filed, and

(b) December 31, 1986.

38. (1) Paragraph 80.4(1)(a) of the said Act is repealed and the following substituted therefor:

"(a) all interest on all such loans and debts computed at the prescribed rate on each such loan and debt for the period in the year during which it was outstanding, and"

(2) All that portion of subsection 80.4(1) of the said Act following subparagraph (b)(iii) thereof is repealed and the following substituted therefor:

"exceeds the aggregate of

(c) the amount of interest for the year paid on all such loans and debts not later than 30 days after the end of the year, and

(d) any portion of the aggregate determined in respect of the year under paragraph (b) that is reimbursed in the year or within 30 days after the end of the year by the debtor to the person or entity who made the payment referred to in paragraph (b)."

(3) Paragraph 80.4(2)(d) of the said Act is repealed and the following substituted therefor:

"(d) all interest on all such loans and debts computed at the prescribed rate on each such loan and debt for the

Principal for
interest payable

Deemed
settlement on
winding-up

period in the year during which it was outstanding"

(4) Subsection (2) is applicable to the 1984 and subsequent taxation years.

39. (1) Paragraphs 81(1)(g.1) to (g.3) of the said Act are repealed and the following substituted therefor:

Income from
personal injury
award property

"(g.1) the income for the year from any property acquired by or on behalf of a person as an award of, or pursuant to an action for, damages in respect of physical or mental injury to that person, or from any property substituted therefor and any taxable capital gain for the year from the disposition of any such property,

(i) where the income was income from the property, if the income was earned in respect of a period before the end of the taxation year in which the person attained the age of 21 years, and

(ii) in any other case, if the person was less than 21 years of age during any part of the year;

Income from
income exempt
under para.
(g.1)

(g.2) any income for the year from any income that is by virtue of paragraph (g.1) or this paragraph not required to be included in computing the taxpayer's income (other than any income attributable to any period after the end of the taxation year in which the person on whose behalf the income was earned attained the age of 21 years);"

(2) Subsection (1) is applicable to the 1984 and subsequent taxation years.

40. Section 84 of the said Act is amended by adding thereto the following subsection:

Shares disposed
of on redemp-
tions, etc.

"(9) For greater certainty it is declared that where a shareholder of a corporation has disposed of a share of the capital stock of the corporation as a result of the redemption, acquisition or cancellation of the share by the corporation, the shareholder shall, for the purposes of this Act, be deemed to have disposed of the share to the corporation."

41. (1) All that portion of subsection 85(1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Transfer of
property to
corp. by
shareholders

"85. (1) Where a taxpayer has after May 6, 1974 disposed of any of his property that was a capital property (other than real property, an interest therein or an option in respect thereof, owned by a non-resident person), a Canadian resource property, a foreign resource property, an eligible capital property or an inventory (other than real property) to a taxable Canadian corporation for consideration that includes shares of the capital stock of the corporation, if the taxpayer and the corporation have jointly so elected in prescribed form and within the time referred to in subsection (6), the following rules apply:"

(2) Paragraph 85(2)(a) of the said Act is repealed and the following substituted therefor:

"(a) a partnership has disposed of any partnership property that was a capital property (other than real property, an interest therein or an option in respect thereof, owned by a partnership that was not a Canadian partnership at the time of the disposition), a Canadian resource property, a foreign resource property, an eligible capital property or an inventory (other than real property) to a taxable Canadian corporation for consideration that includes shares of the capital stock of the corporation, and"

(3) Subsections (1) and (2) are applicable to taxation years commencing after 1984.

42. (1) Subsections 87(1.2) and (1.3) of the said Act are repealed and the following substituted therefor:

New corp.
deemed
continuation of
predecessor

"(1.2) Where there has been an amalgamation of corporations described in paragraph (1.1)(a) or (b), the new corporation shall, for the purposes of section 29 of the *Income Tax Application Rules*, 1971, subsection 59(3.3) and sections 66, 66.1, 66.2 and 66.4, be deemed to be the same corporation as and a continuation of each predecessor corporation, except that this subsection shall in no respect affect the determination of any predecessor corporation's fiscal period, taxable income or tax payable."

(2) All that portion of subsection 87(1.4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Definition of
"subsidiary
wholly-owned
corporation"

"(1.4) Notwithstanding subsection 248(1), for the purposes of this subsection and subsections (1.1) and (1.2), "subsidiary wholly-owned corporation" of a corporation (in this subsection referred to as the

"parent corporation") means a corporation all the issued and outstanding shares of the capital stock of which belong to"

(3) All that portion of paragraph 87(2)(b) of the said Act following subparagraph (ii) thereof is repealed and the following substituted therefor:

"the property so included shall be deemed to have been acquired by the new corporation at the commencement of its first taxation year for an amount determined in accordance with section 10 as the value thereof for the purpose of computing the income of the predecessor corporation for its last taxation year, except that where the income of the predecessor corporation for its last taxation year was computed in accordance with the method authorized by subsection 28(1), the amount so determined shall be deemed to be the amount, if any, specified in respect of the predecessor corporation under paragraph 28(1)(b) for that year;"

(4) Paragraph 87(2)(v) of the said Act is repealed and the following substituted therefor:

Charitable gifts

"(v) for the purposes of paragraphs 110(1)(a), (b) and (b.1), the new corporation shall be deemed to be the same corporation as and a continuation of each predecessor corporation with respect to gifts;"

(5) Paragraph 87(2)(mm) of the said Act is repealed.

(6) Subsection 87(2) of the said Act is further amended by adding thereto the following paragraph:

Investment tax credit

"(oo) for the purposes of applying subsection 127(10.1), paragraph 127.1(2)(a) and subparagraph 157(1)(b)(i) in respect of the first taxation year of the new corporation, the new corporation shall be deemed to have had a taxation year immediately preceding its first taxation year and to have had

(i) taxable income for that preceding taxation year equal to the aggregate of amounts each of which is the taxable income of a predecessor corporation for its taxation year ending immediately before the amalgamation, and

(ii) a business limit for that preceding taxation year equal to the aggregate of amounts each of which is the business limit of a predecessor corporation for its taxation year ending immediately before the amalgamation."

(7) Subsections (1) and (2) are applicable with respect to amalgamations occurring after 1982.

(8) Subsection (3) is applicable with respect to amalgamations occurring after 1981.

(9) Subsections (4) and (5) are applicable to the 1984 and subsequent taxation years.

(10) Subsection (6) is applicable with respect to amalgamations occurring after 1983.

43. (1) Subparagraph 88(1)(a)(i) of the said Act is repealed and the following substituted therefor:

"(i) in the case of a Canadian resource property or foreign resource property, nil,"

(2) Subparagraph 88(1)(e.6)(i) of the said Act is repealed and the following substituted therefor:

"(i) the parent shall be deemed to have made a gift in each of its taxation years in which a gift year of the subsidiary ended equal to the amount, if any, by which the aggregate of all gifts made by the subsidiary in the gift year exceeds the aggregate of all amounts deducted by the subsidiary under paragraph 110(1)(a), (b) or (b.1) in respect of such gifts, and"

(3) Subsection 88(1) of the said Act is further amended by striking out the word "and" and the end of paragraph (e.7) thereof and by adding thereto, immediately after paragraph (e.7) thereof, the following paragraph:

"(e.8) for the purposes of subsection 127(10.1), paragraph 127.1(2)(a) and subparagraph 157(1)(b)(i),

(i) the taxable income of the parent for its taxation year during which it received the assets of the subsidiary on the winding-up shall be deemed to be the aggregate of its taxable income for that year as otherwise determined and the taxable incomes of the subsidiary for its taxation years ending in the calendar year in which that year ended, and

(ii) the business limit of the parent for that year shall be deemed to be the aggregate of its business limit for that year as otherwise determined and the business limits of the subsidiary for its taxation years ending in the calendar year in which that year ended; and"

(4) All that portion of subsection 88(1.1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(1.1) Where a Canadian corporation (in this subsection referred to as the "subsidiary") has been wound-up and not less than 90% of the issued shares of each class

Non-capital losses, etc. of subsidiary

of the capital stock of the subsidiary were, immediately before the winding-up, owned by another Canadian corporation (in this subsection referred to as the "parent") and all the shares of the subsidiary that were not owned by the parent immediately before the winding-up were owned at that time by a person or persons with whom the parent was dealing at arm's length, for the purpose of computing the taxable income of the parent under this Part and the tax payable under Part IV by the parent for any taxation year commencing after the commencement of the winding-up, such portion of any non-capital loss, restricted farm loss or farm loss of the subsidiary as may reasonably be regarded as its loss from carrying on a particular business (in this subsection referred to as the "subsidiary's loss business") and any other portion of any non-capital loss of the subsidiary as may reasonably be regarded as being derived from any other source or being in respect of a claim made under section 110.5 for any particular taxation year of the subsidiary (in this subsection referred to as "the subsidiary's loss year"), to the extent that it"

(5) Subsection 88(1.1) of the said Act is amended by striking out the word "and" at the end of paragraph (c) thereof and by repealing paragraph (d) thereof and substituting the following therefor:

"(d) in the case of any other portion of any non-capital loss of the subsidiary as may reasonably be regarded as being derived from any other source, be deemed, for the taxation year of the parent in which the subsidiary's loss year ended, to be a non-capital loss of the parent that was derived from the source from which the subsidiary derived that portion of its non-capital loss and that was not deductible by the parent in computing its taxable income for any taxation year that commenced before the commencement of the winding-up, and

(d.1) in the case of any other portion of any non-capital loss of the subsidiary as may reasonably be regarded as being in respect of a claim made under section 110.5, be deemed, for the taxation year of the parent in which the subsidiary's loss year ended, to be a non-capital loss of the parent in respect of a claim made under section 110.5 that was not deductible by the parent in computing its taxable income for any taxation year that commenced before the commencement of the winding-up,"

Qualified expenditure of subsidiary

Parent corp. continuation of subsidiary

(6) Subparagraph 88(1.1)(e)(i) of the said Act is repealed and the following substituted therefor:

"(i) only if that business was carried on by the subsidiary or parent for profit or with a reasonable expectation of profit

(A) throughout the part of the particular year that is after that time, where control of the parent or subsidiary was acquired in the particular year, and

(B) throughout the particular year, in any other case, and"

(7) Clause 88(1.1)(e)(ii)(B) of the said Act is repealed and the following substituted therefor:

"(B) the amount, if any, by which

(I) the aggregate of the parent's taxable capital gains for the particular year from dispositions of property owned by the corporation at or before that time, other than property that was acquired by the subsidiary within the two-year period ending at that time from the purchaser or a person who did not deal at arm's length with the purchaser, exceeds

(II) the aggregate of the parent's allowable capital losses for the particular year from dispositions described in subclause (I)."

(8) All that portion of subsection 88(1.4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(1.4) For the purposes of this subsection and section 37.1, where the rules in subsection (1) applied to the winding-up of a subsidiary, for the purpose of computing the income of its parent for any taxation year commencing after the subsidiary has been wound up, the following rules apply:"

(9) Section 88 of the said Act is further amended by adding thereto, immediately after subsection (1.4) thereof, the following subsection:

"(1.5) For the purposes of section 29 of the *Income Tax Application Rules, 1971*, subsection 59(3.3) and sections 66, 66.1, 66.2 and 66.4, where the rules in subsection (1) applied to the winding-up of a subsidiary, its parent shall be deemed to be the same corporation as and a continuation of the subsidiary."

(10) All that portion of subsection 88(2) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Winding-up of
a Cdn. corp.

"(2) Where a Canadian corporation (other than a subsidiary to the winding-up of which the rules in subsection (1) applied) has been wound up after 1978 and, at a particular time in the course of the winding-up, all or substantially all of the property owned by the corporation immediately before that time was distributed to the shareholders of the corporation,"

(11) Paragraph 88(2.1)(c) of the said Act is repealed and the following substituted therefor:

"(c) where before the particular time a subsidiary (to the winding-up of which the rules in subsection (1) applied) of the particular corporation has been wound up after 1978, an amount equal to the pre-1972 capital surplus on hand of the subsidiary immediately before the commencement of the winding-up, and"

(12) Subsection (1) is applicable with respect to windings-up commencing in taxation years commencing after 1984.

(13) Subsection (2) is applicable to the 1984 and subsequent taxation years.

(14) Subsection (3) is applicable with respect to windings-up commencing after 1983.

(15) Subsections (4) and (5) are applicable with respect to non-capital losses for the 1985 and subsequent taxation years.

(16) Subsection (6) is applicable with respect to windings-up commencing in the 1983 and subsequent taxation years.

(17) Subsection (7) is applicable with respect to acquisitions of control occurring after May 9, 1985, except that subclause 88(1.1)(e)(ii)(B)(I) of the said Act, as enacted by subsection (7), is applicable with respect to acquisitions of control occurring in the 1984 and subsequent taxation years.

(18) Subsections (8) to (11) are applicable with respect to windings-up commencing after 1982.

44. (1) Paragraph 89(1)(b.1) of the said Act is repealed and the following substituted therefor:

"(b.1) "designated property" means (i) any property of a private corporation that last became a private corporation before November 13, 1981 and that was acquired by it

(A) before November 13, 1981, or (B) after November 12, 1981 pursuant to an agreement in writing entered into on or before that date,

(ii) any property of a private corporation that was acquired by it from another private corporation with whom the private corporation was not dealing at arm's length (otherwise than by virtue of a right referred to in paragraph 251(5)(b)) at the time the property was acquired, where the property was a designated property of the other private corporation,

(iii) a share acquired by a private corporation in a transaction to which section 51, subsection 85(1) or section 85.1, 86 or 87 applied in exchange for another share that was a designated property of the corporation, or

(iv) a replacement property (within the meaning assigned by section 44) for a designated property disposed of by virtue of an event referred to in subparagraph 54(h)(ii), (iii) or (iv);"

(2) Subsection (1) is applicable after November 12, 1981.

45. All that portion of subparagraph 94(1)(b)(i) of the said Act preceding clause (A) thereof is repealed and the following substituted therefor:

"(i) the trust, or a non-resident corporation that would, if the trust were resident in Canada, be a controlled foreign affiliate of the trust, has, other than in prescribed circumstances, acquired property, directly or indirectly in any manner whatever, from"

46. Subparagraph 94(1)(f)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) the quotient obtained when the prescribed rate of interest for the period including that month is divided by 12"

47. (1) Subparagraph 95(1)(f)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) where the taxpayer is a corporation, the quotient obtained when one is divided by the percentage set out in paragraph 123(1)(a);"

(2) Subsection (1) is applicable to taxation years commencing after June 22, 1984.

48. (1) Paragraph 96(1)(d) of the said Act is repealed and the following substituted therefor:

"designated
property"

"(d) each income or loss of the partnership for a taxation year were computed as if this Act were read without reference to subsections 66.1(1), 66.2(1) and 66.4(1) and as if no deduction were permitted by subsection 65(1), section 66, 66.1, 66.2 or 66.4 or the *Income Tax Application Rules, 1971* in respect of this paragraph;"

(2) Subsection (1) is applicable to taxation years commencing after 1984.

49. (1) All that portion of subsection 97(2) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Rules where election by partners

"(2) Notwithstanding any other provision of this Act, other than subsection 85(5.1), where at any time after November 12, 1981 a taxpayer has disposed of any capital property, a Canadian resource property, a foreign resource property, an eligible capital property or an inventory to a partnership that immediately after that time was a Canadian partnership of which the taxpayer was a member, if the taxpayer and all the other members of the partnership have jointly so elected in prescribed form and within the time referred to in subsection 96(4), the following rules apply:"

(2) Subsection (1) is applicable to taxation years commencing after 1984.

50. (1) All that portion of subsection 104(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Deemed disposition by a trust

"(4) Every trust shall, on each of the following days, be deemed to have disposed of each property of the trust that was capital property (other than depreciable property) or land included in the inventory of the trust for proceeds equal to its fair market value on that day and to have reacquired the property immediately thereafter for an amount equal to that fair market value, and for the purposes of this Act those days are"

(2) All that portion of subsection 104(5) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Idem

"(5) Every trust shall, on each day determined under subsection (4) in respect of the trust, be deemed to have disposed of all depreciable property of a prescribed class of the trust for proceeds equal to."

Rules for trusts

(3) Section 104 of the said Act is further amended by adding thereto, immediately after subsection (5.1) thereof, the following subsection:

"(5.2) Where on a day determined under subsection (4) in respect of a trust the trust owns a Canadian resource property or a foreign resource property, the following rules apply:

(a) for the purpose of determining the amounts under subsections 59(1), 66(4), 66.2(1) and 66.4(1) and paragraphs 59(3.2)(c), 66.2(5)(b) and 66.4(5)(b), the trust shall be deemed

(i) to have a taxation year (in this subsection referred to as the "old taxation year") that ended on that day and a new taxation year (in this subsection referred to as the "new taxation year") that commenced immediately after that day, and

(ii) to have disposed, immediately before the end of the old taxation year, of each of its Canadian resource properties and foreign resource properties for proceeds that become receivable at that time equal to its fair market value at that time and to have reacquired, at the beginning of the new taxation year, each such property for an amount equal to that fair market value; and

(b) for the particular taxation year of the trust that included that day, the trust shall

(i) include in computing its income for the particular taxation year the amount, if any, determined under paragraph 59(3.2)(c) in respect of the old taxation year and the amount so included shall, for the purposes of subparagraph 66.2(5)(b)(ii), be deemed to have been included in computing its income for a preceding taxation year, and

(ii) deduct in computing its income for the particular taxation year the amount, if any, determined under subsection 66(4) in respect of the old taxation year and the amount so deducted shall, for the purposes of paragraph 66(4)(a), be deemed to have been deducted for a preceding taxation year."

(4) Subsection 104(18) of the said Act is repealed and the following substituted therefor:

Trust for minor

"(18) Where all or any part of the income of a trust for a taxation year was not payable in the year and was held in trust for a minor whose right thereto had vested and the only reason that it was not payable in the year was that the benefici-

ary was a minor, it shall, for the purposes of subsections (6) and (13), be considered to have been payable to the minor in the year."

(5) Section 104 of the said Act is further amended by adding thereto, immediately after subsection (21) thereof, the following subsection: -

Beneficiary's
taxable capital
gain from Cdn.
securities

"(21.1) Such portion of the amount, if any, deemed by virtue of subsection (21) to be a taxable capital gain for a taxation year of a particular beneficiary under a trust, other than a mutual fund trust, from the disposition of capital property as is designated in respect of the particular beneficiary by the trust in its return of income for that taxation year under this Part for the purposes of computing the amount deductible under section 110.1 by the particular beneficiary for the year, shall, for the purposes of that section, be deemed to be a taxable capital gain for the year of the particular beneficiary from the disposition of Canadian securities and not to be a taxable capital gain of the trust from the disposition of Canadian securities to the extent that the portion so designated does not exceed the amount, if any, by which

(a) the aggregate of taxable capital gains of the trust for the year from the disposition of Canadian securities

exceeds the aggregate of

(b) the allowable capital losses of the trust for the year from the disposition of Canadian securities,

(c) that portion of the amount, if any, deducted under paragraph 111(1)(b) from the income of the trust for the year that may reasonably be regarded as attributable to the disposition of Canadian securities, and

(d) the amounts designated under this subsection by the trust for the year in respect of other beneficiaries of the trust,

and, for the purposes of this subsection, "Canadian securities" has the meaning assigned by subsection 110.1(6)."

(6) Paragraph 104(23)(d) of the said Act is repealed and the following substituted therefor:

"(d) where an individual having income from the trust died after the end of a taxation year of the trust but before the end of the calendar year in which the taxation year ended, his income from the trust for the period commencing immediately after the end of the taxation year and ending at the time of death shall be included in computing the

individual's income for his taxation year in which he died unless his legal representative has elected otherwise, in which case the legal representative shall file a separate return of income for the period under this Part and pay the tax for the period under this Part as if

- (i) the individual were another person,
- (ii) the period were a taxation year,
- (iii) that other person's only income for the period were the individual's income from the trust for that period, and
- (iv) subject to section 114.2, that other person were entitled to the deductions to which the individual was entitled under sections 109 to 110.2 for the period in computing his taxable income for the period; and"

(7) All that portion of subsection 104(26) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Portion of
interest deemed
interest of
beneficiary

"(26) Such portion of the amount, if any, determined in respect of a trust for a taxation year under paragraph 110.1(1)(b) if that paragraph were read without reference to subparagraphs (ii) to (iii.2) and clause (iv)(B) thereof and if subsection 110.1(1) were read without reference to the words "(other than a trust that is not a testamentary trust within the meaning assigned by paragraph 108(1)(i))" as"

(8) Subsections (1) to (3) are applicable to taxation years of a trust commencing after 1984.

(9) Subsections (4) to (7) are applicable to the 1985 and subsequent taxation years.

51. (1) Paragraph 107(4)(a) of the said Act is repealed and the following substituted therefor:

"(a) the property so distributed by the trust was capital property, a Canadian resource property, a foreign resource property or property that was land included in the inventory of the trust,"

(2) Subsection (1) is applicable to taxation years commencing after 1984.

52. (1) Subparagraphs 108(1)(i)(ii) and (iii) of the said Act are repealed and the following substituted therefor:

- "(ii) a trust created after November 12, 1981 if, before the end of the taxation year, property has been contributed to the trust otherwise than by an individual on or after his death and as a consequence thereof, and
- (iii) a trust created before November 13, 1981 if

(A) after June 28, 1982 property has been contributed to the trust otherwise than by an individual on or after his death and as a consequence thereof, or

(B) before the end of the taxation year, the aggregate fair market value of the property owned by the trust that was contributed to the trust otherwise than by an individual on or after his death and as a consequence thereof and the property owned by the trust that was substituted for such property exceeds the aggregate fair market value of the property owned by the trust that was contributed by an individual on or after his death and as a consequence thereof and the property owned by the trust that was substituted for such property, and for the purposes of this clause the fair market value of any property shall be determined as at the time it was acquired by the trust; and"

(2) Subsection (1) is applicable to taxation years commencing after November 12, 1981.

53. (1) All that portion of paragraph 109(1)(d) of the said Act preceding subparagraph (i) thereof is repealed and the following substituted therefor:

Children

"(d) for each child or grandchild of the individual who, during the year, was dependent upon him for support and was"

(2) All that portion of paragraph 109(1)(e) of the said Act preceding subparagraph (i) thereof is repealed and the following substituted therefor:

Niece or nephew

"(e) for each niece or nephew of the individual or his spouse who, during the year, resided in Canada, was dependent upon the individual for support and was a person described in subparagraph (d)(i), (ii) or (iii), an amount equal to,"

(3) Subsection 109(3) of the said Act is repealed.

(4) Subsection 109(5) of the said Act is repealed and the following substituted therefor:

Partial dependency

"(5) Where more than one taxpayer is, in respect of a taxation year, entitled to deduct an amount under any of paragraphs (1)(d), (e), (f) and (g) in respect of the same dependant, the aggregate of all amounts deductible for the year by those taxpayers in respect of that dependant shall not exceed the maximum amount that would be deductible under any one of

those paragraphs for the year by any one of those taxpayers in respect of that dependant if that taxpayer were the only taxpayer entitled to deduct an amount under that paragraph in respect of that dependant and where the taxpayers cannot agree as to what portion of the amount each can deduct, the Minister may fix the portions."

(5) Subsections (1) to (4) are applicable to the 1985 and subsequent taxation years.

54. (1) All that portion of paragraph 110(1)(a) of the said Act preceding subparagraph (i) thereof is repealed and the following substituted therefor:

Charitable gifts

"(a) the aggregate of gifts made by the taxpayer in the year (and in the 5 immediately preceding taxation years to the extent of the amount thereof that was not deducted in computing the taxable income of the taxpayer for any preceding taxation year) to"

(2) Paragraphs 110(1)(b) and (b.1) of the said Act are repealed and the following substituted therefor:

Gifts to Her Majesty

"(b) the aggregate of gifts made by the taxpayer in the year (and in the 5 immediately preceding taxation years, to the extent of the amount thereof that was not deducted in computing the taxable income of the taxpayer for any preceding taxation year) to Her Majesty in right of Canada and Her Majesty in right of the provinces, not exceeding the amount remaining, if any, when the amount deducted for the year under paragraph (a) is deducted from the income of the taxpayer for the year, if payment of the amounts given is proven by filing receipts with the Minister that contain prescribed information;

Gifts to institutions

(b.1) the aggregate of gifts of objects that the Canadian Cultural Property Export Review Board has determined meet all of the criteria set out in paragraphs 23(3)(b) and (c) of the *Cultural Property Export and Import Act*, which gifts were not deducted under paragraph (a) or (b) and were made by the taxpayer in the year (and in the 5 immediately preceding taxation years, to the extent of the amount thereof that was not deducted under this Act in computing the taxable income of the taxpayer for any preceding taxation year) to institutions or public authorities in Canada that were, at the time the gifts were made, designated under subsection 26(2) of that Act either generally or for a purpose related to those objects, not exceeding the amount remaining, if any, when the amounts deducted for the year under paragraphs (a) and (b) are deducted from the income of the taxpayer for the year, if payment of the

amounts given is proven by filing receipts with the Minister that contain prescribed information;"

(3) All that portion of paragraph 110(1)(c) of the said Act preceding subparagraph (iii) thereof is repealed and the following substituted therefor:

Medical expenses

"(c) an amount equal to that portion of medical expenses in excess of 3% of the taxpayer's income for the year paid either by the taxpayer or his legal representative,

- (i) in the event of the death of the taxpayer in the year, within any period of 24 months that included the day of death, or

(ii) in any other case, within any period of 12 months ending in the year

if the amount was not included in the calculation of a deduction for medical expenses under this Act for a preceding taxation year, payment of the expenses is proven by filing receipts with the Minister and the payment was made"

(4) Subparagraph 110(1)(c)(v) of the said Act is repealed and the following substituted therefor:

"(v) for the full-time care in a nursing home of the taxpayer, his spouse or any such dependant, who has been certified by a qualified medical practitioner to be a person who, by reason of lack of normal mental capacity, is and in the foreseeable future will continue to be dependent on others for his personal needs and care,"

(5) Paragraph 110(1)(c) of the said Act is amended by striking out the word "or" at the end of subparagraph (xiv) thereof and by repealing all that portion thereof following subparagraph (xiv) thereof and substituting the following therefor:

"(xv) to a person authorized under the laws of a province to carry on the business of a dental mechanic, for the making or repairing of an upper or lower denture, or for the taking of impressions, bite registrations and insertions in respect of the making, producing, constructing and furnishing of an upper or lower denture, for the taxpayer, his spouse or any such dependant, or
(xvi) as a premium, contribution or other consideration to a private health services plan in respect of one or more of the taxpayer, his spouse and any member of his household with whom

he is connected by blood relationship, marriage or adoption;"

(6) All that portion of paragraph 110(1)(e.2) of the said Act following subparagraph (ii) thereof is repealed and the following substituted therefor:

"and no amount in respect of remuneration for an attendant, or care in a nursing home, by reason of the person's blindness, illness, injury or affliction has been deducted under this section for the year by the taxpayer or any other person;"

(7) Subsection 110(1.2) of the said Act is repealed and the following substituted therefor:

Time of gift

"(1.2) For the purposes of paragraphs (1)(a), (b) and (b.1), a gift made by an individual in the year of his death shall be deemed to have been made by him in the immediately preceding year to the extent that the amount thereof was not deducted in computing his taxable income for the taxation year in which he died."

(8) Subsections 110(6) to (7) of the said Act are repealed and the following substituted therefor:

Deemed medical expense

"(6) For the purposes of paragraph (1)(c),

(a) any amount included in computing a taxpayer's income for a taxation year from an office or employment in respect of a medical expense described in any of subparagraphs (1)(c)(iii) to (xv) paid or provided by an employer at a particular time shall be deemed to be a medical expense paid by the taxpayer at that time; and

(b) there shall not be included as a medical expense of a taxpayer any expense for which the taxpayer or his legal representative has been or is entitled to be reimbursed, except to the extent that the amount thereof is required to be included in computing the taxpayer's income under this Part.

Partial dependency

(7) Where more than one taxpayer is, in respect of a taxation year, entitled to deduct an amount under paragraph (1)(e.2) in respect of the same person, the aggregate of all amounts deductible for the year by those taxpayers in respect of that person shall not exceed the amount that would be deductible under that paragraph for the year by any taxpayer in respect of that person if that taxpayer were the only taxpayer entitled to deduct an amount under that paragraph in respect of that person and where the taxpayers cannot agree as to what portion of the amount each can deduct, the Minister may fix the portions."

(9) Subparagraph 110(8)(a)(iii) of the said Act is repealed and the following substituted therefor:

"(iii) a law of a province that establishes a health care insurance plan in respect of which the province receives contributions from Canada for insured health services provided under the plan pursuant to the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*, or"

(10) Subsections (1), (2) and (7) are applicable to the 1984 and subsequent taxation years except that, for the purposes of paragraph 110(1)(a) of the said Act, as enacted by subsection (1), and paragraphs 110(1)(b) and (b.1) of the said Act, as enacted by subsection (2), gifts made by a taxpayer in a taxation year before 1984 in which the taxpayer claimed a deduction under paragraph 110(1)(d) of the said Act shall be considered to have been deducted in that taxation year.

(11) Subsections (3) to (6) and (8) are applicable to the 1985 and subsequent taxation years.

55. (1) Subsection 110.4(6) of the said Act is repealed and the following substituted therefor:

Invalid election

"(6) An election filed by an individual under subsection (1) for a year of averaging is not valid unless on or before the day on or before which the election is required to be filed, the individual

(a) has filed a return of income for each taxation year referred to in subclause (1)(b)(ii)(B)(I) for which tax was payable by him under this Part; and

(b) has filed, with his return of income for the year of averaging, a prescribed form for each taxation year referred to in subclause (1)(b)(ii)(B)(I) for which no tax was payable by him under this Part and for which no return has been filed.

Revocation of election

(6.1) An election filed by an individual under subsection (1) or (2) for a taxation year may be revoked

(a) where the individual died in the year in which the election was filed, by the individual or his legal representative filing with the Minister a notice of revocation in writing not later than the day on or before which the individual's return of income for the year of death is required to be filed, or would be required to be filed if tax under this Part were payable for the year of death; and

(b) in any other case, by the individual or his legal representative filing with the Minister a notice of revocation in writing not later than the 30th day following the day of mailing of a notice of assessment of an amount payable by him under this Part for the year."

(2) Subsection 110.4(7) of the said Act is repealed.

(3) All that portion of paragraph 110.4(8)(a) of the said Act following subparagraph (ii) thereof is repealed and the following substituted therefor:

"except that, where the individual dies in a taxation year, his accumulated averaging amount at the end of that year means

(iii) nil, where the individual's tax payable under this Part for that year is computed under section 119, or

(iv) the amount determined under subparagraph (i) for that year, in any other case; and"

(4) Subsection 110.4(6) of the said Act, as enacted by subsection (1), is applicable to

(a) elections filed for the 1984 and subsequent taxation years; and

(b) elections filed by a taxpayer for the 1982 and 1983 taxation years if the taxpayer so requests of the Minister in writing before May, 1986.

(5) Subsection 110.4(6.1) of the said Act, as enacted by subsection (1), is applicable to the 1982 and subsequent taxation years, except that where the taxation year referred to in the said subsection is the 1982, 1983 or 1984 taxation year, the notice of revocation referred to in paragraphs (a) and (b) of the said subsection may be filed with the Minister at any time on or before the later of

(a) the day on or before which it would be required by the said subsection to be filed; and

(b) April 30, 1986.

(6) Subsection (2) is applicable to the 1982 and subsequent taxation years.

(7) Subsection (3) is applicable to the 1985 and subsequent taxation years.

56. (1) The said Act is further amended by adding thereto, immediately after section 110.4 thereof, the following section:

Additions for foreign tax deductions

"110.5 There shall be added to a corporation's taxable income otherwise determined for a taxation year such amount as the corporation may claim to the extent that the addition thereof

(a) increases any amount deductible by the corporation under subsection 126(1) or (2) for the year; and

(b) does not increase an amount deductible by the corporation under any of sections 125, 125.1, 127, 127.2 or 127.3 for the year."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

57. (1) Subparagraph 111(5)(a)(i) of the said Act is repealed and the following substituted therefor:

"(i) only if that business was carried on by the corporation for profit or a reasonable expectation of profit

(A) throughout the part of the particular year that is after that time, where control of the corporation was acquired in the particular year, and

(B) throughout the particular year, in any other case, and"

(2) Clause 111(5)(a)(ii)(B) of the said Act is repealed and the following substituted therefor:

"(B) the amount, if any, by which
(I) the aggregate of the corporation's taxable capital gains for the particular year from dispositions of property owned by the corporation at or before that time, other than property that was acquired by the corporation within the two-year period ending at that time from the purchaser or a person who did not deal at arm's length with the purchaser,
exceeds

(II) the aggregate of the corporation's allowable capital losses for the particular year from dispositions described in subclause (I);
and"

(3) Paragraph 111(8)(a) of the said Act is repealed and the following substituted therefor:

"(a) "net capital loss" of a taxpayer for a taxation year means the aggregate of

(i) the amount, if any, by which
(A) the amount determined under subparagraph 3(e)(i) in respect of the taxpayer for the year
exceeds

(B) the lesser of

(I) the amount determined under subparagraph 3(e)(ii), and

(II) the amount determined under paragraph 3(d)

in respect of the taxpayer for the year, and

(ii) the amount that is equal to the lesser of

(A) the amount of the allowable business investment losses of the taxpayer for his seventh preceding taxation year, and

(B) the amount, if any, by which the amount of the non-capital loss of the taxpayer for his seventh preceding taxation year exceeds the aggregate of amounts in respect of that non-capital loss deducted by the taxpayer in computing his taxable income or claimed by him under paragraph 186(1)(c) or (d) for the year or for any preceding taxation year;"

(4) All that portion of paragraph 111(8)(b) of the said Act preceding subparagraph (iii) thereof is repealed and the following substituted therefor:

"(b) "non-capital loss" of a taxpayer for a taxation year means the amount, if any, by which the aggregate of

(i) the amount, if any, by which

(A) the aggregate of all amounts each of which is the taxpayer's loss for the year from an office, employment, business or property, his allowable business investment loss for the year, the amount determined under subparagraph 3(d)(ii) in respect of the taxpayer for the year or an amount deductible under paragraph 110(1)(d) or (f), section 112 or subsection 113(1) or 138(6) in computing his taxable income for the year
exceeds

(B) the amount determined under paragraph 3(c) in respect of the taxpayer for the year, and

(ii) the amount, if any, determined in respect of the taxpayer for the year under section 110.5

exceeds the aggregate of"

(5) Subsection (1) is applicable with respect to acquisitions of control occurring in the 1984 and subsequent taxation years.

(6) Subsection (2) is applicable with respect to acquisitions of control occurring after May 9, 1985, except that subclause 111(5)(a)(ii)(B)(I) of the said Act, as enacted by subsection (2), is applicable with respect to acquisitions of control occurring in the 1984 and subsequent taxation years.

(7) Subsections (3) and (4) are applicable to the 1985 and subsequent taxation years.

58. Paragraph 112(2.1)(a) of the said Act is repealed and the following substituted therefor:

"net capital loss"

"(a) a corporation described in any of paragraphs 39(5)(b) to (f)."

Non-resident's
income from
Cdn. res. prop.

59. (1) The said Act is further amended by adding thereto, immediately after section 114.1 thereof, the following section:

Deductions in
separate returns

"114.2 Where a separate return of income with respect to a taxpayer is filed under subsection 70(2), 104(23) or 150(4) for a particular period and another return of income under this Part with respect to the taxpayer is filed for a period ending in the calendar year in which the particular period ends, for the purpose of computing the taxable income under this Part of the taxpayer in such returns, the aggregate of all deductions claimed in all such returns under any of sections 110, 110.1 and 110.2 shall not exceed the aggregate that could be deducted under such section for the year with respect to the taxpayer if a separate return were not filed under any of subsections 70(2), 104(23) and 150(4)."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

60. (1) Subparagraph 115(1)(a)(iii.3) of the said Act is repealed and the following substituted therefor:

"(iii.3) in any case where, in the year, the non-resident person carried on a business in Canada described in any of subparagraphs 66(15)(h)(i) to (vii), all amounts in respect of a Canadian resource property that would be required to be included in computing his income for the year under this Part if he were resident in Canada at any time in the year, to the extent that such amounts are not included in computing his income by virtue of subparagraph (ii) or (iii.1)."

(2) Clauses 115(1)(b)(v)(B) and (B.1) of the said Act are repealed and the following substituted therefor:

"(B) a timber resource property,"

(3) Paragraph 115(1)(d) of the said Act is repealed and the following substituted therefor:

"(d) the deductions permitted by paragraphs 110(1)(a), (b), (b.1), (d), (e), (f) and (i)."

(4) All that portion of subsection 115(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(4) Where a non-resident person ceases at any particular time in a taxation year to carry on such of the businesses described in any of subparagraphs 66(15)(h)(i) to (vii) as were carried on by him immediately before that time at one or more fixed places of business in Canada and either does not commence after that time and during the year to carry on any business so described at a fixed place of business in Canada or disposes of Canadian resource property at any time in the year during which he was not carrying on any business so described at a fixed place of business in Canada, the following rules apply:"

(5) Paragraph 115(4)(b) of the said Act is repealed and the following substituted therefor:

"(b) the non-resident person or any partnership of which he was a member immediately after the particular time shall be deemed, for the purpose only of computing the non-resident person's income earned in Canada for the taxation year that is deemed to have ended, to have disposed immediately before the particular time of each Canadian resource property that was owned by him or by the partnership immediately after the particular time and to have received therefor immediately before the particular time proceeds of disposition equal to the fair market value thereof at the particular time; and"

(6) Subsections (1), (2), (4) and (5) are applicable to taxation years commencing after 1984.

(7) Subsection (3) is applicable to the 1982 and subsequent taxation years, except that, in its application to the 1982 and 1983 taxation years, paragraph 115(1)(d) of the said Act, as enacted by subsection (3), shall be read as follows:

"(d) the deductions permitted by paragraphs 110(1)(a), (b), (b.1), (e), (f) and (i)."

61. (1) All that portion of subsection 116(5.1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Idem

"(5.1) Where a non-resident person has disposed of or proposes to dispose of a life insurance policy in Canada, a Canadian resource property or any property that is or would, if he disposed of it, be taxable Canadian property of that person other than"

(2) All that portion of subsection 116(5.2) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Certificate for
dispositions

"(5.2) Where a non-resident person has, in respect of a disposition or proposed disposition to a taxpayer in a taxation year of a life insurance policy in Canada of the non-resident person, a Canadian resource property of the non-resident person or depreciable property that is or would, if he disposed of it, be taxable Canadian property of the non-resident person,"

(3) Subsections (1) and (2) are applicable to taxation years commencing after 1984.

62. (1) Subsections 117(1) to (5.1) of the said Act are repealed.

(2) Subsection 117(6) of the said Act is repealed and the following substituted therefor:

Special table

"(6) An individual (other than an individual of a prescribed class) whose amount taxable for a taxation year does not exceed a prescribed amount may use a table prepared in accordance with prescribed rules in computing the amount that would, but for sections 120.1, 127, 127.2 and 127.3 and the excess referred to in paragraph 120(3.1)(a), be his tax payable under this Part for the year."

(3) Subsection (2) is applicable to the 1984 and subsequent taxation years.

63. (1) Paragraph 117.1(1)(e) of the said Act is repealed and the following substituted therefor:

"(e) the ratio determined in accordance with the following formula, adjusted in such manner as may be prescribed and rounded to the nearest one-thousandth or, where the ratio is equidistant from two one-thousandths, to the larger thereof:

$$\text{Ratio to be adjusted and rounded} = \frac{A}{B} \times 2.476$$

where

A is the Consumer Price Index for the 12 month period ending on the 30th day of September next before the year, and

B is the Consumer Price Index for the 12 month period ending on the 30th day of September, 1983."

(2) Subsection 117.1(6) of the said Act is repealed and the following substituted therefor:

Rounding
amounts

"(6) Where an amount referred to in paragraph (1)(c) or subsection (1.1) is not a multiple of one dollar when adjusted as provided in this section, it shall be rounded to the nearest multiple of one dollar or, if it is equidistant from two such multiples,

to the higher thereof and where any other amount referred to in this section is not a multiple of ten dollars when so adjusted, it shall be rounded to the nearest multiple of ten dollars or, if it is equidistant from two such multiples, to the higher thereof."

(3) Subsection 117.1(7.1) of the said Act is repealed.

(4) Subsections (1) and (3) are applicable to the 1985 and subsequent taxation years.

(5) Subsection (2) is applicable to the 1984 and subsequent taxation years.

64. (1) All that portion of subsection 119(9) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Investment tax
credit

"(9) Where this section is applicable to the computation of an individual's tax payable for a taxation year, the amount, if any, by which"

(2) Subsection 119(10) of the said Act is repealed and the following substituted therefor:

Idem

"(10) Notwithstanding the definition "investment tax credit" in subsection 127(9), where a taxpayer has filed an election under subsection (1) for a year of averaging, in computing his investment tax credit at the end of any of the preceding years, there shall not be included any amount in respect of property acquired, or an expenditure made, in or after the year of averaging."

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

65. (1) All that portion of subsection 120(3.1) of the said Act following paragraph (b) thereof is repealed and the following substituted therefor:

"except that where the individual's return of income is filed pursuant to subsection 70(2) or 150(4) or paragraph 104(23)(d) or 128(2)(e), the individual's spouse was resident in Canada during the year and an excess is determined under paragraph (a) for the year, the excess shall, notwithstanding that determination, be deemed to be nil."

(2) Subsection (1) is applicable to the 1984 and subsequent taxation years.

66. (1) Subsection 122(1) of the said Act is repealed and the following substituted therefor:

Tax payable by
inter vivos trust

"122. (1) Notwithstanding section 117, the tax payable under this Part by an *inter vivos* trust upon its amount taxable for a taxation year shall be 34% of its amount taxable for the year."

(2) Subsection 122(3) of the said Act is repealed.

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

67. (1) Section 122.1 of the said Act is repealed.

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

68. (1) Paragraph 122.3(1)(d) of the said Act is repealed and the following substituted therefor:

"(d) 80% of his income for the year from that employment that is reasonably attributable to duties performed on the days referred to in paragraph (c)"

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

69. (1) Sections 123.1 to 123.5 of the said Act are repealed.

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

70. (1) Subparagraphs 125.1(3)(b)(vi) and (vi.1) of the said Act are repealed and the following substituted therefor:

"(vi) processing ore (other than iron ore or tar sands) from a mineral resource to any stage that is not beyond the prime metal stage or its equivalent,

(vi.1) processing iron ore from a mineral resource to any stage that is not beyond the pellet stage or its equivalent,

(vi.2) processing tar sands to any stage that is not beyond the crude oil stage or its equivalent,"

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

71. (1) Clause 126(1)(b)(ii)(A) of the said Act is repealed and the following substituted therefor:

"(A) where section 114 is not applicable to the taxpayer in respect of the year, the aggregate of his income for the year and the amounts, if any, included under subsection 110.4(2) and section 110.5 in computing his taxable income for the year, and"

(2) Clause 126(2.1)(a)(ii)(A) of the said Act is repealed and the following substituted therefor:

"(A) where section 114 is not applicable to the taxpayer in respect of the year, the aggregate of his income for the year and the

amounts, if any, included under subsection 110.4(2) and section 110.5 in computing his taxable income for the year, and"

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

72. (1) Paragraph 127(3.2)(c) of the said Act is repealed and the following substituted therefor:

"(c) a credit union."

(2) Paragraph 127(6)(a) of the said Act is repealed and the following substituted therefor:

"(a) its investment tax credit at the end of the immediately preceding taxation year in respect of property acquired and expenditures made before the end of that preceding taxation year"

(3) Paragraph 127(6)(b) of the said Act is repealed and the following substituted therefor:

"(b) the amount deducted under subsection (5) from its tax otherwise payable under this Part for the immediately preceding taxation year in respect of property acquired and expenditures made before the end of that preceding taxation year, and"

(4) Paragraph 127(6)(d) of the said Act is repealed and the following substituted therefor:

"(d) shall be deducted in computing the taxpayer's investment tax credit at the end of the taxation year; and"

(5) Subsections 127(7) to (9) of the said Act are repealed and the following substituted therefor:

"(7) Where, in a particular taxation year of a taxpayer who is a beneficiary under a trust, an amount is determined in respect of the trust under paragraph (a) or (b) of the definition "investment tax credit" in subsection (9) for its taxation year ending in that particular taxation year, the trust may, in its return of income under this Part for its taxation year ending in that particular taxation year, designate such portion of that amount as may, having regard to all the circumstances including the terms and conditions of the trust, reasonably be considered to be attributable to the taxpayer and was not designated by the trust in respect of any other beneficiary of that trust, and that portion shall be added in computing the investment tax credit of the taxpayer at the end of that particular taxation year and shall be deducted in computing the investment tax credit of the trust at the end of its taxation year ending in that particular taxation year.

Investment tax
credit of trust

Investment tax credit of partnership

(8) Where in a particular taxation year of a taxpayer who is a member of a partnership, an amount would, if the partnership were a person and its fiscal period were its taxation year, be determined in respect of the partnership under paragraph (a) or (b) of the definition "investment tax credit" in subsection (9) for its taxation year ending in that particular taxation year, the portion of that amount that may reasonably be considered to be the taxpayer's share thereof shall be added in computing the investment tax credit of the taxpayer at the end of that particular taxation year.

Definitions

"certified property"

(9) In this section, "certified property" of a taxpayer means any property described in paragraph (a) or (b) of the definition "qualified property"

(a) that was acquired by the taxpayer after October 28, 1980 and before 1986 and has not been used, or acquired for use or lease, for any purpose whatever before it was acquired by him, and

(b) that is part of a facility as defined for the purposes of the *Regional Development Incentives Act* and was acquired primarily for use by the taxpayer in a prescribed area;

"designated region"

"designated region" means a region of Canada, other than the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick or the Gaspé Peninsula, that is designated as such under the *Regional Development Incentives Act*;

"Gaspé Peninsula"

"Gaspé Peninsula" means that portion of the Gaspé region of the Province of Quebec that extends to the western border of Kamouraska County and includes the Magdalen Islands;

"investment tax credit"

"investment tax credit" of a taxpayer at the end of a taxation year means the amount, if any, by which the aggregate of

(a) the aggregate of all amounts each of which is the specified percentage of the capital cost to him, determined without reference to subsection 13(7.1), of a qualified property, qualified transportation equipment, qualified construction equipment or certified property acquired by him in the year or the specified percentage of a qualified expenditure made by him in the year, determined without reference to subsection 13(7.1),

(b) the aggregate of amounts required by subsection (7) or (8) to be added in computing his investment tax credit at the end of the year,

(c) the aggregate of all amounts each of which is

(i) an amount determined under paragraph (a) or (b) in respect of the taxpayer for any of the 5 taxation years immediately preceding the year, where the property was acquired, or the qualified expenditure was made, before April 20, 1983, or

(ii) an amount determined under paragraph (a) or (b) in respect of the taxpayer for any of the 7 taxation years immediately preceding or the 3 taxation years immediately following the year, where the property was acquired, or the qualified expenditure was made, after April 19, 1983,

(d) the aggregate of all amounts each of which is an amount required by subsection 119(9) to be added in computing his investment tax credit at the end of the year or at the end of any of the 7 taxation years immediately preceding the year, and

(e) the aggregate of all amounts each of which is an amount required by subsection (10.1) to be added in computing his investment tax credit at the end of the year or at the end of any of the 7 taxation years immediately preceding or the 3 taxation years immediately following the year

exceeds the aggregate of

(f) the aggregate of all amounts each of which is an amount deducted under subsection (5) from the tax otherwise payable under this Part by the taxpayer for a preceding taxation year in respect of

(i) property acquired, or an expenditure made, in any of the 5 taxation years immediately preceding the year, where the property was acquired, or the expenditure was made, before April 20, 1983, or

(ii) property acquired, or an expenditure made, in the year or in any of the 7 taxation years immediately preceding or the 2 taxation years immediately following the year, where the property was acquired, or the expenditure was made, after April 19, 1983,

(g) the aggregate of all amounts each of which is an amount required by subsection (6) to be deducted in computing his investment tax credit

(i) at the end of the year,

(ii) in respect of property acquired, or an expenditure made, before April 20, 1983, at the end of any of the 4 taxation years immediately preceding the year, or

(iii) in respect of property acquired, or an expenditure made, after April 19, 1983, at the end of any of the 6 taxation years immediately preced-

ing or the 3 taxation years immediately following the year,
(h) the aggregate of all amounts each of which is an amount required by subsection (7) to be deducted in computing his investment tax credit

(i) at the end of the year,

(ii) in respect of property acquired, or an expenditure made, before April 20, 1983, at the end of any of the 5 taxation years immediately preceding the year, or

(iii) in respect of property acquired, or an expenditure made, after April 19, 1983, at the end of any of the 7 taxation years immediately preceding or the 3 taxation years immediately following the year, and

(i) the aggregate of all amounts each of which is an amount claimed under subparagraph 192(2)(a)(ii) by the taxpayer for the year or a preceding taxation year in respect of property acquired, or an expenditure made, in the year or the 7 taxation years immediately preceding the year;

"qualified expenditure"

"qualified expenditure" means an expenditure in respect of scientific research made by a taxpayer after March 31, 1977 that qualifies as an expenditure described in paragraph 37(1)(a) or subparagraph 37(1)(b)(i), but does not include

(a) a prescribed expenditure, nor

(b) in the case of a taxpayer that is a corporation, an expenditure specified by the taxpayer for the purposes of clause 194(2)(a)(ii)(A);

"qualified property"

"qualified property" of a taxpayer means property (other than a certified property) that is

(a) a prescribed building to the extent that it is acquired by the taxpayer after June 23, 1975, or

(b) prescribed machinery and equipment acquired by the taxpayer after June 23, 1975,

that has not been used, or acquired for use or lease, for any purpose whatever before it was acquired by the taxpayer and that is

(c) to be used by him in Canada primarily for the purpose of

(i) manufacturing or processing goods for sale or lease,

(ii) operating an oil or gas well or processing heavy crude oil recovered from a natural reservoir in Canada to a stage that is not beyond the crude oil stage or its equivalent,

(iii) extracting minerals from a mineral resource,

(iv) processing ore (other than iron ore or tar sands) from a mineral resource to a stage that is not beyond the prime metal stage or its equivalent,

(v) processing iron ore from a mineral resource to a stage that is not beyond the pellet stage or its equivalent,

(vi) processing tar sands to a stage that is not beyond the crude oil stage or its equivalent,

(vii) exploring or drilling for petroleum or natural gas,

(viii) prospecting or exploring for or developing a mineral resource,

(ix) logging,

(x) farming or fishing,

(xi) storing grain, or

(xii) producing industrial minerals, or

(d) to be leased by the taxpayer to a lessee (other than a person exempt from tax under section 149) who can reasonably be expected to use the property in Canada primarily for any of the purposes referred to in subparagraphs (c)(i) to (xii), but this paragraph does not apply in respect of property that is a prescribed property

"qualified construction equipment"

"qualified construction equipment" of a taxpayer means prescribed equipment acquired by him after April 19, 1983 that has not been used, or acquired for use or lease, for any purpose whatever before its acquisition by him and that is

(a) to be used by the taxpayer principally for the purpose of construction in Canada in the course of carrying on a business other than a business

(i) the income from which is exempt from income tax by virtue of any provision of this Act, or

(ii) the income from which is not included in his income or, in the case of a non-resident person, in his taxable income earned in Canada,

or

(b) to be leased by the taxpayer, if

(i) the equipment is leased by the taxpayer in the ordinary course of carrying on a business in Canada, the income from which is other than income referred to in subparagraph (a)(i) or (ii), to a lessee who can reasonably be expected to use the equipment principally for the purpose and under the circumstances referred to in paragraph (a), and

(ii) the taxpayer is a corporation whose principal business is a business described in subparagraph (d)(i) of the definition "qualified property" or is a taxpayer whose principal business is a construction business;

for the purposes of paragraph (b) unless

- (i) the property is leased by the taxpayer in the ordinary course of carrying on a business in Canada and the taxpayer is a corporation whose principal business is leasing property, manufacturing property that it sells or leases, the lending of money, the purchasing of conditional sales contracts, accounts receivable, bills of sale, chattel mortgages, bills of exchange or other obligations representing part or all of the sale price of merchandise or services, or selling or servicing a type of property that it also leases, or any combination thereof, and
- (ii) use of the property by the first lessee commenced after June 23, 1975;

"qualified transportation equipment"
"matériel de transport admissible"

"qualified transportation equipment" of a taxpayer means prescribed equipment acquired by him after November 16, 1978 that has not been used, or acquired for use or lease, for any purpose whatever before it was acquired by the taxpayer and that is

(a) to be used by him principally for the purpose of transporting passengers, property or passengers and property, in Canada or to and from Canada, in the ordinary course of carrying on a business in Canada other than a business

- (i) the income from which is exempt from income tax by virtue of any provision of this Act, or
- (ii) the income from which is not included in his income or, in the case of a non-resident person, his taxable income earned in Canada, or

(b) to be leased by the taxpayer, if

- (i) the equipment is leased by the taxpayer in the ordinary course of carrying on a business in Canada, the income from which is other than income referred to in subparagraph (a)(i) or (ii), to a lessee who can reasonably be expected to use the equipment principally for the purposes and under the circumstances referred to in paragraph (a), and
- (ii) the taxpayer is a corporation whose principal business is a business described in subparagraph (d)(i) of the definition "qualified property" or is a taxpayer whose principal business is passenger, property or passenger and property transport;

"specified percentage"

"specified percentage" means

- (a) in respect of a qualified property
 - (i) acquired before April 1977, 5%,

(ii) acquired after March 31, 1977 and before November 17, 1978 primarily for use in

(A) the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick or in the Gaspé Peninsula, 10%,

(B) a designated region, 7 1/2%, and

(C) any other area in Canada, 5%,

(iii) acquired after November 16, 1978 primarily for use in

(A) the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick or the Gaspé Peninsula, 20%,

(B) a designated region, 10%, and

(C) any other area in Canada, 7%,

(b) in respect of qualified transportation equipment, 7%,

(c) in respect of qualified construction equipment, 7%,

(d) in respect of certified property, 50%, and

(e) in respect of a qualified expenditure

(i) made after March 31, 1977 and before November 17, 1978 in respect of scientific research to be carried out in

(A) the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick or in the Gaspé Peninsula, 10%,

(B) a designated region, 7 1/2%, and

(C) any other area in Canada, 5%,

(ii) made by a taxpayer after November 16, 1978 and before his taxation year that includes November 1, 1983 or made by him in his taxation year that includes November 1, 1983 or a subsequent taxation year if he deducted an amount under section 37.1 in computing his income for the year,

(A) where the expenditure was made by a Canadian-controlled private corporation in a taxation year of the corporation in which it is or would, if it had sufficient taxable income for the year, be entitled to a deduction under section 125 in computing its tax payable under this Part for the year, 25%, and

(B) where clause (A) is not applicable and the qualified expenditure was in respect of scientific research to be carried out in

(i) the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick,

wick or the Gaspé Peninsula, 20%, and
(II) any other area in Canada, 10%.

(iii) made by a taxpayer in his taxation year that ends after October 31, 1983 and before January 1, 1985, other than a qualified expenditure in respect of which subparagraph (ii) is applicable,

(A) where the expenditure was made by a Canadian-controlled private corporation in a taxation year of the corporation in which it is or would, if it had sufficient taxable income for the year, be entitled to a deduction under section 125 in computing its tax payable under this Part for the year, 35%, and

(B) where clause (A) is not applicable and the qualified expenditure was in respect of scientific research to be carried out in

(I) the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick or the Gaspé Peninsula, 30%, and

(II) any other area in Canada, 20%, and

(iv) made by a taxpayer in his 1985 taxation year or a subsequent taxation year, other than a qualified expenditure in respect of which subparagraph (ii) is applicable, in respect of scientific research to be carried out in

(A) the Province of Newfoundland, Prince Edward Island, Nova Scotia or New Brunswick or in the Gaspé Peninsula, 30%, and

(B) any other area in Canada, 20%."

(6) Subsections 127(10) to (10.5) of the said Act are repealed and the following substituted therefor;

"(10) The Minister may

(a) obtain the advice of the Minister of Regional Industrial Expansion as to whether any property is property as described in paragraph (b) of the definition "certified property" in subsection (9); or

(b) obtain a certificate from the Minister of Regional Industrial Expansion certifying that any property specified therein is property as described in paragraph (b) of the definition "certified property" in subsection (9).

Addition to
investment tax
credit

(10.1) For the purposes of paragraph (e) of the definition "investment tax credit" in subsection (9), where a taxpayer was throughout its taxation year a Canadian-controlled private corporation whose taxable income for the immediately preceding taxation year together with the taxable incomes of all corporations with which it was associated in the year for their taxation years ending in the calendar year immediately preceding the calendar year in which the corporation's year ended does not exceed the aggregate of the business limits (as determined under section 125) of the corporation and the associated corporations for those preceding years, the amount, if any, by which

(a) 35% of the lesser of

(i) the aggregate of all expenditures described in subparagraph (e)(iv) of the definition "specified percentage"

in subsection (9) made by it in the year and that were designated by the taxpayer in its return of income under this Part for the year, and

(ii) the taxpayer's expenditure limit for the year

exceeds

(b) the aggregate of all amounts determined under paragraph (a) of the definition "investment tax credit" in subsection (9) in respect of an expenditure referred to in subparagraph (a)(i)

shall be added in computing the taxpayer's investment tax credit at the end of the taxation year.

Expenditure
limit
determined

(10.2) For the purposes of subsection (10.1), a corporation's expenditure limit for a taxation year is \$2,000,000 unless the corporation is associated in the year with one or more other Canadian-controlled private corporations in which case, except as otherwise provided in this section, its expenditure limit for the year is nil.

Associated
corps.

(10.3) If all of the Canadian-controlled private corporations that are associated with each other in a taxation year have filed with the Minister in prescribed form an agreement whereby, for the purposes of subsection (10.1), they allocate an amount to one or more of them for the taxation year and the amount so allocated or the aggregate of the amounts so allocated, as the case may be, is \$2,000,000, the expenditure limit for the year of each of the corporations is the amount so allocated to it.

Failure to file
agreement

(10.4) If any of the Canadian-controlled private corporations that are associated with each other in a taxation year has failed to file with the Minister an agreement as contemplated by subsection (10.3) within 30 days after notice in writing by

Ascertainment
of certain
property

the Minister has been forwarded to any of them that such an agreement is required for the purpose of any assessment of tax under this Part, the Minister shall, for the purposes of subsection (10.1), allocate an amount to one or more of them for the taxation year, which amount or the aggregate of which amounts, as the case may be, shall equal \$2,000,000, and in any such case the expenditure limit for the year of each of the corporations is the amount so allocated to it."

(7) Subsections 127(11) to (11.2) of the said Act are repealed and the following substituted therefor:

Interpretation

"(11) For the purposes of the definition "qualified property" in subsection (9),

(a) "manufacturing or processing" does not include any of the activities referred to in subparagraphs 125.1(3)(b)(i) to (ix); and

(b) for greater certainty, the purposes referred to in paragraph (c) of the definition "qualified property" in subsection (9) do not include

- (i) storing (other than the storing of grain), shipping, selling or leasing finished goods,
- (ii) purchasing raw materials,
- (iii) administration, including clerical and personnel activities,
- (iv) purchase and resale operations,
- (v) data processing, or
- (vi) providing facilities for employees, including cafeterias, clinics and recreational facilities.

Investment tax credit

(11.1) For the purposes of the definition "investment tax credit" in subsection (9),

(a) the capital cost to a taxpayer of a property shall be computed as if no amount were added thereto by virtue of section 21; and

(b) where a taxpayer has acquired a property after 1980 for the purpose of earning resource profits (within the meaning assigned by regulations made for the purposes of section 65), the capital cost to him of that property shall be computed as if the references in paragraph (a) of the definition to "subsection 13(7.1)" were read as references to "paragraph 13(7.1)(e)".

(8) Subsections 127(12.1) and (12.2) of the said Act are repealed and the following substituted therefor:

Idem

"(12.1) For the purposes of section 37, where, pursuant to a designation or an allocation from a trust or partnership, an amount is required by subsection (7) or

Idem

(8) to be added in computing the investment tax credit of a taxpayer at the end of his taxation year, the portion thereof that may reasonably be regarded as relating to expenditures of a current nature in respect of scientific research that are qualified expenditures shall, at the end of the fiscal period of the trust or partnership, as the case may be, in respect of which the designation or allocation was made, reduce the aggregate of such expenditures of a current nature as may be claimed by the trust or partnership in respect of scientific research.

(12.2) For the purposes of paragraphs 53(2)(c), (h) and (k), where in a taxation year a taxpayer has deducted under subsection (5) an amount that may reasonably be regarded as attributable to amounts included in computing the investment tax credit of the taxpayer at the end of the year in respect of property acquired, or an expenditure made, in a subsequent taxation year, the taxpayer shall be deemed to have made the deduction under subsection (5) in that subsequent taxation year."

(9) Subsections (2) to (8) are applicable to the 1985 and subsequent taxation years.

73. (1) Paragraph 127.1(2)(a) of the said Act is repealed and the following substituted therefor:

"(a) a corporation that was, throughout the year, a Canadian-controlled private corporation whose taxable income for the immediately preceding taxation year together with the taxable incomes of all corporations with which it was associated in the year for their taxation years ending in the calendar year immediately preceding the calendar year in which the year of the corporation ended does not exceed the aggregate of the business limits (as determined under section 125) of the corporation and the associated corporations for those preceding years,"

(2) Paragraph 127.1(2)(d) of the said Act is repealed and the following substituted therefor:

"(d) the aggregate of all amounts each of which is an amount included in computing his investment tax credit at the end of the year

(i) in respect of property acquired, or an expenditure made, by him in the year and after April 19, 1983 and before May 1986, or

(ii) pursuant to paragraph (b) of the definition "investment tax credit" in subsection 127(9) in respect of property acquired, or an expenditure made, after April 19, 1983 and before May, 1986"

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

74. (1) Subparagraph 129(4)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) all amounts each of which is the corporation's income for the year from a source in Canada that is property (other than exempt income, any dividend the amount of which was deductible in computing its taxable income for the year or income that, but for paragraph 108(5)(a), would not be income from a property), determined after deducting all outlays and expenses deductible in computing the corporation's income for the year to the extent that they may reasonably be regarded as having been made or incurred for the purpose of earning income from that property"

Application of
subsecs.
131(1.1) to
(1.4)

(2) Subsection 129(4.3) of the said Act is repealed and the following substituted therefor:

Definition of
"designated
property"

"(4.3) In this section, "designated property" has the meaning assigned by paragraph 89(1)(b.1)."

(3) Subsection (1) is applicable to taxation years commencing after November 12, 1981.

(4) Subsection (2) is applicable after November 12, 1981.

75. (1) Section 130.1 of the said Act is amended by adding thereto, immediately after subsection (4) thereof, the following subsection:

Application of
subsecs.
131(1.1) to
(1.4)

"(4.1) Where at any particular time a mortgage investment corporation paid a dividend to its shareholders and subsection (4) would have applied to the dividend except that the corporation did not make an election under subsection (4) on or before the day on or before which it was required by that subsection to be made, subsections 131(1.1) to (1.4) apply with such modifications as the circumstances require."

(2) Clause 130.1(6)(f)(ii)(B) of the said Act is repealed and the following substituted therefor:

"(B) a credit union,"

(3) Subsection (1) is applicable with respect to dividends paid after 1984.

76. (1) Paragraph 131(6)(c) of the said Act is repealed.

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

77. Subsections 133(7.3) to (7.6) of the said Act are repealed and the following substituted therefor:

"(7.3) Where at any particular time a non-resident-owned investment corporation paid a dividend to its shareholders and subsection (7.1) would have applied to the dividend except that the corporation did not make an election under subsection (7.1) on or before the day on or before which it was required by that subsection to be made, subsections 131(1.1) to (1.4) apply with such modifications as the circumstances require."

78. (1) Section 134 of the said Act is repealed and the following substituted therefor:

Non-res.-owned
corp. not a Cdn.
corp. etc.

"134. Notwithstanding any other provision of this Act, a non-resident-owned investment corporation that would, but for this section, be a Canadian corporation, taxable Canadian corporation or private corporation shall be deemed not to be a Canadian corporation, taxable Canadian corporation or private corporation, as the case may be, except for the purposes of section 87, subsection 88(2) and sections 212.1 and 219."

(2) Subsection (1) is applicable after 1984.

79. (1) Subsection 136(1) of the said Act is repealed and the following substituted therefor:

Coop. not priv.
corp.

"136. (1) Notwithstanding any other provision of this Act, a cooperative corporation that would, but for this section, be a private corporation shall be deemed not to be a private corporation except for the purposes of sections 15.1, 125, 127, 127.1 and 157."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

80. (1) Subsection 137(7) of the said Act is repealed and the following substituted therefor:

Credit union
not priv. corp.

"(7) Notwithstanding any other provision of this Act, a credit union that would, but for this section, be a private corporation shall be deemed not to be a private corporation except for the purposes of sections 125, 127, 127.1 and 157."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

81. (1) Paragraph 137.1(3)(a) of the said Act is repealed and the following substituted therefor:

"(a) the aggregate of losses sustained in the year by the corporation in respect of bonds, debentures, mortgages, hypothecs, notes or other similar obligations owned by it and issued by a person other

than a member institution that were disposed of by it in the year;"

(2) Paragraph 137.1(4)(e) of the said Act is repealed and the following substituted therefor:

"(e) any amount that may otherwise be deductible under paragraph 20(1)(p) in respect of debts owing to it by any of its member institutions that has not been included in computing its income for the year or a preceding taxation year."

(3) Subsections (1) and (2) are applicable to the 1983 and subsequent taxation years.

82. (1) Paragraph 146(5.4)(a) of the said Act is repealed and the following substituted therefor:

"qualified farm property"

"(a) "qualified farm property" of a taxpayer means

(i) a property that was owned on December 31, 1983 by the taxpayer or his spouse and that, at any time after 1971 and before 1984, was

(A) real property used by

(I) the taxpayer, his spouse or any of his children

(II) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm corporation of the taxpayer, his spouse or any of his children, or

(III) a partnership, an interest in which is an interest in a family farm partnership of the taxpayer, his spouse or any of his children

in the course of carrying on the business of farming in Canada,

(B) a share of the capital stock of a family farm corporation of the taxpayer or his spouse, or

(C) an interest in a family farm partnership of the taxpayer or his spouse,

(ii) a replacement property for a qualified farm property of the taxpayer in respect of which the taxpayer or his spouse has made an election under subsection 13(4) or 44(1),

(iii) a share of the capital stock of a family farm corporation of the taxpayer all or substantially all of the assets of which were

(A) qualified farm properties described in subparagraph (i) or (ii) of the taxpayer, or

(B) replacement properties for properties described in clause (A) in respect of which the corporation has made an election under subsection 13(4) or 44(1), or

Amount to be included in computing income

(iv) an interest in a family farm partnership of the taxpayer all or substantially all of the assets of which were

(A) qualified farm properties described in subparagraph (i) or (ii) of the taxpayer, or

(B) replacement properties for properties described in clause (A) in respect of which the partnership has made an election under subsection 13(4) or 44(1);"

(2) Subsection 146(8.3) of the said Act is repealed and the following substituted therefor:

"(8.3) Where at any particular time in a taxation year a particular amount in respect of a plan to which a contribution deductible under subsection (5.1) has been made would be required by paragraph (12)(b) (if it were read without reference to the words "minus the amount required by subsection (8.3) to be included in computing the income of the taxpayer's spouse") to be included in computing the income for the year of the spouse of a taxpayer, except where the taxpayer is living apart and separated from his spouse at the particular time as a result of the breakdown of their marriage and pursuant to a decree, order or judgment of a competent tribunal or a written separation agreement, there shall be included in computing the income for the year of the taxpayer all or any part of the lesser of the particular amount and the aggregate of all amounts each of which was paid by the taxpayer and was

(a) deductible under subsection (5.1) in computing his income for the year; or

(b) deducted under subsection (5.1) in computing his income for one of the 2 immediately preceding taxation years."

(3) Subsection (1) is applicable to the 1984 and subsequent taxation years.

(4) Subsection (2) is applicable with respect to amounts to which paragraph 146(12)(b) of the said Act applies after February 15, 1984.

83. (1) Paragraph 148(2)(b) of the said Act is repealed and the following substituted therefor:

"(b) where in a taxation year a holder of an interest in, or a person whose life is insured or who is the annuitant under,

a life insurance policy (other than an annuity contract or an exempt policy) last acquired after December 1, 1982 or an annuity contract (other than a life annuity contract, as defined by regulation, entered into before November 13, 1981 or a prescribed annuity contract) dies, the policyholder shall be deemed to have disposed of his interest in the policy or the contract, as the case may be, immediately before the death;"

(2) Subparagraph 148(9)(a)(iv) of the said Act is repealed and the following substituted therefor:

"(iv) all amounts, each of which is an amount in respect of the repayment before that time and after March 31, 1978 of a policy loan not exceeding the aggregate of the proceeds of the disposition, if any, in respect of that loan and the amount, if any, described in subparagraph (vii) but not including any payment of interest thereon or any repayment of the loan that was deductible pursuant to paragraph 20(1)(hh) or 60(s)."

(3) Paragraph 148(9)(c) of the said Act is amended by striking out the word "or" at the end of subparagraph (viii) thereof, by adding the word "or" at the end of subparagraph (ix) thereof and by adding thereto the following subparagraph:

"(x) any transaction or event by which an individual becomes entitled to receive, under the terms of an exempt policy, all of the proceeds (including or excluding policy dividends) payable under the policy in the form of an annuity contract or annuity payments, if, at the time of the transaction or event, the individual whose life is insured under the policy was totally and permanently disabled;"

(4) Paragraph 148(9)(d) of the said Act is repealed.

(5) Subsection 148(9) of the said Act is further amended by adding thereto, immediately after paragraph (e.2) thereof, the following paragraph:

"(e.3) "relevant authority" has the meaning assigned by paragraph 138(12)(m);"

(6) Subsection (1) is applicable with respect to deaths occurring in taxation years commencing after 1982.

(7) Subsection (2) is applicable to the 1982 and subsequent taxation years.

(8) Subsection (3) is applicable with respect to transactions or events occurring after December 1, 1982.

84. (1) Paragraph 149(10)(b) of the said Act is repealed and the following substituted therefor:

"(b) the corporation shall be deemed to have disposed, immediately before that time, of each property, other than a Canadian resource property or foreign resource property, that was owned by it immediately before that time for an amount equal to its fair market value at that time and to have reacquired the property immediately after that time at a cost equal to that fair market value; and"

(2) Subsection (1) is applicable to taxation years commencing after 1984.

85. (1) Paragraph 150(1)(d) of the said Act is repealed and the following substituted therefor:

"(d) in the case of any other person, on, or before April 30 in the next year by that person or, if he is unable for any reason to file the return, by his guardian, committee or other legal representative, or"

(2) Subsection 150(4) of the said Act is repealed and the following substituted therefor:

"(4) Where a taxpayer who is a partner or an individual who is a proprietor of a business died after the end of a fiscal period but before the end of the calendar year in which the fiscal period ended, his income as such partner or proprietor for the period commencing immediately after the end of the fiscal period and ending at the time of death shall be included in computing the taxpayer's income for the taxation year in which he died unless his legal representative has elected otherwise, in which case the legal representative shall file a separate return of income for the period under this Part and pay the tax for the period under this Part as if

(a) the taxpayer were another person;

(b) the period were a taxation year;

(c) that other person's only income for the period were his income as such partner or proprietor for that period; and

(d) subject to section 114.2, that other person were entitled to the deductions to which the taxpayer was entitled under sections 109 to 110.2 for the period in computing his taxable income for the period."

Individuals

Death of partner or proprietor

"relevant authority"

(3) Subsection (2) is applicable to the 1985 and subsequent taxation years.

86. (1) Paragraph 152(1)(b) of the said Act is repealed and the following substituted therefor:

"(b) the amount of tax, if any, deemed by subsection 119(2), 120(2), 120.1(4), 122.2(1), 127.1(1), 127.2(2), 144(9) or 164(6) to have been paid on account of his tax under this Part for the year."

(2) Subsection 152(1.1) of the said Act is repealed and the following substituted therefor:

"(1.1) Where the Minister ascertains the amount of a taxpayer's non-capital loss, net capital loss, restricted farm loss or farm loss for a taxation year and the taxpayer has not reported that amount as such a loss in his return of income for that year, the Minister shall, at the request of the taxpayer, determine, with all due dispatch the amount of such loss and shall send a notice of determination to the person by whom the return was filed."

(3) Subsection (1) is applicable to the 1983 and subsequent taxation years.

87. (1) Paragraph 153(1)(d) of the said Act is repealed and the following substituted therefor:

"(d) a death benefit,"

(2) Subsection 153(1) of the said Act is amended by striking out the word "or" at the end of paragraph (m) thereof, by adding the word "or" at the end of paragraph (n) thereof and by adding thereto, immediately after paragraph (n) thereof, the following paragraph:

"(o) an amount described in paragraph 115(2)(c.1),"

(3) Subsection (1) is applicable to the 1985 and subsequent taxation years.

88. (1) All that portion of subsection 157(1) of the said Act preceding subparagraph (b)(i) thereof is repealed and the following substituted therefor:

"157. (1) Every corporation shall, in respect of each of its taxation years, pay to the Receiver General

(a) either

(i) on or before the last day of each month in the year, an amount equal to 1/12 of the amount estimated by it to be the tax payable under this Part by it for the year computed without reference to sections 127.2 and 127.3,

(ii) on or before the last day of each month in the year, an amount equal to 1/12 of its first instalment base for the year, or

(iii) on or before the last day of each of the first 2 months in the year, an amount equal to 1/12 of its second instalment base for the year, and on or before the last day of each of the following months in the year, an amount equal to 1/10 of the amount remaining after deducting the amount computed pursuant to this subparagraph in respect of the first 2 months from its first instalment base for the year; and

(b) the remainder of the tax payable by it under this Part for the year"

(2) Subparagraph 157(1)(b)(i) of the said Act is repealed and the following substituted therefor:

"(i) on or before the end of the third month following the end of the year, where

(A) an amount was deducted by virtue of section 125 in computing the tax payable under this Part by the corporation for the year or its immediately preceding taxation year, and

(B) the corporation is, throughout the year, a Canadian-controlled private corporation whose taxable income for the immediately preceding taxation year together with the taxable incomes of all corporations with which it was associated in the year for their taxation years ending in the calendar year immediately preceding the calendar year in which the taxation year of the corporation ended does not exceed the aggregate of the business limits (as determined under section 125) of the corporation and the associated corporations for those preceding years, or"

(3) Subparagraph 157(1)(b)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) on or before the end of the second month following the end of the year, in any other case."

(4) All that portion of subsection 157(2) of the said Act following paragraph (b) thereof is repealed and the following substituted therefor:

"and its taxable income for the year or the immediately preceding taxation year is not more than \$10,000, it may, instead of paying the instalments required by subsection (1), pay to the Receiver General at the end of the third month following the

Determination
of losses

Corporations

end of the year the whole of the tax payable by it under this Part for the year."

(5) All that portion of subsection 157(3) of the said Act preceding paragraph (b) thereof is repealed and the following substituted therefor:

Private, mutual fund and non-rec. owned investment corps.

"(3) Notwithstanding subsection (1), the amount payable for a taxation year by a corporation to the Receiver General on or before the last day of any month in the year shall be deemed to be the amount, if any, by which

(a) the amount so payable as determined under that subsection for the month

exceeds"

(6) Subsections (1) and (3) to (5) are applicable to the 1986 and subsequent taxation years.

(7) Subsection (2) is applicable to the 1985 and subsequent taxation years.

Personal liability

89. (1) Section 158 of the said Act is repealed and the following substituted therefor:

Payment of remainder

"158. Where the Minister mails a notice of assessment of any amount payable by a taxpayer, that part of the amount assessed then remaining unpaid is payable forthwith by the taxpayer to the Receiver General."

(2) Subsection (1) is applicable with respect to notices of assessment mailed after the day on which this Act is assented to.

Form and manner of election and interest

90. (1) Subsections 159(1) to (3) of the said Act are repealed and the following substituted therefor:

Payments on behalf of others

"159. (1) Where the Minister mails to a person required by section 150 to file a return of the income of a taxpayer for a taxation year a notice of assessment of any amount payable for the year by or in respect of the taxpayer, that part of the amount assessed then remaining unpaid is payable forthwith by the person to the Receiver General to the extent that the person has or had, at any time after the end of the taxation year, in his possession or control property belonging to the taxpayer or his estate and upon payment thereof the person shall be deemed to have made the payment on behalf of the taxpayer.

Certificate before distribution

(2) Every person (other than a trustee in bankruptcy) who is an assignee, liquidator, receiver, receiver-manager, administrator, executor, or any other like person; (in this section referred to as the "responsible representative") administering, winding-

up, controlling or otherwise dealing with a property, business or estate of another person, before distributing to one or more persons any property over which he has control in his capacity as the responsible representative, shall obtain a certificate from the Minister certifying that all amounts

(a) for which any taxpayer is liable under this Act in respect of the taxation year in which the distribution is made, or any preceding taxation year, and

(b) for the payment of which the responsible representative is or can reasonably be expected to become liable in his capacity as the responsible representative

have been paid or that security for the payment thereof has been accepted by the Minister.

(3) Where a responsible representative distributes to one or more persons property over which he has control in his capacity as the responsible representative without obtaining a certificate under subsection (2) in respect of the amounts referred to in that subsection, the responsible representative is personally liable for the payment of those amounts to the extent of the value of the property distributed and the Minister may assess the responsible representative therefor in the same manner and with the same effect as an assessment made under section 152."

(2) Subsection 159(7) of the said Act is repealed and the following substituted therefor:

"(7) Every election made by a taxpayer under subsection (4) or by the legal representative of a taxpayer under subsection (5), as the case may be, shall be made in prescribed form and in prescribed manner and on condition that, at the time of payment of any amount payment of which is deferred by the election, the taxpayer shall pay to the Receiver General interest on the amount at the prescribed rate in effect at the time the election was made computed from the day on or before which the amount would, but for the election, have been required to be paid to the day of payment."

(3) Subsection 159(1) of the said Act, as enacted by subsection (1), is applicable with respect to notices of assessment mailed after the day on which this Act is assented to.

91. (1) Subsection 161(2) of the said Act is repealed and the following substituted therefor:

Interest on instalments

"(2) In addition to the interest payable under subsection (1), where a taxpayer who is required by this Part to pay a part or instalment of tax has failed to pay all or

any part thereof on or before the day on or before which the tax or instalment, as the case may be, was required to be paid, he shall pay to the Receiver General interest at the prescribed rate on the amount that he failed to pay computed from the day on or before which the amount was required to be paid to the day of payment, or to the beginning of the period in respect of which he is required to pay interest thereon under subsection (1), whichever is earlier."

(2) Paragraph 161(4.1)(a) of the said Act is repealed and the following substituted therefor:

"(a) the tax payable under this Part by it for the year computed without reference to sections 127.2 and 127.3,"

(3) Paragraph 161(7)(b) of the said Act is repealed and the following substituted therefor:

"(b) the amount by which the tax payable by the taxpayer under this Part for the year is reduced by virtue of the exclusion or deduction, as the case may be, of an amount described in any of subparagraphs (a)(i) to (vii) shall be deemed to have been paid by the taxpayer on account of his tax payable for the year under this Part on the day that is the latest of

- (i) the first day immediately following that subsequent taxation year,
- (ii) the day on which the taxpayer's return of income for that subsequent taxation year was filed,
- (iii) where an amended return of the taxpayer's income for the taxation year or a prescribed form amending his return of income for the year was filed in accordance with subsection 49(4) or 152(6), the day on which the amended return or prescribed form was filed, and
- (iv) where, as a consequence of a request in writing, the Minister reassessed the taxpayer's tax for the year to take into account the deduction or exclusion, the day on which the request was made."

(4) Subsection (3) is applicable with respect to subsequent taxation years referred to in paragraph 161(7)(b) of the said Act, as enacted by subsection (3), ending after 1984.

92. All that portion of subsection 163(2.1) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Interpretation

"(2.1) For the purposes of subsection (2), the taxable income reported by a person in his return for a taxation year shall be deemed not to be less than nil and the "understatement of income" for a year of a person means the aggregate of"

93. (1) Paragraph 164(1)(a) of the said Act is repealed and the following substituted therefor:

"(a) may, on or after mailing the notice of assessment for the year, refund without application therefor, any overpayment for the year; and"

(2) Subsection 164 of the said Act is further amended by adding thereto, immediately after subsection (1) thereof, the following subsections:

"(1.1) Subject to subsection (1.2), where a taxpayer

(a) has under section 165 served a notice of objection to an assessment and the Minister has not within 120 days after the day of service confirmed or varied the assessment or made a reassessment in respect thereof, or

(b) has appealed from an assessment to the Tax Court of Canada or to the Federal Court — Trial Division, otherwise than pursuant to subsection 172(1).

and has applied in writing to the Minister for a payment or surrender of security, the Minister shall with all due dispatch repay all amounts paid on account of the amount assessed or surrender security accepted therefor to the extent that

(c) the lesser of

- (i) the aggregate of the amounts so paid and the value of the security, and
- (ii) the amount so assessed

exceeds

(d) the amount, if any, so assessed that is not in controversy.

Repayments on objections and appeals

Collection in jeopardy

(1.2) Where it may reasonably be considered that collection of all or any part of an amount assessed in respect of a taxpayer would be jeopardized by a repayment of an amount or surrender of security to the taxpayer under subsection (1.1), the Minister may direct that the repayment of the amount or a part thereof not be made or that the security or part thereof not be surrendered and shall give notice of the direction to the taxpayer by personal service or by registered letter addressed to the taxpayer at his latest known address.

Applications of
subsections
225.2(2) to (8)

(1.3) Where, pursuant to subsection (1.2), the Minister has given notice to the taxpayer of a direction, subsections 225.2(2) to (8) are applicable in respect of the direction with such modifications as the circumstances require."

(3) Subsection 164(2) of the French version of the said Act is repealed and the following substituted therefor:

Imputation du
remboursement

"(2) Au lieu de rembourser un paiement en trop ou une somme en litige, qui pourrait par ailleurs être remboursé en vertu du présent article, le ministre peut, lorsque le contribuable est redevable d'un montant en vertu de la présente loi ou est sur le point de l'être, imputer la somme remboursée sur ce dont le contribuable est ainsi redevable et en aviser celui-ci."

(4) Subsection 164(3) of the said Act is repealed and the following substituted therefor:

Interest on
refunds and
repayments

"(3) Where under this section an amount paid on account of a taxpayer's tax under this Part for a taxation year is refunded or repaid, or applied to another liability, the Minister shall pay or apply interest thereon at the prescribed rate for the period beginning on the day that is the latest of the following days:

(a) where the taxpayer is an individual, the day on or before which the taxpayer's return of income under this Part for the year was required to be filed under section 150 or would have been required to be so filed if tax under this Part were payable by him for the year,

(b) where the taxpayer is a corporation, the day that is 120 days after the end of the year,

(c) the day on which the taxpayer's return of income under this Part for the year was filed under section 150, unless the return was filed on or before the day on or before which it was required to be filed, or would have been required to be filed if tax under this Part were payable by him for the year,

(d) in the case of a refund of an overpayment of tax, the day the overpayment arose, and

(e) in the case of a repayment of tax in controversy, the day an overpayment equal to the amount of the repayment would have arisen if the tax payable by the taxpayer under this Part for the year were the amount by which

(i) the lesser of the amount paid on account of his tax payable under this Part for the year and the amount assessed by the Minister as tax payable under this Part by the taxpayer for the year

exceeds

(ii) the amount repaid,

Interest on
interest repaid

and ending on the day the amount is refunded, repaid or applied, unless the amount of the interest so calculated is less than \$1, in which event no interest shall be paid or applied under this subsection."

(5) Paragraph 164(3.1)(b) of the said Act is repealed and the following substituted therefor:

"(b) the taxpayer shall pay to the Receiver General interest at the prescribed rate on the amount payable computed from that particular time to the day of payment; and"

(6) Subsection 164(4) of the said Act is repealed and the following substituted therefor:

"(4) Where at any particular time interest has been paid to, or applied to a liability of, a taxpayer pursuant to subsection (3) in respect of a repayment of tax in controversy made to, or applied to a liability of, the taxpayer and it is determined at a subsequent time that the repayment or a part thereof is payable by the taxpayer under this Part, the following rules apply:

(a) the interest so paid or applied on that part of the repayment that is determined at the subsequent time to be payable by the taxpayer under this Part shall be deemed to be an amount (in this subsection referred to as the "interest excess") that became payable under this Part by the taxpayer at the particular time;

(b) the taxpayer shall pay to the Receiver General interest at the prescribed rate on the interest excess computed from the particular time to the day of payment; and

(c) the Minister may at any time assess the taxpayer in respect of the interest excess and, where the Minister makes such an assessment, the provisions of this Division and Division J are applicable, with such modifications as the circumstances require, in respect of the assessment as though it had been made under section 152."

(7) All that portion of subsection 164(4.1) of the French version of the said Act preceding paragraph (d) thereof is repealed and the following substituted therefor:

"(4.1) Lorsque la Cour canadienne de l'impôt, la Cour fédérale du Canada ou la Cour suprême du Canada, en prononçant sur un appel concernant des impôts, inté-

Obligation du
Ministre

rêts ou pénalités payables par un contribuable résident au Canada en vertu de la présente loi, ordonne

- a) le renvoi d'une cotisation au ministre pour réexamen et pour établissement d'une nouvelle cotisation,
- b) la modification ou annulation d'une cotisation, ou
- c) le remboursement par le ministre d'impôts, intérêts ou pénalités.

le ministre doit, avec toute la diligence possible, qu'un appel de la décision de la cour ait été ou puisse être interjeté ou non."

(8) Paragraphs 164(4.1)(d) and (e) of the said Act are repealed and the following substituted therefor:

"(d) where the assessment has been referred back to him, reconsider the assessment and make a reassessment in accordance with the decision of the Court, unless otherwise directed in writing by the taxpayer,

(e) refund any overpayment resulting from the variation, vacation or reassessment, and"

(9) All that portion of subsection 164(4.1) of the French version of the said Act following paragraph (e) thereof is repealed and the following substituted therefor:

"f) rembourser les impôts, les intérêts ou les pénalités ainsi qu'il est ordonné, dans le cas prévu à l'alinéa c);

de plus, le ministre peut rembourser tout impôt, tout intérêt ou toute pénalité ou remettre toute garantie qu'il a acceptée, pour ceux-ci, à un autre contribuable qui a fait opposition ou interjeté appel, s'il est convaincu, compte tenu des motifs exposés dans le prononcé sur l'appel, qu'il serait juste et équitable de faire ce remboursement ou cette remise; il est entendu toutefois que le ministre peut en appeler de la décision de la cour conformément aux dispositions de la présente loi, de la Loi sur la Cour fédérale ou de la Loi sur la Cour suprême relatives à l'appel d'une décision de la Cour canadienne de l'impôt ou de la Cour fédérale du Canada, nonobstant la modification ou annulation de la cotisation par la cour ou l'établissement d'une nouvelle cotisation par le ministre en vertu de l'alinéa d); dans le cas où il est fait appel d'une décision de la Cour canadienne de l'impôt, il est procédé comme s'il s'agissait d'un appel de la cotisation qui a fait l'objet du renvoi, de la modification ou de l'annulation."

(10) Subsection 164(5) of the said Act is repealed and the following substituted therefor:

Effect of carryback of loss, etc.

"(5) For the purpose of subsection (3), the portion of any overpayment of the tax payable by a taxpayer for a taxation year that arose as a consequence of

(a) the deduction of an amount under paragraph 3(e) by virtue of his death in a subsequent taxation year and the consequent application of section 71 in respect of an allowable capital loss for the year,

(b) the deduction of an amount under section 41 in respect of his listed-personal-property loss for a subsequent taxation year,

(c) the exclusion of an amount from his income for the year by virtue of section 49 in respect of the exercise of an option in a subsequent taxation year,

(d) the deduction of an amount under section 110 in respect of a gift made in a subsequent year or under section 111 in respect of a loss for a subsequent taxation year,

(e) the deduction of an amount under subsection 126(2) in respect of an unused foreign tax credit (within the meaning assigned by paragraph 126(7)(e)) for a subsequent taxation year,

(f) the deduction of an amount under subsection 127(5) in respect of property acquired or an expenditure made in a subsequent taxation year,

(g) the deduction of an amount under subsection 127.2(1) in respect of his unused share-purchase tax credit for a subsequent taxation year, or

(h) the deduction of an amount under subsection 127.3(1) in respect of his unused scientific research tax credit for a subsequent taxation year,

shall be deemed to have arisen on the day that is the latest of

(i) the first day immediately following that subsequent taxation year,

(j) the day on which the taxpayer's return of income for that subsequent taxation year was filed,

(k) where an amended return of the taxpayer's income for the taxation year or a prescribed form amending his return of income for the year was filed in accordance with subsection 49(4) or 152(6), the day on which the amended return or prescribed form was filed, and

(l) where, as a consequence of a request in writing, the Minister reassessed the taxpayer's tax for the year to take into account the deduction or exclusion, the day on which the request was made."

(11) Section 164 of the said Act is further amended by adding thereto, immediately

after subsection (5) thereof, the following subsection:

Idem

"(5.1) Where a repayment made under subsection (1.1) or (4.1) or an amount applied under subsection (2) in respect of a repayment, or a part thereof, may reasonably be regarded as being in respect of a claim made by a taxpayer in an objection to or appeal from an assessment of tax for a taxation year for

(a) the deduction of an amount under paragraph 3(e), by virtue of his death in a subsequent taxation year and the consequent application of section 71 in respect of an allowable capital loss for the year,

(b) the deduction of an amount under section 41 in respect of his listed-personal-property loss for a subsequent taxation year,

(c) the exclusion of an amount from his income for the year by virtue of section 49 in respect of the exercise of an option in a subsequent taxation year,

(d) the deduction of an amount under section 110 in respect of a gift made in a subsequent taxation year or under section 111 in respect of a loss for a subsequent taxation year,

(e) the deduction of an amount under subsection 126(2) in respect of an unused foreign tax credit (within the meaning assigned by paragraph 126(7)(e)) for a subsequent taxation year,

(f) the deduction of an amount under subsection 127(5) in respect of property acquired or an expenditure made in a subsequent taxation year,

(g) the deduction of an amount under subsection 127.2(1) in respect of his unused share-purchase tax credit for a subsequent taxation year, or

(h) the deduction of an amount under subsection 127.3(1) in respect of his unused scientific research tax credit for a subsequent taxation year,

interest shall not be paid or applied thereon for any part of a period that is before the latest of

(i) the first day immediately following that subsequent taxation year,

(j) the day on which the taxpayer's return of income for that subsequent taxation year was filed,

(k) where an amended return of the taxpayer's income for the taxation year or a prescribed form amending his return of income for the year was filed in accordance with subsection 49(4) or 152(6), the day on which the amended return or prescribed form was filed, and

(l) where, as a consequence of a request in writing, the Minister reassessed the taxpayer's tax for the year to take into account the deduction or exclusion, the day on which the request was made."

(12) Subsection 164(7) of the said Act is repealed and the following substituted therefor:

"Overpayment" defined

"(7) In this section, "overpayment" of a taxpayer for a taxation year means the aggregate of all amounts paid on account of the taxpayer's liability under this Part for the year minus all amounts payable in respect thereof."

(13) Subsection (2) is applicable with respect to notices of objection served after 1984 and to appeals from assessments objected to after 1984.

(14) Subsection (4) is applicable with respect to refunds and repayments made or applied after 1984, except that with respect to refunds or repayments of amounts paid by taxpayers in respect of taxes for the 1984 or a preceding taxation year

(a) paragraph 164(3)(a) of the said Act, as enacted by subsection (4), shall be read without reference to the words "where the taxpayer is an individual";

(b) subsection 164(3) of the said Act, as enacted by subsection (4), shall be read without reference to paragraph (b) thereof; and

(c) paragraph 164(3)(c) of the said Act, as enacted by subsection (4), shall be read without reference to the words "unless the return was filed before the day on or before which it was required to be filed, or would have been required to be filed if tax under this Part were payable by him for the year".

(15) Subsection (6) is applicable with respect to repayments made or applied after 1984.

(16) Subsection (8) is applicable after February 15, 1984.

(17) Subsection (10) is applicable with respect to subsequent taxation years referred to in subsection 164(5) of the said Act, as enacted by subsection (10), ending after 1984.

(18) Subsection (11) is applicable with respect to repayments made or applied after 1984, except that where the subsequent taxation year referred to in subsection 164(5.1) of the said Act, as enacted by subsection (11), ends before 1985, paragraphs 164(5.1)(i) to (l) of the said Act, as enacted by subsection (11), shall be read as follows:

"(i) the day on which the taxpayer's return of income under section 150 was filed for that subsequent taxation year, and

(j) the day on or before which the taxpayer is, or would be if tax under this Part were payable by him for that subsequent taxation year, required to file his return of income under section 150 for that subsequent taxation year."

94. Section 179 of the said Act is repealed and the following substituted therefor:

"179. Proceedings in the Federal Court under this Division may, on the application of the taxpayer, be held *in camera* if the taxpayer establishes to the satisfaction of the Court that the circumstances of the case justify *in camera* proceedings."

95. (1) The said Act is further amended by adding thereto, immediately after section 179 thereof, the following section:

"179.1 Where the Tax Court of Canada or the Federal Court — Trial Division disposes of an appeal by a taxpayer in respect of an amount payable under this Part or where such an appeal has been discontinued or dismissed without trial, the Court may, on the application of the Minister and whether or not it awards costs, order the taxpayer to pay to the Receiver General an amount not exceeding 10% of the amount that was in controversy if it determines that there were no reasonable grounds for the appeal and one of the main purposes for instituting or maintaining the appeal was to defer the payment of an amount payable under this Part."

(2) Subsection (1) is applicable with respect to appeals from assessments objected to after 1984.

96. Paragraph 180(1)(a) of the said Act is repealed and the following substituted therefor:

"(a) the time the decision of the Minister to refuse the application for registration or for a certificate of exemption, to revoke the registration, to designate or to refuse to designate was served by the Minister by registered mail on the party instituting the appeal, or"

97. (1) Paragraph 181(2)(b) of the said Act is repealed and the following substituted therefor:

"(b) where subsection 125(1) applies to the corporation in respect of the year and the corporation is not exempt from tax under Part I at any time in the year, 3/4 of the least of the amounts determined under paragraphs 125(1)(a) to (c) in respect of the corporation for the year"

(2) Subsection (1) is applicable to taxation years commencing after 1982, except that in its application to the 1983 and 1984 taxation years the reference in paragraph 181(2)(b) of the said Act, as enacted by subsection (1), to "(c)" shall be read as a reference to "(d)".

98. (1) Subsections 182(2) and (3) of the said Act are repealed and the following substituted therefor:

"(2) Where a corporation is liable to pay tax under this Part and has failed to pay all or any part thereof on or before the day on or before which the tax was required to be paid, it shall pay to the Receiver General interest at the prescribed rate on the amount that it failed to pay computed from the day on or before which the tax was required to be paid to the day of payment.

(3) Sections 151, 152, 158 and 159, subsection 161(7), sections 162 to 167 and Division J of Part I are applicable to this Part with such modifications as the circumstances require."

(2) Subsection 182(3) of the said Act, as enacted by subsection (1), is applicable with respect to subsequent taxation years referred to in subsection 161(7) of the said Act ending after May 9, 1985.

99. (1) Subsections 185(2) and (3) of the said Act are repealed and the following substituted therefor:

"(2) Where an election has been made by a corporation in accordance with subsection 83(2) or (2.1), 130.1(4) or 131(1) and the Minister mails a notice of assessment under this Part in respect of the election, that part of the amount assessed then remaining unpaid and interest thereon at the prescribed rate computed from the day of the election to the day of payment is payable forthwith by the corporation to the Receiver General.

(3) Subsections 152(3), (4), (5), (7) and (8), sections 163 to 167 and Division J of Part I are applicable to this Part with such modifications as the circumstances require."

(2) Subsection (1) is applicable after 1984.

100. Subsection 186(3) of the said Act is repealed.

Interest

Provisions applicable to Part

Payment of tax and interest

Provision applicable to Part

Hearings in camera

No reasonable grounds for appeal

101. (1) Subsections 187(2) and (3) of the said Act are repealed and the following substituted therefor:

Interest

"(2) Where a corporation is liable to pay tax under this Part and has failed to pay all or any part thereof on or before the day on or before which the tax was required to be paid, it shall pay to the Receiver General interest at the prescribed rate on the amount that it failed to pay computed from the day on or before which the tax was required to be paid to the day of payment.

Provisions applicable to Part

(3) Sections 151, 152, 158 and 159, subsection 161(7), sections 162 to 167 and Division J of Part I are applicable to this Part with such modifications as the circumstances require."

(2) Subsection 187(3) of the said Act, as enacted by subsection (1), is applicable with respect to subsequent taxation years referred to in subsection 161(7) of the said Act ending after May 9, 1985.

102. (1) Subsection 189(7) of the said Act is repealed and the following substituted therefor:

Interest

"(7) Where a taxpayer is liable to pay tax under this Part and has failed to pay all or any part thereof on or before the day on or before which the tax was required to be paid, he shall pay to the Receiver General interest at the prescribed rate on the amount that he failed to pay computed from the day on or before which the tax was required to be paid to the day of payment.

Provisions applicable to Part

(8) Subsections 150(2) and (3), sections 152, 158 and 162 to 167 and Division J of Part I are applicable to this Part with such modifications as the circumstances require."

(2) Subsection (1) is applicable after May 9, 1985, except that interest is not payable under subsection 189(7) of the said Act, as enacted by subsection (1), on tax payable by a taxpayer under Part V of the said Act for any period or portion of a period that is before May 10, 1985.

103. (1) Subparagraph 192(2)(a)(ii) of the said Act is repealed and the following substituted therefor:

"(ii) such amount as the corporation may claim, not exceeding the amount that would, if paragraph (i) of the definition "investment tax credit" in subsection 127(9) were read without reference to the words "the year or", be its investment tax credit at the end of the year in respect of property acquired, or an expenditure made, after April 19, 1983 and on or before the last day of the year; and"

(2) Subsection 192(10) of the said Act is repealed and the following substituted therefor:

Deemed deduction

"(10) For the purposes of this Act, other than the definition "investment tax credit" in subsection 127(9), the amount, if any, claimed under subparagraph (2)(a)(ii) by a taxpayer for a taxation year shall be deemed to have been deducted by him under subsection 127(5) for the year."

(3) Subsections (1) and (2) are applicable to the 1985 and subsequent taxation years.

104. (1) Subsection 193(3) of the said Act is repealed and the following substituted therefor:

Interest

"(3) Where a corporation is liable to pay tax under this Part and has failed to pay all or any part or instalment thereof on or before the day on or before which the tax or instalment, as the case may be, was required to be paid, it shall pay to the Receiver General interest at the prescribed rate on the amount that it failed to pay computed from the day on or before which the amount was required to be paid to the day of payment."

(2) All that portion of subsection 193(4) of the said Act preceding paragraph (a) therefor is repealed and the following substituted therefor:

Idem

"(4) For the purposes of computing interest payable by a corporation under subsection (3) for any month or months in the period commencing on the first day of a taxation year and ending two months after the last day of the year in which period the corporation has designated an amount under section 192 in respect of a share issued by it in a particular month in the year, the corporation shall be deemed to have been liable to pay, on or before the last day of the month immediately following the particular month, a part or instalment of tax for the year equal to that proportion of the amount, if any, by which its tax payable under this Part for the year exceeds its Part VII refund for the year that"

(3) Subsection (2) is applicable to the 1986 and subsequent taxation years.

105. (1) Clause 194(2)(a)(ii)(A) of the said Act is repealed and the following substituted therefor:

"(A) the aggregate of all expenditures made by it after April 19, 1983 and in the year or the

immediately preceding taxation year each of which is an expenditure (other than an expenditure prescribed for the purposes of the definition "qualified expenditure" in subsection 127(9)) claimed under paragraph 37(1)(a) or (b) to the extent that such expenditure is specified by the corporation in its return of income under Part I for the year"

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

106. (1) Subsection 195(3) of the said Act is repealed and the following substituted therefor:

Interest

"(3) Where a corporation is liable to pay tax under this Part and has failed to pay all or any part or instalment thereof on or before the day on or before which the tax or instalment, as the case may be, was required to be paid, it shall pay to the Receiver General interest at the prescribed rate on the amount that it failed to pay computed from the day on or before which the amount was required to be paid to the day of payment."

(2) All that portion of subsection 195(4) of the said Act preceding paragraph (a) thereof is repealed and the following substituted therefor:

Idem

"(4) For the purposes of computing interest payable by a corporation under subsection (3) for any month or months in the period commencing on the first day of a taxation year and ending two months after the last day of the year in which period the corporation has designated an amount under section 194 in respect of a share or debt obligation issued, or right granted, by it in a particular month in the year, the corporation shall be deemed to have been liable to pay, on or before the last day of the month immediately following the particular month, a part or an instalment of tax for the year equal to that proportion of the amount, if any, by which its tax payable under this Part for the year exceeds its Part VIII refund for the year that"

(3) Subsection (2) is applicable to the 1986 and subsequent taxation years.

107. Subsection 202(5) of the said Act is repealed and the following substituted therefor:

Interest

"(5) In addition to the interest payable under subsection 161(1), where a taxpayer is required by section 198 to pay a tax and has failed to pay all or any part thereof on or before the day on or before which the tax was required to be paid, he shall pay to

the Receiver General interest at the prescribed rate on the amount that he failed to pay computed from the day on or before which the amount was required to be paid to the day of payment or to the beginning of the period in respect of which he is required by subsection 161(1) to pay interest thereon, whichever is earlier."

108. All that portion of clause 204.4(2)(a)(viii)(B) of the said Act preceding subclause (I) thereof is repealed and the following substituted therefor:

"(B) a bond, debenture, note or similar obligation issued by a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union that has granted any benefit or privilege to any annuitant or beneficiary under a plan or fund referred to in subsection (I) that is dependent upon or related to"

109. (1) Subsection 208(1) of the said Act is repealed and the following substituted therefor:

Tax payable by
exempt person

"208. (1) Where in a taxation year an amount (other than an amount to which paragraph 18(1)(L.1) or (m) applies) was paid, payable, distributed or distributable in any manner whatever by a person (other than a prescribed person) who was exempt from tax under Part I on his taxable income to anyone in respect of any production from a Canadian resource property of the person of petroleum, natural gas or other related hydrocarbons or of metals or minerals to any stage that is not beyond the specified stage or in respect of any revenue or income that may reasonably be regarded as attributable to such production, the person shall, in respect of the year, pay a tax under this Part equal to 33 1/3% of the amount by which the lesser of

(a) the aggregate of all amounts in respect of the property, each of which is

- (i) an amount that became receivable in the year and that was required by paragraph 12(1)(a) to be included in computing his income for the year,
- (ii) an amount that was paid or became payable by him in the year and that by virtue of paragraph 18(1)(L.1) or (m) was not deductible in computing his income for the year,
- (iii) an amount by which his proceeds of disposition were increased by virtue of subsection 69(6) in the year, or
- (iv) an amount by which his cost of acquisition was decreased by virtue of subsection 69(7) in the year; and

(b) the proportion of the amount determined under paragraph (a) that

(i) the aggregate of all amounts each of which is an amount (other than an amount to which paragraph 18(1)(i.1) or (m) applies) that was paid, payable, distributed or distributable in the year in any manner whatever to anyone in respect of any production from the property of petroleum, natural gas or other related hydrocarbons or of metals or minerals to any stage that is not beyond the specified stage or in respect of any revenue or income that may reasonably be regarded as attributable to such production

is of

(ii) the amount, if any, by which the aggregate of

(A) the income of the person from the property for the year from the production of petroleum, natural gas or other related hydrocarbons or of metals or minerals to any stage that is not beyond the specified stage, computed in accordance with Part I on the assumption that the property was his only source of income and that he was allowed only those deductions in computing income from the property (other than a deduction under section 65 or paragraph 20(1)(v.1)) that may reasonably be regarded as applicable to that income from the property, and

(B) the amount determined under subparagraph (i) exceeds

(C) the amount determined under paragraph (a)

exceeds the amount determined under section 83.1 of the *Petroleum and Gas Revenue Tax Act* for the year computed without reference to paragraph (1)(c) thereof.

Definition of
"specified
stage"

(1.1) For the purpose of subsection (1), "specified stage" means, in respect of the production from a Canadian resource property

(a) where the production is petroleum, natural gas or related hydrocarbons from an oil or gas well or a mineral resource, the crude oil stage or its equivalent;

(b) where the production is metal or minerals (other than iron or petroleum or related hydrocarbons) from a mineral resource, the prime metal stage or its equivalent; and

(c) where the production is iron from a mineral resource, the pellet stage or its equivalent."

Provisions
applicable to
Part

(2) Subsection 208(4) of the said Act is repealed and the following substituted therefor:

"(4) Subsections 150(2) and (3), sections 152 and 158, subsection 161(1), sections 162 to 167 and Division J of Part I are applicable to this Part with such modifications as the circumstances require."

(3) Subsections (1) and (2) are applicable to 1985 and subsequent taxation years.

110. (1) Subparagraph 212(1)(h)(vi) of the said Act is repealed and the following substituted therefor:

"(vi) throughout which he was not employed, or was only occasionally employed, in Canada;"

(2) Paragraph 212(1)(j.1) of the said Act is repealed and the following substituted therefor:

Retiring
allowances

"(j.1) a payment of any allowance described in subparagraph 56(1)(a)(ii), except

(i) such portion, if any, of the payment as may reasonably be regarded as attributable to services rendered by the person, to or in respect of whom the payment is made, in taxation years

(A) at no time during which he was resident in Canada, and

(B) throughout which he was not employed, or was only occasionally employed, in Canada, and

(ii) the portion thereof transferred by the payer on behalf of the non-resident person pursuant to an authorization in prescribed form to a registered pension fund or plan or to a registered retirement savings plan under which the non-resident person is the annuitant (within the meaning assigned by section 146) that would, if the non-resident person had been resident in Canada throughout the year, be deductible in computing his income by virtue of paragraph 60(j.1);"

(3) Subsections (1) and (2) are applicable with respect to payments made after 1983.

111. (1) Subsection 219(3) of the said Act is repealed and the following substituted therefor:

Provisions
applicable to
Part

"(3) Sections 150 to 152, 154, 158, 159 and 161 to 167 and Division J of Part I, are applicable to this Part with such modifications as the circumstances require."

(2) Paragraph 219(7)(b) of the said Act is repealed and the following substituted therefor:

"(b) "accumulated 1968 deficit" has the meaning assigned by paragraph 138(12)(a);

(b.1) "maximum tax actuarial reserves" has the meaning assigned by paragraph 138(12)(h);

(b.2) "surplus funds derived from operations" has the meaning assigned by paragraph 138(12)(o);"

112. (1) The said Act is further amended by adding thereto, immediately after section 219.1 thereof, the following section:

"219.2 Notwithstanding any other provision of this Act, where an agreement or convention between the Government of Canada and the government of any other country that has the force of law in Canada

(a) does not limit the rate of tax under this Part on corporations resident in that other country, and

(b) provides that where a dividend is paid by a corporation resident in Canada to a resident of that other country the rate of tax imposed thereon shall not exceed a specified rate,

any reference in this Part to a rate of tax shall, in respect of a taxation year of a corporation to which that agreement or convention applies on the last day of that year, be read as a reference to the specified rate."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

113. Subsection 220(4.1) of the said Act is repealed and the following substituted therefor:

"(4.1) Where a taxpayer has objected to or appealed from an assessment under this Act, the Minister shall accept adequate security furnished by or on behalf of the taxpayer for payment of the amount in controversy while the objection of appeal is outstanding.

(4.2) Where at any time a taxpayer requests in writing that the Minister surrender any security accepted by the Minister under subsection (4) or (4.1), the Minister shall surrender the security to the extent that the value of the security exceeds the aggregate of amounts payable under this Act by the taxpayer at that time."

114. Subsection 223(1) of the said Act is repealed and the following substituted therefor:

Certificates

"223. (1) An amount payable under this Act that has not been paid or such part of an amount payable under this Act as has not been paid may be certified by the Minister."

115. Subsection 225(1) of the said Act is repealed and the following substituted therefor:

"225. (1) Where a person has failed to pay an amount as required by this Act, the Minister may give 30 days' notice to the person by registered mail addressed to his latest known address of the Minister's intention to direct that the person's goods and chattels be seized and sold, and, if the person fails to make the payment before the expiration of the 30 days, the Minister may issue a certificate of the failure and direct that the person's goods and chattels be seized."

116. (1) The said Act is further amended by adding thereto, immediately after section 225 thereof, the following sections:

"225.1 (1) Where a taxpayer is liable for the payment of an amount assessed under this Act (in this subsection referred to as the "unpaid amount"), other than an amount payable under subsection 227(9), the Minister shall not, for the purpose of collecting the unpaid amount,

(a) commence legal proceedings in a court,

(b) certify the unpaid amount under subsection 223(1),

(c) require a person to make a payment under subsection 224(1),

(d) require an institution or person to make a payment under subsection 224(1.1),

(e) require the retention of the unpaid amount by way of deduction or set-off under section 224.1,

(f) require a person to turn over moneys under subsection 224.3(1), or

(g) give a notice, issue a certificate or make a direction under subsection 225(1)

before the day that is 90 days after the day of mailing of the notice of assessment.

(2) Where a taxpayer has served a notice of objection under this Act to an assessment of an amount payable under this Act, other than an amount payable under subsection 227(9), the Minister shall not, for the purpose of collecting the

Seizure of chattels

Collection restrictions

Limitation on rate of Part XIV tax

Idem

Surrender of excess security

amount in controversy, take any of the actions described in paragraphs (1)(a) to (g) before the day that is 90 days after the day on which notice is mailed to the taxpayer that the Minister has confirmed or varied the assessment.

(3) Where a taxpayer has appealed from an assessment of an amount payable under this Act, other than an amount payable under subsection 227(9), to the Tax Court of Canada or to the Federal Court — Trial Division (otherwise than pursuant to subsection 172(1)), the Minister shall not, for the purpose of collecting the amount in controversy, take any of the actions described in paragraphs (1)(a) to (g).

(a) where the appeal is to the Tax Court of Canada, before the day of mailing of a copy of the decision of the Court to the taxpayer; and

(b) where the appeal is to the Federal Court — Trial Division, before the day on which the judgment of the Court is pronounced or the day on which the taxpayer discontinues the appeal, whichever is the earlier.

(4) Where a taxpayer has agreed under subsection 173(1) that a question should be determined by the Federal Court or where he is served with a copy of an application made under subsection 174(1) to the Tax Court of Canada or to the Federal Court — Trial Division for the determination of a question, the Minister shall not take any of the actions described in paragraphs (1)(a) to (g) for the purpose of collecting that part of an amount assessed, other than an amount payable under subsection 227(9), the liability for payment of which will be affected by the determination of the question, before the day on which the question is determined by the Court.

(5) Notwithstanding any other provision in this section, where a taxpayer has served a notice of objection under this Act to an assessment or has appealed to the Tax Court of Canada or the Federal Court — Trial Division from the assessment and agrees in writing with the Minister to delay proceedings on the objection or appeal, as the case may be, until judgment has been given in another action before the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada in which the issue is the same or substantially the same as that raised in the objection or appeal of the taxpayer, the Minister may take any of the actions described in paragraphs (1)(a) to (g) for the purpose of collecting the amount assessed, or a part thereof, determined in a manner consistent with the decision or judgment of the Court in the other action

at any time after the Minister notifies the taxpayer in writing that

(a) the decision of the Tax Court of Canada in that action has been mailed to the Minister,

(b) judgment has been pronounced by the Federal Court of Canada in that action, or

(c) judgment has been delivered by the Supreme Court of Canada in that action,

as the case may be.

Collection in jeopardy

225.2 (1) Notwithstanding section 225.1, where it may reasonably be considered that collection of an amount assessed in respect of a taxpayer would be jeopardized by a delay in the collection thereof, and the Minister has, by notice served personally or by registered letter addressed to the taxpayer at his latest known address, so advised the taxpayer and directed the taxpayer to pay forthwith the amount assessed or any part thereof, the Minister may forthwith take any of the actions described in paragraphs 225.1(1)(a) to (g) with respect to that amount or that part thereof.

Application to vacate direction

(2) Where the Minister has under subsection (1) directed a taxpayer to pay an amount forthwith, the taxpayer may

(a) upon 3 days notice of motion to the Deputy Attorney General of Canada, apply to a judge of a superior court having jurisdiction in the province in which the taxpayer resides or to a judge of the Federal Court of Canada for an order fixing a day (not earlier than 14 days nor later than 28 days after the date of the order) and place for the determination of the question whether the direction was justified in the circumstances;

(b) serve a copy of the order on the Deputy Attorney General of Canada within 6 days after the day on which it was made; and

(c) if he has proceeded as authorized by paragraph (b), apply at the appointed time and place for an order determining the question.

Time for application

(3) An application to a judge under paragraph (2)(a) shall be made

(a) within 30 days after the day on which the notice under subsection (1) was served or mailed; or

(b) within such further time as the judge, upon being satisfied that the application was made as soon as circumstances permitted, may allow.

Idem

Idem

Hearing in camera

(4) An application under paragraph (2)(c) may, on the application of the taxpayer, be heard *in camera*, if the taxpayer establishes to the satisfaction of the judge that the circumstances of the case justify *in camera* proceedings.

Burden to justify direction

(5) On the hearing of an application under paragraph (2)(c) the burden of justifying the direction is on the Minister.

Disposition of application

(6) On an application under paragraph (2)(c), the judge shall determine the question summarily and may confirm, vacate or vary the direction and make such other order as he considers appropriate.

Continuation by another judge

(7) Where the judge to whom an application has been made under paragraph (2)(a) cannot for any reason act or continue to act in the application under paragraph (2)(c), the application under paragraph (2)(c) may be made to another judge.

Costs

(8) Costs shall not be awarded upon the disposition of an application under subsection (2)."

(2) Subsection 225.1(1) of the said Act, as enacted by subsection (1), is applicable with respect to notices of assessment mailed after 1984.

(3) Subsection 225.1(2) of the said Act, as enacted by subsection (1), is applicable with respect to notices of objection served after 1984.

(4) Subsection 225.1(3) of the said Act, as enacted by subsection (1), is applicable with respect to appeals from assessments objected to after 1984.

(5) Subsection 225.1(4) of the said Act, as enacted by subsection (1), is applicable with respect to assessments made after 1984 and with respect to assessments objected to after 1984.

(6) Subsection 225.1(5) of the said Act, as enacted by subsection (1), is applicable with respect to notices of objection served after 1984 and appeals from assessments objected to after 1984.

117. (1) All that portion of subsection 227(7) of the said Act following paragraph (b) thereof is repealed and the following substituted therefor:

"the Minister shall assess that person for any amount payable by him under Part XIII and send a notice of assessment to that person, whereupon sections 150 to 167 (except subsections 164(1.1) to (1.3)) and Division J of Part I are applicable with such modifications as the circumstances require."

(2) Subsection 227(10) of the said Act is repealed and the following substituted therefor:

Assessment

"(10) The Minister may assess

(a) any person for any amount payable by that person under subsection (8) or 224(4) or (4.1) or section 227.1 or 235, and

(b) any person resident in Canada for any amount payable by that person under Part XIII,

and, where he sends a notice of assessment to that person, Divisions I and J of Part I are applicable with such modifications as the circumstances require.

Idem

(10.1) The Minister may assess

(a) any person for any amount payable by that person under subsection (9), and

(b) any non-resident person for any amount payable by that person under Part XIII,

and, where he sends a notice of assessment to that person, sections 150 to 167 (except subsections 164(1.1) to (1.3)) and Division J of Part I are applicable with such modifications as the circumstances require."

(3) Subsections (1) and (2) are applicable after 1984.

118. Section 228 of the said Act is repealed and the following substituted therefor:

Applying payments under collection agreements

"228. Where a payment is made to the Minister on account of tax under this Act, an Act of a province that imposes a tax similar to the tax imposed under this Act, or any two or more such Acts, such part of that payment as is applied by the Minister in accordance with the provisions of a collection agreement entered into under Part III of the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977* against the tax payable by a taxpayer for a taxation year under this Act discharges the liability of the taxpayer for such tax only to the extent of the part of the payment so applied, notwithstanding that the taxpayer directed that the payment be applied in a manner other than that provided in the collection agreement or made no direction as to its application."

119. (1) Subsection 230(6) of the said Act is repealed and the following substituted therefor:

Objection or appeal

"(6) Where a person required by this section to keep records and books of account serves a notice of objection or where that person is a party to an appeal

to the Tax Court of Canada or the Federal Court of Canada under this Act, that person shall retain every record, book of account, account and voucher necessary for dealing with the objection or appeal until, in the case of the serving of a notice of objection, the time provided by sections 169 and 172 to appeal has elapsed or, in the case of an appeal, until the appeal is disposed of and any further appeal therefrom is disposed of or the time for filing any such further appeal has expired."

(2) Subsection (1) is applicable on and after July 18, 1983.

120. Subsection 232(8) of the said Act is repealed and the following substituted therefor:

Continuation
by another
judge

"(8) Where the judge to whom an application has been made under paragraph (4)(a) cannot for any reason act or continue to act in the application under paragraph (4)(c), the application under paragraph (4)(c) may be made to another judge."

121. (1) Subsection 244(14) of the said Act is repealed and the following substituted therefor:

Mailing date

"(14) For the purposes of this Act, the day of mailing of any notice or notification described in subsection 110(8.1) or (8.2), 152(4), 164(1.2), 192(8), 194(7) or 225.2(1) or of any notice of assessment shall be presumed to be the date of such notice or notification."

(2) Subsection 244(15) of the French version of the said Act is repealed and the following substituted therefor:

Date d'éta-
blissement de la
cotisation

"(15) Lorsqu'un avis de cotisation a été envoyé par le ministre comme le prévoit la présente loi, la cotisation est réputée avoir été établie à la date de mise à la poste de l'avis de cotisation."

122. (1) The definitions "Canadian resource property" and "foreign resource property" and "death benefit" in subsection 248(1) of the said Act are repealed and the following substituted therefor in alphabetical order within the subsection:

"Canadian
resource
property"

"Canadian resource property" has the meaning assigned by paragraph 66(15)(c);

"death benefit"

"death benefit" means the aggregate of amounts received by a taxpayer in a taxation year upon or after the death of an employee in recognition of the employee's service in an office or employment minus

(a) where the taxpayer is the surviving spouse of the employee, the lesser of

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

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

(b) where the taxpayer is not the surviving spouse of the employee, the lesser of

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

(ii) that proportion of

(A) the amount, if any, by which \$10,000 exceeds the aggregate of all amounts received by the surviving spouse of the employee at any time upon or after the death of the employee in recognition of his service in an office or employment

that

(B) the amount described in subparagraph (i)

is of

(C) the aggregate of all amounts received by all taxpayers other than the surviving spouse of the employee at any time upon or after the death of the employee in recognition of his service in an office or employment;

"foreign
resource
property"

"foreign resource property" has the meaning assigned by paragraph 66(15)(f);"

"Canadian
development
expense"

(2) Subsection 248(1) of the said Act is further amended by adding thereto, in alphabetical order within the subsection, the following definitions:

"Canadian development expense" has the meaning assigned by paragraph 66.2(5)(a);

"Canadian
exploration and
development
expenses"

"Canadian exploration and development expenses" has the meaning assigned by paragraph 66(15)(b);

"Canadian
exploration
expense"

"Canadian exploration expense" has the meaning assigned by paragraph 66.1(6)(a);

"foreign
exploration and
development
expenses"

"foreign exploration and development expenses" has the meaning assigned by paragraph 66(15)(e);

"investment tax credit" "investment tax credit" has the meaning assigned by subsection 127(9);

"life insurance policy" "life insurance policy" has the meaning assigned by paragraph 138(12)(f);

"life insurance policy in Canada" "life insurance policy in Canada" has the meaning assigned by paragraph 138(12)(g);

"tar sands" "tar sands" means bituminous sands, oil sands or oil shales extracted, otherwise than by a well, from a mineral resource;

"undepreciated capital cost" "undepreciated capital cost" to a taxpayer of depreciable property of a prescribed class has the meaning assigned by paragraph 13(21)(f);

(3) Paragraph (a) of the definition "taxable Canadian property" in subsection 248(1) of the said Act is repealed and the following substituted therefor:

"(a) a Canadian resource property,"

(4) Subparagraph (j)(ii) of the definition "term preferred share" in subsection 248(1) of the said Act is repealed and the following substituted therefor:

"(ii) one of the main purposes for the issue of the particular share or for the modification of its terms or conditions was to avoid a limitation provided by subsection 112(2.1) or 138(6) in respect of a deduction."

(5) Section 248 of the said Act is amended by adding thereto the following subsections:

Receipt of things mailed
" (7) For the purposes of this Act, anything sent by mail shall be deemed to have been received by the recipient on the day that it was mailed.

Occurrences as a consequence of death
 (8) For the purpose of this Act,
 (a) a transfer, distribution or acquisition of property under or as a consequence of the terms of the will or other testamentary instrument of a taxpayer or his spouse or as a consequence of the law governing the intestacy of a taxpayer or his spouse shall be considered to be a transfer, distribution or acquisition of the property as a consequence of the death of the taxpayer or the taxpayer's spouse, as the case may be;

(b) a transfer, distribution or acquisition of property as a consequence of a disclaimer, release or surrender by a person who was a beneficiary under the will or other testamentary instrument or on the intestacy of a taxpayer or his spouse shall be considered to be a transfer, distribution or acquisition of the property as a consequence of the death

of the taxpayer or the taxpayer's spouse, as the case may be; and

(c) a release or surrender by a beneficiary under the will or other testamentary instrument or on the intestacy of a taxpayer with respect to any property that was property of the taxpayer immediately before his death shall be considered not to be a disposition of the property by the beneficiary.

Definitions

"disclaimer"

(9) In subsection (8),

"disclaimer" includes a renunciation of a succession made under the laws of the Province of Quebec that is not made in favour of any person;

"release or surrender" means

(a) a release or surrender made under the laws of a province (other than the Province of Quebec) that does not direct in any manner who is entitled to benefit therefrom, or

(b) a gift *inter vivos* made under the laws of the Province of Quebec of an interest in, or right to property of, a succession that is made to the person or persons who would have benefited if the donor had made a renunciation of the succession that was not made in favour of any person,

and that is made within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the taxpayer's legal representative within that period, within such longer period as the Minister considers reasonable in the circumstances."

(6) The repeal of the definition "death benefit", and the new definition "death benefit", as enacted by subsection (1), are applicable to the 1985 and subsequent taxation years.

(7) The definitions "Canadian development expense", "Canadian exploration and development expenses" and "foreign exploration and development expenses", as enacted by subsection (2), and subsection (3) are applicable to taxation years commencing after 1984.

(8) The definition "tar sands" as enacted by subsection (2) is applicable to the 1983 and subsequent taxation years.

(9) Subsection (4) is applicable with respect to shares issued after May 9, 1985 and to shares the terms or conditions of which have been modified after that date.

(10) Subsection 248(7) of the said Act, as enacted by subsection (5), is applicable with respect to anything sent by mail after 1984.

(11) Subsections 248(8) and (9) of the said Act, as enacted by subsection (5), are applicable with respect to transfers, distributions and acquisitions occurring after 1981 except that an application that is made under paragraph (b) of the definition "release or surrender" in subsection 248(9) of the said Act, as enacted by subsection (5), by the legal representative of a taxpayer within 90 days after the day this Act is assented to shall be deemed to have been made within the period ending 36 months after the death of the taxpayer.

123. (1) Section 250 of the said Act is amended by adding thereto the following subsection:

"(5) Notwithstanding subsection (4), for the purposes of this Act, a corporation, other than a prescribed corporation, shall be deemed to be not resident in Canada at any time if, by virtue of an agreement or convention between the Government of Canada and the government of another country that has the force of law in Canada, it would at that time, if it had income from a source outside Canada, not be subject to tax on that income under Part I."

(2) Subsection (1) is applicable

(a) for the purposes of computing the income, taxable income earned in Canada and tax payable under Parts I and XIV of the said Act by a corporation deemed to be not resident in Canada by virtue of subsection 250(5) of the said Act, as enacted by subsection (1), for taxation years commencing after May 9, 1985;

(b) for the purposes of section 69 of the said Act, with respect to transactions or events occurring after May 9, 1985;

(c) for the purposes of Part XIII the said Act, with respect to amounts paid or credited to any such corporation after May 9, 1985; and

(d) for other purposes of the said Act, after May 9, 1985.

124. (1) Subsection 252(1) of the said Act is repealed and the following substituted therefor:

"252. (1) In this Act, words referring to a child of a taxpayer include

(a) a person of whom the taxpayer is the natural parent whether the person was born within or outside marriage;

(b) a person who is wholly dependent on the taxpayer for support and of whom the taxpayer has, or immediately before the person attained the age of 21 years did have, in law or in fact, the custody and control;

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

(d) an adopted child of the taxpayer; and

(e) a spouse of a child of the taxpayer."

(2) Subsection (1) is applicable to the 1985 and subsequent taxation years.

125. (1) Paragraph 258(2)(a) of the said Act is repealed and the following substituted therefor:

"(a) any interest or dividend payable after November 16, 1978 on an income bond or an income debenture issued before November 17, 1978 or pursuant to an agreement in writing made before that date, or"

(2) Subsection (1) is applicable after November 16, 1978.

126. The French version of the said Act is amended in the manner and to the extent set out in Schedule III.

PART II

INCOME TAX APPLICATION RULES, 1971

127. Subsections 10(1) to (3) of the *Income Tax Application Rules, 1971*, are repealed.

128. (1) Subsections 11(1) to (3) of the said Rules are repealed.

(2) Subsection 11(4) of the said Rules is repealed.

(3) Subsection (2) is applicable to the 1985 and subsequent taxation years.

129. Section 22 of the said Rules is repealed.

130. Subsections 23(1) and (2) of the said Rules are repealed.

131. (1) Subsection 26(2) of the said Rules is repealed.

(2) Subparagraph 26(3)(c)(i) of the said Rules is repealed and the following substituted therefor:

"(i) his proceeds of disposition of the property, determined without reference to subsection 13(21.1) of the amended Act,"

(3) Paragraph 26(8)(e) of the said Rules is repealed and the following substituted therefor:

"(e) for the purposes of distinguishing any such property from an otherwise identical property (other than an indexed security) acquired by the taxpayer after 1971, properties owned by him on December 31, 1971 shall be deemed to have been disposed of by him before properties acquired by him at a later time."

Corporation deemed not resident

Extended meaning of "child"

(4) Paragraph 26(18)(c) of the said Rules is repealed and the following substituted therefor:

"(c) it can be shown, within the period ending 36 months after the death of the taxpayer or, where written application therefor has been made to the Minister by the legal representative of the taxpayer within that period, within such longer period as the Minister considers reasonable in the circumstances, that the land has become vested indefeasibly in the child,"

(5) Subsection (2) is applicable with respect to dispositions occurring after November 12, 1981, other than dispositions occurring pursuant to the terms of an agreement in writing entered into on or before that date.

(6) Subsection (3) is applicable after September 1983.

(7) Subsection (4) is applicable

(a) with respect to deaths occurring after 1984; and

(b) with respect to any property of a taxpayer who died after 1981 and before 1985 if the taxpayer's legal representative and each person to whom any interest in the property is transferred or distributed as a consequence of the death of the taxpayer jointly elect to have this paragraph apply by notifying the Minister of National Revenue in writing on or before the later of December 31, 1985 and the day that is 90 days after this Act is assented to.

132. Sections 27 and 28 of the said Rules are repealed.

133. (1) All that portion of subsection 29(25) of the said Rules preceding paragraph (c) thereof is repealed and the following substituted therefor:

"(25) Notwithstanding subsection (24), where a corporation (in this subsection referred to as the "successor corporation") whose principal business is

(a) production, refining or marketing of petroleum, petroleum products or natural gas, or exploring or drilling for petroleum or natural gas, or

(b) mining or exploring for minerals, has at any time after 1954 acquired, by purchase, amalgamation, merger, winding-up or otherwise, (other than pursuant to an amalgamation that is described in subsection 87(1.2) of the amended Act or a winding-up to which the rules in subsection 88(1) of the amended Act apply), from another person (in this subsection referred to as the "predecessor") whose principal business was production, refining or marketing of petroleum, petroleum

products or natural gas, exploring or drilling for petroleum or natural gas, or mining or exploration for minerals, all or substantially all of the Canadian resource properties of the predecessor and (except in the case of an amalgamation or a winding-up) the predecessor and the successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 of the amended Act for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the successor corporation in computing its income for a taxation year, the lesser of"

(2) Subparagraph 29(25)(d)(i) of the said Rules is repealed and the following substituted therefor:

"(i) the disposition of any Canadian resource property owned by the predecessor immediately before the acquisition by the successor corporation of the property so acquired, or"

(3) All that portion of subsection 29(27) of the said Rules preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(27) For the purposes of this section, "drilling and exploration expenses" incurred on or in respect of exploring or drilling for petroleum or natural gas in Canada includes expenses, incurred on or in respect of"

(4) All that portion of subsection 29(28) of the said Rules preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(28) For the purposes of this section, there shall be deducted in computing"

(5) All that portion of subsection 29(29) of the said Rules preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(29) Notwithstanding subsection (24), where a corporation (in this subsection referred to as the "second successor corporation") whose principal business is of the class described in subsection (4) has at any time after April 10, 1962 acquired, by purchase, amalgamation, merger, winding-up or otherwise (other than pursuant to an amalgamation that is described in subsection 87(1.2) of the amended Act or a winding-up to which the rules in subsection 88(1) of the amended Act apply), from another corporation (in this subsec-

Meaning of "drilling and exploration expenses"

Deduction from drilling and explo. exp. and prospecting, explo. & dev. exp.

Property acquired by second successor corp.

Property acquired by successor corporation

tion referred to as the "first successor corporation") that was a successor corporation, within the meaning of subsection (25), all or substantially all of the Canadian resource properties of the first successor corporation and (except in the case of an amalgamation or a winding-up) the first successor corporation and the second successor corporation have jointly elected in prescribed form on or before the day that is the earlier of the days on or before which either taxpayer making the election is required to file a return of income pursuant to section 150 of the amended Act for the taxation year in which the transaction to which the election relates occurred, there may be deducted by the second successor corporation in computing its income for a taxation year the lesser of"

(6) Subparagraph 29(29)(b)(i) of the said Rules is repealed and the following substituted therefor:

"(i) the disposition of any Canadian resource property owned by the predecessor of the first successor corporation within the meaning of subsection (25), immediately before the acquisition by the first successor corporation of the property so acquired by the second successor corporation, and"

(7) Subsection 29(30) of the said Rules is repealed and the following substituted therefor:

Drilling and
exploration
expenses

"(30) For the purposes of this section, "drilling and exploration expenses" incurred on or in respect of exploring or drilling for petroleum or natural gas in Canada includes an annual payment made for the preservation of a right, licence or privilege described in subsection (14)."

(8) Subsections (1), (3) to (5) and (7) are applicable with respect to acquisitions after 1982 except that with respect to acquisitions occurring after 1982 and in a taxation year commencing before 1985

(a) the reference in subsection 29(25) of the said Rules, as amended by subsection (1), to "Canadian resource properties of the predecessor" shall be read as a reference to "property of the predecessor used by him in carrying on that business in Canada"; and

(b) the reference in subsection 29(29) of the said Rules, as amended by subsection (5), to "Canadian resource properties of the first successor corporation" shall be read as a reference to "property of the first successor corporation used by it in carrying on in Canada its principal business".

(9) Subsections (2) and (6) are applicable with respect to acquisitions occurring in taxation years commencing after 1984.

134. (1) Subsections 32.1(3) to (3.2) of the said Rules are repealed.

(2) Subsections 32.1(5) and (6) of the said Rules are repealed.

135. Section 33 of the said Rules is repealed.

136. (1) Subsections 34(2) and (3) of the said Rules are repealed.

(2) Subsections 34(4) to (6) of the said Rules are repealed and the following substituted therefor:

Amalgamations

"(4) In applying the provisions of subsections 29(25) and (29) to determine the amount that may be deducted by the successor or second successor corporation, as the case may be, in computing its income under Part I of the amended Act for a taxation year, where a predecessor corporation has paid an amount (other than a rental or royalty) to the government of Canada or of a province for

(a) the right to explore for petroleum or natural gas on a specified parcel of land in Canada (which right is, for greater certainty, declared to include a right of the type commonly referred to as a "licence", "permit" or "reservation"), or

(b) a legal lease of the right to take or remove petroleum or natural gas from a specified parcel of land in Canada,

and before April 11, 1962 acquired the rights in respect of which the amount was so paid, if, before the predecessor corporation was entitled by virtue of subsection 29(21) to any deduction in computing its income for a taxation year in respect of the amount so paid, the property of the predecessor corporation was acquired by the successor or second successor corporation, as the case may be, and the successor or second successor corporation, as the case may be, did at any time, before any well came into production in reasonable commercial quantities on the land referred to in paragraph (a) or (b), surrender all the rights so acquired by the predecessor corporation (including, in respect of a right of the kind described in paragraph (a), all rights thereunder to any lease and all rights under any lease made thereunder) without receiving any consideration therefor or payment of any part of the amount so paid by the predecessor corporation, the amount so paid by the predecessor corporation shall be added at that time to the amount determined under subparagraph 29(25)(c)(i) or paragraph 29(29)(a), as the case may be."

(3) Subsection 34(8) of the said Rules is repealed.

(4) Subsection (2) is applicable with respect to acquisitions after 1982.

137. Subsection 35(3) of the said Rules is repealed.

138. Section 35.1 of the said Rules is repealed.

139. Sections 37 to 39 of the said Rules are repealed.

140. Sections 41 to 48 of the said Rules are repealed.

141. Sections 51 to 56.1 of the said Rules are repealed.

142. (1) Subsections 57(1) to (7) of the said Rules are repealed.

(2) Subsection 57(10) of the said Rules is repealed.

(3) Subsection 57(12) of the said Rules is repealed.

143. Section 57.1 of the said Rules is repealed.

144. (1) Subsections 58(2) to (3.1) of the said Rules are repealed.

(2) Subsections 58(4) and (4.1) of the said Rules are repealed.

145. Subsection 59(1) of the said Rules is repealed.

146. Section 60 of the said Rules is repealed.

PART III

AMENDMENTS TO OTHER ACTS

1984, c. 1

An Act to amend the statute law relating to income tax and to make related amendments to the Canada Pension Plan and the Unemployment Insurance Act, 1971

147. (1) Subsection 86(1) of *An Act to amend the statute law relating to income tax and to make related amendments to the Canada Pension Plan and the Unemployment Insurance Act, 1971*, being chapter 1 of the Statutes of Canada, 1984, is repealed and the following substituted therefor:

"86. (1) Subsection 161(1) of the said Act is repealed and the following substituted therefor:

General

"161. (1) Where at any time after the day on or before which a return of a taxpayer's income was required under this Part to be filed for a taxation year,

(a) the amount of his tax payable for the year under this Part

exceeds

(b) the aggregate of all amounts each of which is an amount paid at or before that time on account of his tax payable and applied as at that time by the Minister against the taxpayer's liability for an amount payable under this Part for the year,

the person liable to pay the tax shall pay to the Receiver General interest at the prescribed rate on the excess computed for the period during which that excess is outstanding." "

(2) Subsection 86(3) of the said Act is repealed and the following substituted therefor:

"(3) Subsection (1) is applicable for the purpose of calculating interest for any period or portion of a period that is after April 19, 1983."

(3) Subsections (1) and (2) are applicable after April 19, 1983.

1984, c. 45

An Act to amend the Income Tax Act and related statutes

148. (1) Paragraph 30(2)(a) of *An Act to amend the Income Tax Act and related statutes*, being chapter 45 of the Statutes of Canada, 1984, is repealed and the following substituted therefor:

"(a) after 1985, in the case of an interest in an offshore investment fund property

(i) held by the taxpayer on February 15, 1984,

(ii) received as a stock dividend in respect of a share of the capital stock of a non-resident entity held by the taxpayer on February 15, 1984,

(iii) received as a stock dividend in respect of a share of the capital stock of a non-resident entity that the taxpayer had previously received as described in subparagraph (ii), or

(iv) substituted for a property held by the taxpayer on February 15, 1984 pursuant to an arrangement that existed on that date,

and in such case, the reference to "1984" in subparagraphs 94.1(2)(a)(ii)

and (iv) of the said Act shall be read as a reference to "1985"; and"

(2) Subsection (1) shall be deemed to have come into force on December 20, 1984.

1980-81-82-83
c. 158, Part I

Tax Court of Canada Act

149. Section 16 of the *Tax Court of Canada Act* is repealed and the following substituted therefor:

Hearings in
camera

"16. A hearing before the Court may, on the application of the appellant, be held *in camera* if the appellant establishes to the satisfaction of the Court that the circumstances of the case justify in camera proceedings."

1984, c. 48

Income Tax Conventions Interpretation Act

150. (1) The *Income Tax Conventions Interpretation Act* is amended by adding thereto, immediately after section 6 thereof, the following section:

Transitional

"6.1 Where a taxation year of a taxpayer includes June 23, 1983, the additional tax payable under the *Income Tax Act* (except Part XIII thereof) by the taxpayer for the taxation year by virtue of this Act

shall be calculated in accordance with the following formula:

$$A = T \times \frac{B}{C}$$

where

A is the amount of additional taxes payable under the *Income Tax Act* (except Part XIII thereof) by the taxpayer for the taxation year by virtue of this Act,

T is the amount of additional taxes payable under the *Income Tax Act* (except Part XIII thereof) by the taxpayer for the taxation year by virtue of this Act (except this section),

B is the number of days in the taxation year after June 23, 1983, and

C is the number of days in the taxation year."

(2) Subsection (1) is applicable to taxation years ending after June 23, 1983.

SCHEDULE I

(Subsection 13(2))

1. Subsection 23(3) is repealed and the following substituted therefor:

Reference to
property in
inventory

"(3) A reference in this section to property that was included in the inventory of a business shall be deemed to include a reference to property that would have been so included if the income from the business had not been computed in accordance with the method authorized by subsection 28(1) or paragraph 34(g)."

Election by
members

2. All that portion of subsection 96(3) preceding paragraph (a) thereof is repealed and the following substituted therefor:

"(3) Where a taxpayer who was a member of a partnership during a fiscal period thereof that ended after 1971 has, for any purpose relevant to the computation of his income from the partnership for the fiscal period, made or executed an election under any of section 22, subsections 13(4), (15) and (16), 14(6), 20(9), 21(1) to (4) and 29(1), section 34, subsections 39(4), 44(1) and (6) and 97(2) that, but for this subsection would be a valid election, the following rules apply:"

SCHEDULE II

(Subsection 24(8))

1. (1) Clause 66(6)(b)(iii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

(2) Clause 66(7)(b)(iii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

2. (1) Clause 66.1(4)(b)(iii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

(2) Clause 66.1(5)(b)(iii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

3. (1) Clause 66.2(3)(b)(ii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

(2) Clause 66.2(4)(b)(ii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

4. (1) Clause 66.4(3)(b)(ii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

(2) Clause 66.4(4)(b)(ii)(A) is repealed and the following substituted therefor:

"(A) required by subsection 59(2) to be included in computing its income for the year, and"

NOTES

