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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-SIXTH LEGISLATURE

## Bill 3

(1999, chapter 83)

### **An Act to amend the Taxation Act and other legislative provisions**

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**Introduced 14 April 1999**  
**Passage in principle 12 May 1999**  
**Passage 17 December 1999**  
**Assented to 20 December 1999**

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## EXPLANATORY NOTES

*This bill amends various legislation to give effect primarily to the Budget Speech delivered by the Minister of Finance on 31 March 1998, to the Minister's Statement of 11 June 1998 and to Information Bulletins 97-3, 97-4, 97-5, 97-6, 97-7, 98-1, 98-3, 98-5, 98-6, 98-7 and 98-8 issued by the Ministère des Finances respectively on 22 May 1997, 3 July 1997, 16 October 1997, 14 November 1997, 18 December 1997, 13 February 1998, 23 June 1998, 17 September 1998, 24 September 1998, 6 November 1998 and 22 December 1998.*

*Amendments are also introduced to give effect to various measures contained in the Budget Speeches delivered by the Minister of Finance on 25 March 1997 and 9 March 1999.*

*The bill amends the Mining Duties Act to raise the rate of the additional exploration allowance for mining exploration expenses incurred in the Near North and Far North of Québec from 50% to 75%.*

*The bill amends the Tobacco Tax Act to raise the rate of the tax on tobacco products in parallel with the introduction of a zero-rating measure within the Québec sales tax system, primarily to counter fraud inherent in the tobacco products trade.*

*The bill amends the Taxation Act mainly to amend or introduce a number of fiscal measures specific to Québec. It also brings amendments similar to those made to the Income Tax Act of Canada in federal Bill C-28 (S.C. 1998, chapter 19) assented to on 18 June 1998. In particular, the amendments*

*(1) enhance the tax treatment for charitable donations and standardize the rules that apply to such donations and to Crown gifts;*

*(2) raise the exploration expense deduction by an amount equal to 25% of exploration expense incurred in the Near North and Far North of Québec;*

*(3) introduce a deduction available to a corporation, for a period of five years, in computing its taxable income in relation to its income from the administration and management of an investment fund;*

(4) *make changes to the stock savings plan to allow a regional venture capital corporation to issue a new class of shares that are eligible under the plan;*

(5) *streamline the rules pertaining to sub-contracting in connection with the refundable tax credit for scientific research and experimental development;*

(6) *raise the refundable tax credit rate for Québec film productions in relation to wages paid to create computer-aided special effects and animation as part of certain productions;*

(7) *introduce a refundable tax credit for film dubbing expenditure incurred by a corporation to have films dubbed in Québec;*

(8) *introduce a refundable tax credit for film production services in relation to labour expenditure incurred by a corporation for services provided in Québec as part of the filming of a foreign production, and raise the rate of that tax credit in relation to wages paid to create computer-aided special effects and animation as part of such a production;*

(9) *raise the refundable tax credit rate for multimedia titles and introduce two new sections within the credit to simplify its application;*

(10) *introduce a refundable tax credit for corporations specialized in the production of multimedia titles which is to be available to corporations engaged in producing multimedia titles and, where applicable, in scientific research and experimental development in connection with multimedia titles;*

(11) *introduce a refundable tax credit in relation to wages paid by a corporation established in the Multimedia Complex to carry on an activity relating to the multimedia sector or an activity related to information technologies;*

(12) *enhance and streamline the rules relating to corporations carrying on a business in a building housing an information technologies development centre;*

(13) *enhance the measures pertaining to the shipbuilding industry in Québec, in particular by raising the refundable tax credit rate for the construction of a prototype from 40% to 50%, introducing a refundable tax credit for prototype conversion and making the tax credit available for the first three vessels constructed*

*or converted according to the prototype plans and specifications as part of a production run;*

*(14) introduce a temporary refundable tax credit for job creation in the clothing and footwear industry;*

*(15) introduce a refundable tax credit for expenditure incurred by a corporation in relation to the creation of an investment fund and that is attributable to the fund's start-up period;*

*(16) introduce a temporary refundable tax credit in relation to wages paid by a portfolio management corporation to fund managers;*

*(17) introduce a refundable tax credit for individuals living in northern villages, payable in two equal instalments in August and December of each year; and*

*(18) enhance the reduction in the tax on capital to enable the reduction to apply to certain vessels converted in Québec.*

*The bill amends the Licenses Act to harmonize the reporting periods for license duties with the reporting periods in the Québec sales tax system.*

*The bill amends the Act respecting income security and the Act respecting income support, employment assistance and social solidarity in particular to take into account the rules concerning the elimination of the tax treatment of child support payments and total family income subsequent to the implementation of simplified income taxation rules.*

*The bill amends the Act respecting Québec business investment companies to simplify the Québec business investment company program and to standardize the tax assistance in its application to all investments made by such companies.*

*The bill amends the Act respecting the Québec sales tax primarily to insert measures that concern*

*(1) the zero-rating of services relating to corporeal movable property usually situated outside Québec but within Canada;*

*(2) the exemption of 9-1-1 emergency call services acquired by a municipality;*

(3) *the harmonization of reporting periods for the specific tax on alcoholic beverages with the reporting periods under the Québec sales tax system; and*

(4) *the reduction of the duty on perchloroethylene.*

*The bill amends the Fuel Tax Act to relax the rule prohibiting the transfer of fuel to certain dealers.*

*The bill also amends other legislation to make various technical and consequential amendments and changes in terminology.*

**LEGISLATION AMENDED BY THIS BILL :**

- Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001);
- Cultural Property Act (R.S.Q., chapter B-4);
- Mining Duties Act (R.S.Q., chapter D-15);
- Act respecting duties on transfers of immovables (R.S.Q., chapter D-15.1);
- Act respecting municipal taxation (R.S.Q., chapter F-2.1);
- Tobacco Tax Act (R.S.Q., chapter I-2);
- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the application of the Taxation Act (R.S.Q., chapter I-4);
- Licenses Act (R.S.Q., chapter L-3);
- Act respecting the Ministère du Revenu (R.S.Q., chapter M-31);
- Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);
- Act respecting the Québec Pension Plan (R.S.Q., chapter R-9);
- Act respecting income security (R.S.Q., chapter S-3.1.1);
- Act respecting Québec business investment companies (R.S.Q., chapter S-29.1);
- Act respecting the Québec sales tax (R.S.Q., chapter T-0.1);

- Fuel Tax Act (R.S.Q., chapter T-1);
- Act to again amend the Taxation Act and other legislative provisions (1993, chapter 19);
- Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1);
- Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85);
- Act to amend the Taxation Act and other legislative provisions of a fiscal nature (1998, chapter 16);
- Act respecting income support, employment assistance and social solidarity (1998, chapter 36).

## Bill 3

### AN ACT TO AMEND THE TAXATION ACT AND OTHER LEGISLATIVE PROVISIONS

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

#### ACT RESPECTING INDUSTRIAL ACCIDENTS AND OCCUPATIONAL DISEASES

1. (1) Section 289 of the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001) is amended by replacing, in the fourth line of the second paragraph, the words “with the exception of gratuities and” by the words “including any tip that the employer is deemed to pay as remuneration to the worker under section 1019.7 of that Act, with the exception”.

(2) Subsection 1 applies from 1 January 2000.

#### CULTURAL PROPERTY ACT

2. (1) Section 2.1 of the Cultural Property Act (R.S.Q., chapter B-4) is amended by replacing, in paragraph *b*, “paragraph *b.1*” by “subparagraph ii of paragraph *d*” and “in section 752.0.10.1” by “in the first paragraph of section 752.0.10.1”.

(2) Subsection 1 applies to a taxation year, within the meaning of Part I of the Taxation Act (R.S.Q., chapter I-3), that begins after 31 December 1997.

3. (1) Section 7.12 of the said Act is amended by replacing “paragraph *b.1*” by “subparagraph ii of paragraph *d*” and “in section 752.0.10.1” by “in the first paragraph of section 752.0.10.1”.

(2) Subsection 1 applies to a taxation year, within the meaning of Part I of the Taxation Act (R.S.Q., chapter I-3), that begins after 31 December 1997.

#### MINING DUTIES ACT

4. Section 1 of the Mining Duties Act (R.S.Q., chapter D-15) is amended by inserting the following definition in alphabetical order :

““Minister” means the Minister of Natural Resources;”.

5. (1) Section 8 of the said Act is amended by replacing, in subparagraph *c* of paragraph 2, “any of paragraphs *a* to *f* of section 710 of the Taxation Act (chapter I-3)” by “section 710 of the Taxation Act (chapter I-3), if that section were read without reference to subparagraphs vi to viii of paragraph *a*,”.

(2) Subsection 1 applies to fiscal years that begin after 31 December 1997.

6. (1) Section 16.1 of the said Act is amended

(1) by inserting, after subparagraph *b* of paragraph 1, the following subparagraph:

“(b.1) 25% of the total of all amounts each of which is an amount referred to in subparagraph *b* that was incurred by the operator after 31 March 1998 and before that time in respect of exploration work performed

i. in the territory in which the program entitled “Near North Mineral Exploration Program”, implemented by the Ministère des Ressources naturelles, applies, or

ii. in the territory north of the 54°00' north latitude ;”;

(2) by striking out, at the end of subparagraph *b* of paragraph 1, the word “and” and by replacing, at the end of subparagraph *c* of that paragraph, the word “exceeds” by the word “and”;

(3) by adding, after subparagraph *c* of paragraph 1, the following subparagraph:

“(d) 25% of the total of all amounts each of which is an amount repaid by the operator before that time, pursuant to an obligation to repay, in whole or in part, government assistance relating to an amount referred to in subparagraph *b.1*; exceeds”;

(4) by adding, after subparagraph *d* of paragraph 2, the following subparagraph:

“(e) 25% of the total of all amounts each of which is an amount of government assistance relating to an amount referred to in subparagraph *b.1* of paragraph 1 that the operator received or was entitled to receive before that time.”

(2) Subsection 1 applies in respect of expenses incurred after 31 March 1998.

7. (1) Section 16.4 of the said Act is replaced by the following:

“16.4. Where a share of the capital stock of an operator is issued to a person under an agreement in writing entered into between that person and the operator, under which the operator has agreed to incur expenses in respect of



exploration, mineral deposit evaluation or mine development work, that would be expenses referred to in subparagraph *b* of paragraph 1 of section 16.1, and to renounce, under the Taxation Act (chapter I-3), in favour of that person, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses to which the amount relates are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply if the share is issued to a legal person that undertakes in writing with the Minister not to renounce, under the Taxation Act, the expenses described in the agreement referred to in the first paragraph and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

8. (1) Section 16.5 of the said Act is replaced by the following :

“16.5. Where a share of the capital stock of an operator is issued to a partnership under an agreement in writing entered into between the partnership and the operator, under which the operator has agreed to incur expenses in respect of exploration, mineral deposit evaluation or mine development work, that would be expenses referred to in subparagraph *b* of paragraph 1 of section 16.1, and to renounce, under the Taxation Act (chapter I-3), in favour of the partnership, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses which relate to the amount or part thereof that has been renounced and which the partnership attributes to each partner are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the part of the expenses which relates to the amount attributed by the partnership to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, that part of the expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

9. (1) Section 16.6 of the said Act is replaced by the following :

“16.6. Where an operator is a partnership that incurs expenses in respect of exploration, mineral deposit evaluation or mine development work that would be expenses referred to in subparagraph *b* of paragraph 1 of section 16.1, the expenses relating to the share, described in paragraph *d* of section 395 of the Taxation Act (chapter I-3), which is attributed to each partner of the operator, are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the expenses which are attributed by the operator to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, those expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

10. (1) Section 19.5 of the said Act is replaced by the following :

“19.5. Where a share of the capital stock of an operator is issued to a person under an agreement in writing entered into between that person and the operator, under which the operator has agreed to incur expenses in respect of exploration or underground core drilling work carried out in Québec, that would be expenses referred to in subparagraph *a* of paragraph 1 of section 19.2, and to renounce, under the Taxation Act (chapter I-3), in favour of that person, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses to which the amount relates are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply if the share is issued to a legal person that undertakes in writing with the Minister not to renounce, under the Taxation Act, the expenses described in the agreement referred to in the first paragraph and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

11. (1) Section 19.6 of the said Act is replaced by the following :

“19.6. Where a share of the capital stock of an operator is issued to a partnership under an agreement in writing entered into between the partnership and the operator, under which the operator has agreed to incur expenses in respect of exploration or underground core drilling work carried out in Québec, that would be expenses referred to in subparagraph *a* of paragraph 1 of section 19.2, and to renounce, under the Taxation Act (chapter I-3), in favour of the partnership, an amount that does not exceed the consideration received by the operator for the share, relating to expenses so incurred by the operator, the expenses which relate to the amount or part thereof that has been renounced and which the partnership attributes to each partner, are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the part of the expenses which relates to the amount attributed by the partnership to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, that part of the expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

12. (1) Section 19.7 of the said Act is replaced by the following :

“19.7. Where an operator is a partnership that incurs expenses in respect of exploration or underground core drilling work carried out in Québec, that would be expenses referred to in subparagraph *a* of paragraph 1 of section 19.2, the expenses relating to the share, described in paragraph *d* of section 395 of the Taxation Act (chapter I-3), which is attributed to each partner of the operator, are deemed, from the day on which they are incurred, never to have been such expenses incurred by the operator.

The first paragraph does not apply to the expenses which are attributed by the operator to a partner that is a legal person if the legal person undertakes in writing with the Minister not to renounce, under the Taxation Act, those expenses and the legal person fulfills such undertaking.”

(2) Subsection 1 applies in respect of expenses renounced by an operator after 31 March 1998.

13. (1) Section 21 of the said Act is amended by replacing paragraph 1 by the following :

“(1) the aggregate of

(a) an amount equal,

i. if the operator does not engage in smelting or refining, to 8% of the capital cost to the operator of each property that is a processing asset during the fiscal year and that is in the operator’s possession at the end of that fiscal year, and

ii. if the operator engages in smelting or refining, to the aggregate of

(1) 8% of the capital cost of each property referred to in subparagraph i, where the property is used solely in processing ore from a gold or silver mine, and

(2) the amount by which 15% of the capital cost of each property referred to in subparagraph i, where the property is used in processing ore other than ore from a gold or silver mine, exceeds 7% of the proportion of the capital cost of the property, where it is used for the purposes of concentration, that the quantity of ore concentrated by the operator, which is not smelted or refined by the operator and the processing of which required the use of the property, is of the total quantity of ore the processing of which required the use of the property; and

(b) subject to section 21.1, 15% of the aggregate of all amounts each of which is the capital cost of property that is in the possession of the operator at the end of the operator's fiscal year, that is a processing asset, purchased new by the operator after 31 March 1998 and used by the operator in Québec during the fiscal year exclusively for the purpose of processing mine tailings; and”.

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

14. (1) The said Act is amended by inserting, after section 21, the following section:

“21.1. For the purposes of subparagraph *b* of paragraph 1 of section 21, the capital cost of property used during a fiscal year that ends after the ninth fiscal year following the fiscal year during which the operator begins processing mine tailings is deemed to be nil.”

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

15. (1) Sections 23 and 23.1 of the said Act are replaced by the following:

“23. Where property is used in a fiscal year both for the processing of ore and for another purpose, the part of the amount determined under subparagraph *a* of paragraph 1 of section 21 that relates to that property shall be reduced by an amount equal to the proportion of that part of the amount, determined without reference to this section or section 23.1, that the use of the property for a purpose other than processing for that fiscal year is of the total use of the property for that fiscal year.

“23.1. Where property is used in a fiscal year for the processing of ore the actual value of which is not taken into account in determining the gross value of the annual output under section 6, the part of the amount determined under subparagraph *a* or *b* of paragraph 1 of section 21, subject to section 23, that relates to that property shall be reduced by an amount equal to the proportion of that part of the amount that the part of the quantity of processed ore the actual value of which is not taken into account in determining the gross value of the annual output, for that fiscal year, is of the total quantity of ore processed by the operator in that fiscal year and the processing of which required the use of the property.”

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

16. (1) Section 25 of the said Act is replaced by the following:

“25. Where the fiscal year of an operator comprises fewer than 12 months, the amount determined under subparagraph *a* or *b* of paragraph 1 of section 21 shall be reduced by the proportion of the amount that the number of days by which 365 exceeds the number of days in the fiscal year is of 365.”

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

17. (1) Section 32 of the said Act is amended by replacing subparagraph *b* of paragraph 2 by the following :

“(b) the total of the following amounts, without however exceeding the amount deducted by the operator under subparagraph *e* of paragraph 2 of section 8 in computing the operator’s annual profit for that fiscal year :

i. the amount that is the amount by which the expenses in respect of exploration, mineral deposit evaluation and mine development work, incurred by the operator for the fiscal year in connection with mining operation, exceeds the amount of government assistance that the operator received or was entitled to receive for that fiscal year and that relates to those expenses, and provided that such expenses, notwithstanding section 16.2, have been declared by the operator to be deductible expenses, on or before the date on or before which the operator is required to file the operator’s return, in accordance with section 36, for that fiscal year, and

ii. the total of all amounts each of which is the amount by which an amount referred to in subparagraph *b.1* of paragraph 1 of section 16.1 that relates to expenses incurred by the operator during that fiscal year and declared by the operator to be deductible expenses, on or before the date provided in subparagraph *i*, exceeds the amount that is 25% of the government assistance that the operator received or was entitled to receive for that fiscal year and that relates to those expenses.”

(2) Subsection 1 applies to fiscal years that end after 31 March 1998.

18. The said Act is amended by replacing the words “Minister of Natural Resources” by the word “Minister” in the following provisions :

— the first paragraph of section 59.0.1 ;

— section 59.0.2 ;

— section 96.

#### ACT RESPECTING DUTIES ON TRANSFERS OF IMMOVABLES

19. (1) Section 17 of the Act respecting duties on transfers of immovables (R.S.Q., chapter D-15.1), amended by section 20 of chapter 8 of the statutes of 1999, is again amended by adding, after paragraph *f*, the following paragraph :

“(g) where, pursuant to any of sections 66, 67 and 68 of the Act respecting municipal taxation (chapter F-2.1), the immovable is not entered on the roll or is exempt from all municipal or school property taxes pursuant to paragraph 7 of section 204 of that Act.”

(2) Subsection 1 has effect from 24 June 1998.

20. (1) Section 19 of the said Act, amended by section 112 of chapter 40 of the statutes of 1999, is again amended

(1) by replacing subparagraph *d* of the first paragraph by the following :

“(d) the transfer is between two closely related legal persons;” ;

(2) by striking out subparagraphs *e* and *f*;

(3) by replacing the second paragraph by the following :

“For the purposes of subparagraph *d* of the first paragraph, a legal person is closely related to a particular legal person if, at the time of the transfer, at least 90% of its issued shares having full voting rights are owned by the particular legal person, a qualifying subsidiary of the particular legal person, a legal person of which the particular legal person is a qualifying subsidiary, a qualifying subsidiary of a legal person of which the particular legal person is a qualifying subsidiary or any combination of such legal persons or subsidiaries. A legal person at least 90% of whose issued shares having full voting rights are owned by a particular legal person is a qualifying subsidiary of the particular legal person.”

(2) Subsection 1 has effect from 1 April 1998.

#### ACT RESPECTING MUNICIPAL TAXATION

21. (1) Section 224 of the Act respecting municipal taxation (R.S.Q., chapter F-2.1) is replaced by the following :

“224. Where a person referred to in section 221 operates or has operated a gas distribution or telecommunication system which is not limited to Québec, the taxable revenue for the purpose of computing the tax the person is required to pay under that section for a fiscal period is equal to the amount of the taxable revenue that would be determined for the fiscal period, but for this section, that the part of the person’s gross revenue from a business referred to in paragraph 4 of section 228, that may reasonably be attributed to Québec for that fiscal period is of the part of the person’s gross revenue, from that business, that may reasonably be attributed to a particular jurisdiction for that fiscal period.”

(2) Subsection 1 applies to fiscal periods that end after 14 May 1992.

#### TOBACCO TAX ACT

22. (1) Section 2 of the Tobacco Tax Act (R.S.Q., chapter I-2) is amended by replacing the definition of “loose tobacco” by the following :

““loose tobacco” means any cut, chopped or granular tobacco sold in packages, but does not include tobacco sticks, cigarettes, cigars, leaf tobacco, rolls of tobacco or any other pre-rolled tobacco products designed for smoking;”.

(2) Subsection 1 has effect from 13 February 1998.

23. (1) Section 8 of the said Act is amended by replacing paragraphs *a* to *d* by the following :

“(a) \$0.04 per cigarette and per cigar sold at a retail price of \$0.15 or less ;

“(b) \$0.019 per gram of any loose tobacco ;

“(b.1) \$0.0083 per gram of any leaf tobacco ;

“(c) 60% of the retail price of each cigar other than a cigar sold at a retail price of \$0.15 or less ;

“(d) \$0.0454 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars. However, where the quantity of tobacco contained in a tobacco stick, a roll of tobacco or any other pre-rolled tobacco product designed for smoking is such that the consumer tax payable under this paragraph is less than \$0.0295 per tobacco stick, roll of tobacco or other pre-rolled tobacco product, the consumer tax shall be \$0.0295 per tobacco stick, roll of tobacco or other pre-rolled tobacco product designed for smoking.”

(2) Subsection 1 has effect from 23 June 1998. However, for the period that begins on 13 February 1998 and ends on 22 June 1998, paragraphs *a* to *d*, enacted by subsection 1, shall be read as follows :

“(a) \$0.0297 per cigarette and per cigar sold at a retail price of \$0.15 or less ;

“(b) \$0.0119 per gram of any loose tobacco ;

“(b.1) \$0.0059 per gram of any leaf tobacco ;

“(c) 57% of the retail price of each cigar other than a cigar sold at a retail price of \$0.15 or less ;

“(d) \$0.0348 per gram of any tobacco other than cigarettes, loose tobacco, leaf tobacco or cigars. However, where the quantity of tobacco contained in a tobacco stick, a roll of tobacco or any other pre-rolled tobacco product designed for smoking is such that the consumer tax payable under this paragraph is less than \$0.0226 per tobacco stick, roll of tobacco or other pre-rolled tobacco product, the consumer tax shall be \$0.0226 per tobacco stick, roll of tobacco or other pre-rolled tobacco product designed for smoking.”

24. Section 10 of the said Act is replaced by the following :

“10. The tax imposed by this Act shall, as regards cigars, be computed on each cigar and, as regards other tobacco products, on every package, and any fraction of \$0.01 of that tax shall be computed as \$0.01.

However, the first paragraph does not apply in respect of cigars sold at a sale price of \$0.15 or less each or cigarettes nor, in the case of tobacco referred to in paragraph *d* of section 8, in respect of tobacco sticks, rolls of tobacco or any other pre-rolled tobacco products designed for smoking.”

25. Section 11 of the said Act is amended, in the English text, by replacing the first paragraph by the following :

“11. Every retail vendor shall collect, as a mandatary of the Minister, the tax provided for in section 8 on every sale of tobacco made by the retail vendor.”

#### TAXATION ACT

26. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3) is amended

(1) by inserting the following definition in alphabetical order :

““stock exchange in Canada” means

(a) the Alberta Stock Exchange ;

(b) the Montréal Stock Exchange ;

(c) the Toronto Stock Exchange ;

(d) the Vancouver Stock Exchange ; or

(e) the Winnipeg Stock Exchange ;”;

(2) by replacing, in the French text, the definition of “cotisation” by the following :

“«cotisation» comprend une nouvelle cotisation et une cotisation supplémentaire ;”;

(3) by inserting the following definitions in alphabetical order :

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

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



(4) by replacing the definition of “municipality” by the following :

““municipality” includes an urban community and the Kativik Regional Government, established under the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1);” ;

(5) by replacing the definition of “registered charity” by the following :

““registered charity” at any time means a charitable organization within the meaning of section 985.1, a private foundation or a public foundation, that is at that time registered with the Minister as a charitable organization within the meaning of that section 985.1, a private foundation or a public foundation, or that is deemed to be so registered in accordance with sections 985.5 to 985.5.2;” ;

(6) by replacing the definition of “oil or gas well” by the following :

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

(2) Paragraph 1 of subsection 1 has effect from 26 November 1999.

(3) Paragraphs 3 and 5 of subsection 1 have effect from 1 January 1997.

(4) Paragraph 4 of subsection 1 has effect from 3 July 1997.

27. (1) Section 25 of the said Act is amended by replacing, in the second paragraph, “737.21” by “737.21, 737.22.0.0.3”.

(2) Subsection 1 applies from the taxation year 1998.

28. (1) Section 38 of the said Act is amended by replacing the third paragraph by the following :

“Furthermore, the individual is not required in computing the individual’s income to include the value of any benefit under a retirement compensation arrangement, an employee benefit plan or an employee trust or under a salary deferral arrangement, except to the extent that the value of the benefit is included under section 37 because of section 47.11, the value of any benefit that was a benefit in respect of the use of an automobile, except if the benefit related to the use of an automobile owned or leased by the individual and is not referred to in section 41.1.2, the value of any benefit derived from counselling services received by the individual or a person related to the

individual in respect of stress management or the use or consumption of tobacco, drugs or alcohol, other than a benefit attributable to an outlay or expense to which section 134 applies, or from counselling services in respect of the re-employment or retirement of the individual, or the value of any benefit derived from the individual's participation in a training activity the cost of which is borne by the individual's employer, if it is reasonable to consider that the training significantly benefits the individual's employer."

(2) Subsection 1 applies from the taxation year 1998. In addition, it applies to any taxation year of a taxpayer in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act had not expired on 7 November 1998.

(3) For the purposes of subsection 2 and of Part I of the said Act, the Minister of Revenue shall, notwithstanding sections 1007, 1010 and 1011 of the said Act, make, pursuant to the said Part I, a determination or redetermination of the amount deemed to have been paid by a taxpayer under Division II.5 of Chapter III.1 of Title III of Book IX of that Part, and any assessment or reassessment of tax, interest and penalties of a taxpayer to give effect to subsection 1 and subsection 2.

29. (1) Section 78.1 of the said Act is amended by inserting, in the first paragraph, after the word "income", the words "for the year".

(2) Subsection 1 applies in respect of reimbursement payments made from the taxation year 1998.

30. (1) Section 87 of the said Act is amended by replacing subparagraph ii of paragraph *w* by the following :

"ii. except as provided by any provision of Chapter III.1 of Title III of Book IX, does not reduce, for the purposes of this Part, the cost or capital cost of the property or the amount of the outlay or expense, as the case may be,".

(2) Subsection 1 has effect from 9 May 1996.

31. (1) Section 104.1 of the said Act is amended by replacing the portion before the formula in the first paragraph by the following :

"104.1. Where an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the income for a taxation year of a taxpayer, whether that taxpayer is an individual or a corporation, and an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted under section 156.1 or 156.1.1 in respect of that property in computing the taxpayer's income from a business for a preceding taxation year, there shall be included in computing the taxpayer's income from a business for the year an amount equal to the product obtained by multiplying the aggregate of the amounts determined in accordance with any of sections 156.2 to 156.3.1 in respect of the property for a preceding taxation year by the amount determined by the formula".

(2) Subsection 1 has effect from 1 April 1998.

32. (1) Section 104.1.1 of the said Act is amended

(1) by replacing the portion before the formula in the first paragraph by the following :

“104.1.1. Where an amount in respect of depreciable property of a prescribed class is included under section 94 in computing the income of a partnership for a fiscal period and an amount was deducted or is deemed, pursuant to section 104.3, to have been deducted under section 156.1 or 156.1.1 in respect of that property in computing the partnership’s income from a business for a preceding fiscal period, there shall be included in computing the income from a business of a taxpayer, whether that taxpayer is an individual or a corporation, who may reasonably be considered to be entitled for a particular taxation year, whether directly or indirectly through another partnership, to a share of the income of the partnership for the period, or, as the case may be, could reasonably be considered to be so entitled for the particular year to a share of the income of the partnership for the period if the partnership had income for the period, the amount determined by the formula”;

(2) by replacing the portion of the second paragraph before subparagraph *b* by the following :

“In the formula provided for in the first paragraph,

(a) A is the amount that may reasonably be considered to be the taxpayer’s share of an amount equal to the product obtained by multiplying the aggregate of the amounts determined in accordance with any of sections 156.2 to 156.3.1 in respect of the property referred to in the first paragraph for a fiscal period preceding the period by the quotient obtained by dividing the amount included under section 94 in computing the income of the partnership for the period in respect of the property by the total depreciation, within the meaning of paragraph *b* of section 93, allowed to the partnership in respect of the property.”.

(2) Subsection 1 has effect from 1 April 1998.

33. (1) Section 104.3 of the said Act is replaced by the following :

“104.3. For the purposes of this division, where at any time a taxpayer or a partnership has, in any manner whatever, acquired depreciable property of a prescribed class from a transferor, any of sections 7.6, 99, 439, 444, 450, 455, 462, 527, 565, 617, 624, 630, 688, 690.1 to 690.3 and 832.4 applied in respect of the acquisition, the property was, immediately before its acquisition by the taxpayer or the partnership, a capital property of the transferor and an amount was deducted under section 156.1 or 156.1.1 in respect of the property in computing the income of the transferor for any taxation year or fiscal period, the taxpayer or the partnership, as the case may be, is deemed to have

deducted under section 156.1 or 156.1.1, as the case may be, in respect of the property in computing his or its income from a business for the taxation years or the fiscal periods preceding the taxation year or the fiscal period in which the taxpayer or the partnership, as the case may be, acquired the property, an amount equal to the amount so allowed as a deduction under those sections 156.1 and 156.1.1 in respect of the property in computing the income of the transferor.”

(2) Subsection 1 has effect from 1 April 1998.

34. (1) Section 114 of the said Act is amended, in the second paragraph,

(1) by striking out, in subparagraph *a*, “or an eligible employee contemplated in section 15.2 or 15.2.1 of the Act respecting Québec business investment companies (chapter S-29.1)”;

(2) by replacing the portion of subparagraph *b* before subparagraph *i* by the following :

“(b) where the lender or creditor is a corporation, in respect of a person who is an employee of the lender or creditor or of another corporation that is related to the lender or creditor, to enable or assist the person to acquire shares, described in any of the following subparagraphs, to be held by the person for the person’s own benefit:”;

(3) by striking out subparagraph *iii* of subparagraph *b*.

(2) Subsection 1 has effect from 1 April 1998.

35. Section 156.1 of the said Act is amended by replacing, in the English text, paragraph *b* by the following :

“(b) where the taxpayer is a corporation, the proportion of the amount determined for the year in its respect under section 156.3 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the corporation in the year is of the business carried on in Québec by the corporation in the year.”

36. (1) The said Act is amended by inserting, after section 156.1, the following section :

“156.1.1. A partnership may deduct, in computing the partnership’s income from a business for a fiscal period, the proportion of the amount determined in its respect for the period under section 156.3.1 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the period is of the business carried on in Québec by the partnership in the period.”

(2) Subsection 1 applies in respect of property acquired by a partnership after 31 March 1998.

37. (1) The said Act is amended by inserting, after section 156.3, the following section :

“156.3.1. The amount to which section 156.1.1 refers is, in respect of a partnership for a fiscal period, equal to 20% of the amount determined for the fiscal period in respect of the partnership according to the formula

$$A \times B/C.$$

In the formula provided for in the first paragraph,

(a) A is the amount deducted by the partnership, in computing its income for the fiscal period, under paragraph *a* of section 130 or the second paragraph of section 130.1 in respect of a property that would, if the partnership were a corporation, be a prescribed depreciable property for the purposes of subparagraph *a* of the second paragraph of section 156.3;

(b) B is the amount by which the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period exceeds the business carried on in Québec by the partnership in the fiscal period; and

(c) C is the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period.”

(2) Subsection 1 applies in respect of property acquired by a partnership after 31 March 1998.

38. (1) Section 156.4 of the said Act is amended

(1) by replacing the portion before paragraph *a* by the following :

“156.4. For the purposes of sections 156.1 to 156.3.1, the following rules apply:”;

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

“(b) the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a corporation is made in the manner prescribed in the regulations made under subsection 2 of section 771, with the necessary modifications, and the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a partnership is made in the manner so prescribed in those regulations, with the necessary modifications, as if the partnership were a corporation and if its fiscal period were a taxation year.”

(2) Subsection 1 has effect from 1 April 1998.

39. (1) Section 156.5 of the said Act is amended

(1) by striking out subparagraph *c* of the first paragraph;

(2) by replacing the second paragraph by the following:

“A taxpayer may not, under the first paragraph, deduct in computing the taxpayer’s income from a business for a taxation year an amount in respect of property acquired from a person or a partnership with whom or with which the taxpayer was not dealing at arm’s length at the time of the acquisition, if that person or that partnership was entitled to deduct, for a taxation year or a fiscal period, as the case may be, preceding the taxation year or fiscal period in which the property was disposed of, an amount in computing the person’s or the partnership’s income from a business under the first paragraph or under the first paragraph of section 156.5.1, as the case may be, in respect of the property.”

(2) Paragraph 1 of subsection 1 applies in respect of property acquired after 25 March 1997.

(3) Paragraph 2 of subsection 1 applies in respect of property acquired by a taxpayer after 25 March 1997, other than property acquired by the taxpayer pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the taxpayer on 25 March 1997.

40. (1) The said Act is amended by inserting, after section 156.5, the following section:

“156.5.1. Subject to the second paragraph, a partnership may deduct, in computing its income from a business for a fiscal period the proportion of the amount determined for the fiscal period in its respect under the second paragraph of section 156.6 that the aggregate of the business carried on in Canada or in Québec and elsewhere by the partnership in the fiscal period is of the business carried on in Québec by the partnership in the fiscal period.

A partnership may not, under the first paragraph, deduct in computing its income from a business for a fiscal period an amount in respect of property acquired from a person or a partnership with whom or with which it was not dealing at arm’s length at the time of the acquisition, if that person or that partnership was entitled to deduct, for a taxation year or a fiscal period, as the case may be, preceding the taxation year or the fiscal period in which the property was disposed of, an amount in computing the person’s or the partnership’s income from a business under the first paragraph or under the first paragraph of section 156.5, as the case may be, in respect of the property.”

(2) Paragraph 1 of subsection 1 applies in respect of property acquired by a partnership after 25 March 1997, other than property acquired by it pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the partnership on 25 March 1997.

However, where the first paragraph of section 156.5.1 of the said Act, enacted by subsection 1, applies in respect of property acquired before 1 April 1998, it shall be read as follows :

“156.5.1. Subject to the second paragraph, a partnership may deduct, in computing its income from a business for a fiscal period, the amount determined for the fiscal period in its respect under the second paragraph of section 156.6.”

41. (1) Section 156.6 of the said Act is amended by replacing the second paragraph by the following :

“The amount to which the first paragraph of section 156.5.1 refers, in relation to a partnership for a fiscal period, is equal to 25% of the aggregate of all amounts each of which is an amount deducted by the partnership under paragraph *a* of section 130 or the second paragraph of section 130.1 in computing the partnership’s income for the fiscal period, in respect of property acquired before 1 January 1999 that would be prescribed depreciable property for the purpose of subparagraph *a* of the second paragraph of section 156.3 if the partnership were a corporation.”

(2) Subsection 1 applies in respect of property acquired by a partnership after 25 March 1997, other than property acquired by it pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the partnership on 25 March 1997.

42. (1) Section 156.7 of the said Act is amended

(1) by replacing the portion before paragraph *a* by the following :

“156.7. For the purposes of sections 156.5 and 156.5.1, the following rules apply:”;

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

“(b) the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a corporation is made in the manner prescribed in the regulations made under subsection 2 of section 771, with the necessary modifications, and the computation of the business carried on in Canada, in Québec and in Québec and elsewhere by a partnership is made in the manner so prescribed in those regulations as if the partnership were a corporation and if its fiscal period were a taxation year, and with the necessary modifications.”

(2) Subsection 1 applies in respect of property acquired by a taxpayer or a partnership after 25 March 1997, other than property acquired by the taxpayer or the partnership pursuant to an agreement in writing entered into before 26 March 1997 or that was under construction by or on behalf of the taxpayer or the partnership on 25 March 1997.

43. The said Act is amended by inserting, after section 157.15, the following sections :

“157.16. A corporation may, in computing its income for a taxation year, deduct an additional amount equal to half the contribution, otherwise deductible in computing its income from a business, that is made in the year by the corporation to the Réseau d’investissement social du Québec.

“157.17. Where a corporation is a member of a partnership at the end of a particular fiscal period of the partnership during which the partnership made a contribution to the Réseau d’investissement social du Québec, the corporation may, in computing its income for a taxation year in which that fiscal period ends, deduct an amount equal to half the corporation’s share of the contribution, otherwise deductible in computing the income of the partnership from a business.

For the purposes of the first paragraph, the share of a corporation of a contribution made by a partnership of which the corporation is a member is equal to the proportion of the contribution that the share of the corporation of the income or loss of the partnership for the fiscal period of that partnership ending in the taxation year of the corporation is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to \$1,000,000.”

44. (1) Sections 165.3 and 165.4 of the said Act are replaced by the following :

“165.3. Notwithstanding section 165.2, where none of the corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and all of those corporations have filed with the Minister, in prescribed form, an agreement whereby, for the purposes of this division, 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, does not exceed \$1,000,000, the base level deduction for each of the corporations for the year is equal to the base level deduction that would be computed under section 165.2 in respect of the corporation if the reference in that section to an amount of \$1,000,000 were read as a reference to the amount so allocated to it.

“165.4. Where any of the corporations referred to in section 165.3 has failed to file with the Minister an agreement referred to therein within 30 days after notice in writing by the Minister has been forwarded to any of them that such an agreement is required for the purposes of any assessment of tax under this Part, the Minister shall, for the purposes of this division, 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 be equal to \$1,000,000 and, in any such case, the amount so allocated to any such corporation is deemed to be an amount allocated to the corporation pursuant to section 165.3.”



(2) Subsection 1 applies from the taxation year 1998.

45. (1) The said Act is amended by inserting, after section 165.4, the following section :

“165.4.1. Notwithstanding section 165.2, where one of the corporations that are associated with each other in a taxation year has, in that year, an establishment in a province other than Québec and an amount is, pursuant to subsection 2.3 of section 18 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), allocated to one or more such corporations for the year, the base level deduction for the year for each such corporation shall be equal to its base level deduction determined for that year for the purposes of paragraph *f* of subsection 2 of the said section 18.

Where, for a taxation year, a corporation referred to in the first paragraph files an agreement with the Minister of National Revenue in accordance with paragraph 2.3 of section 18 of the Income Tax Act, the corporation shall file with the Minister, for that year, a copy of that agreement.”

(2) Subsection 1 applies from the taxation year 1998.

46. (1) Section 165.5 of the said Act is amended by replacing paragraphs *a* and *b* by the following :

“(a) where a corporation to which section 165.3 or 165.4 applies, in this section referred to as “the first corporation”, has more than one taxation year ending in the same calendar year and is associated in two or more of those taxation years with another corporation that has a taxation year ending in that calendar year, the base level deduction of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to paragraph *b*, an amount equal to its base level deduction for the first such taxation year determined without reference to paragraph *b*; and

“(b) where a corporation to which any of sections 165.2 to 165.4 applies, other than a corporation to which section 165.4.1 applies, has a taxation year that is less than 51 weeks, its base level deduction for the year is equal to that proportion of its base level deduction for the year, determined without reference to this paragraph, that the number of days in the year is of 365.”

(2) Subsection 1 applies from the taxation year 1998.

47. The heading of Division XII.1 of Chapter III of Title III of Book III of Part I of the said Act is replaced, in the French text, by the following :

“ENTREPRISE EXERCÉE À DOMICILE”.

48. (1) Section 175.5 of the said Act is amended by adding, after the second paragraph, the following paragraph :

“For the purposes of subparagraph ii of subparagraph *a* of the first paragraph, an amount paid or payable by the individual or partnership in respect of the work space in connection with the operation of a lodging establishment that is a tourist home, bed and breakfast establishment or participating establishment in a hospitality village within the meaning of the regulations made under the Tourist Establishments Act (chapter E-15.1), is deemed to be an expenditure relating solely to the work space if the individual or partnership holds a permit of the appropriate subclass to which the lodging establishment belongs, issued under that Act, or is a participant in a hospitality village covered by such a permit.”

(2) Subsection 1 applies to taxation years or fiscal periods that begin after 9 May 1996.

49. (1) The said Act is amended by inserting, after section 234, the following section:

“234.0.1. A taxpayer’s gain for a particular taxation year from a disposition of a non-qualifying security of the taxpayer, as defined in the first paragraph of section 752.0.10.1, that is the making of a gift of the security, other than an excepted gift within the meaning assigned by that paragraph, to a qualified donee, as defined in paragraph *b* of section 985.1, is equal to the amount by which

(*a*) an amount equal to

i. where the disposition occurred in the particular taxation year, the amount by which the taxpayer’s proceeds of disposition exceed the aggregate of the adjusted cost base to the taxpayer of the security immediately before the disposition and any outlays and expenses made or incurred by the taxpayer for the purpose of making the disposition, and

ii. where the disposition occurred in the 60-month period ending at the beginning of the particular taxation year, the amount, if any, deducted under paragraph *b* in computing the taxpayer’s gain for the preceding taxation year from the disposition of the security; exceeds

(*b*) the amount that the taxpayer claims in prescribed form filed with the taxpayer’s fiscal return for the particular taxation year, where the taxpayer is not deemed under section 752.0.10.16 to have made a gift of property before the end of the particular taxation year as a consequence of a disposition of the security by the donee or as a consequence of the security ceasing to be a non-qualifying security of the taxpayer before the end of that year.”

(2) Subsection 1 applies from the taxation year 1997.

50. Section 261.7 of the said Act is amended by replacing, in subparagraph i of paragraph *e*, “a prospectus, preliminary prospectus” by “a final prospectus, preliminary prospectus”.

51. (1) Section 312 of the said Act is amended by inserting, in paragraph *g*, after the words “prescribed prize”, the words “or a prescribed bursary”.

(2) Subsection 1 applies in respect of amounts received after 31 December 1992.

52. (1) Section 339 of the said Act is amended by inserting, after paragraph *c*, the following paragraph:

“(c.1) any amount that is deductible under Title V.1 of Book VII in computing the income of the taxpayer for the year;”.

(2) Subsection 1 applies from the taxation year 1998.

53. Section 359 of the said Act is amended by striking out paragraph *d*.

54. Section 462.11 of the said Act is amended by striking out, in the English text of subparagraphs *i* and *iii* of paragraph *a*, the words “a title of”.

55. (1) Section 659 of the said Act is replaced by the following:

“659. Where a trust and a preferred beneficiary under the trust for a taxation year of the trust make, in respect of the year, a valid election for the purposes of subsection 14 of section 104 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the lesser of the amount determined for the purposes of that subsection in respect of the beneficiary in relation to the trust for the year and the allocable amount for the preferred beneficiary in respect of the trust for the year, shall be included in computing the income of the beneficiary for the beneficiary’s taxation year in which the taxation year of the trust ended and shall not be included in computing the income of any beneficiary of the trust for a subsequent taxation year.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

56. (1) The said Act is amended by inserting, after section 659, the following section:

“659.1. Where section 659 applies in respect of a taxation year, the trust and the preferred beneficiary having made, in respect of the year, a valid election under that section shall send to the Minister, on or before the trust’s filing-due date for the year, a copy of every document sent to the Minister of National Revenue in connection with that election.

Where, as a consequence of the operation of subsection 3.2 of section 220 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the time for making a valid election referred to in section

659 is extended or such an election that was made is amended or revoked, the following rules apply :

(a) the trust and the preferred beneficiary having made the election shall notify the Minister in writing and attach to the notice a copy of every document to that effect sent by the trust and the preferred beneficiary to the Minister of National Revenue; and

(b) the trust is liable, jointly with the preferred beneficiary, to a penalty equal to \$100 for each complete month in the period beginning on the trust's filing-due date for the year and ending on the day on which the notice referred to in subparagraph *a* is sent to the Minister, up to \$5,000.

Notwithstanding sections 1010 to 1011, such assessments of tax, interest and penalties under this Part shall be made as are necessary by the Minister for any taxation year to take into account the election or the amended or revoked election referred to in the second paragraph.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

57. (1) Section 663.1 of the said Act is amended

(1) by replacing the first paragraph by the following :

“663.1. Where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.1 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust.”;

(2) by adding, after the third paragraph, the following paragraph :

“A trust that designates an amount in respect of a beneficiary, in accordance with the first paragraph, in respect of a taxation year shall notify the Minister in writing on or before its filing-due date for the year.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

58. (1) Section 663.2 of the said Act is amended

(1) by replacing the first paragraph by the following :

“663.2. Where a trust, in its fiscal return for a taxation year under Part I of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), in accordance with subsection 13.2 of section 104 of that Act, designates an amount in respect of a beneficiary under the trust, the lesser of the amount so designated and the amount determined under the second paragraph in respect of the beneficiary for the year, is deemed, for the purposes of sections 662 and 663, except in the application of section 663 for the purposes of section 668, not to have been paid or to have become payable in the year to or for the benefit of the beneficiary or out of income of the trust, and, except for the purposes of section 668 as it applies for the purposes of sections 668.0.1 to 668.2, shall reduce the amount of the taxable capital gain of the beneficiary otherwise included in computing the beneficiary’s income for the year by reason of section 668.”;

(2) by adding, after the third paragraph, the following paragraph :

“A trust that designates an amount in respect of a beneficiary, in accordance with the first paragraph, in respect of a taxation year shall notify the Minister in writing on or before its filing-due date for the year.”

(2) Subsection 1 applies to taxation years of a trust that end after 31 March 1998.

59. (1) Section 669.1 of the said Act is replaced by the following :

“669.1. Where a testamentary trust has, in a taxation year throughout which it was resident in Canada, received a pension benefit or a benefit out of or under a foreign retirement arrangement and has designated, in its fiscal return for the year under this Part, an amount in respect of a beneficiary under the trust equal to such portion, in this section referred to as the “beneficiary’s share”, of the benefit as was designated by the trust exclusively in respect of the beneficiary and as may reasonably be considered, having regard to all the circumstances including the terms and conditions of the trust arrangement, to be part of the amount that, by reason of section 663, was included in computing the income of the beneficiary for a particular taxation year, the beneficiary’s share of the benefit is deemed, for the purposes of section 752.0.8, to be a payment described in subparagraph i of paragraph a of that section that is included in computing the beneficiary’s income for the particular taxation year where the benefit is an amount described in that subparagraph i and the beneficiary was the spouse of the settlor of the trust.”

(2) Subsection 1 applies from the taxation year 1998.

60. Section 669.1.1 of the said Act is repealed.

61. (1) Section 693 of the said Act is amended by replacing the second paragraph by the following :

“However, the taxpayer shall apply the provisions of this Book in the following order: sections 694.0.1, 694.0.2 and 737.17, Titles V, VI.8, V.1, VI.0.1, VI.1, VI.2, VI.3, VI.3.1, V.1.1, VI.3.2, VI.3.2.1, VI.3.2.2, VI.3.2.3, VII, VI.5, VI.5.1 and VI.6 and sections 725.1.2, 737.14 to 737.16.1, 737.18.3, 737.21, 737.22.0.0.3, 737.22.0.3, 737.25 and 737.28.”

(2) Subsection 1 applies from the taxation year 1998.

62. (1) Section 710 of the said Act is replaced by the following :

“710. Subject to section 711.1, a corporation may deduct in computing its taxable income for a taxation year such of the following amounts as the corporation claims:

(a) subject to section 711, the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the aggregate described in any of paragraphs *b*, *c* and *d*, made by the corporation in the year or in any of the five preceding taxation years, to

i. a registered charity,

ii. a prescribed Canadian amateur athletic association,

iii. a recognized arts organization,

iv. a housing corporation resident in Canada and exempt from tax under paragraph *b* of section 995,

v. a municipality in Canada,

vi. the United Nations or an agency thereof,

vii. a prescribed foreign university the student body of which ordinarily includes students from Canada,

viii. a foreign charitable organization to which the State or Her Majesty in right of Canada or a province has made a gift in the taxation year of the corporation or in the twelve months preceding that year, or

ix. the State or to Her Majesty in right of Canada or a province ;

(b) the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the aggregate described in paragraph *c* or *d*, made by the corporation to the State or to Her Majesty in right of Canada or a province before 1 April 1998 or pursuant to an obligation in writing entered into on or before 31 March 1998, and in the year or in any of the five preceding taxation years ;

(c) the aggregate of all amounts each of which is the fair market value of a gift the object of which is a property described in section 710.0.1, other than a gift the fair market value of which is included in the aggregate described in paragraph *d*, made by the corporation in the year or in any of the five preceding taxation years to

i. a registered charity whose mission in Québec, at the time of the gift, consists mainly, in the opinion of the Minister of the Environment and Wildlife, in the conservation of the ecological heritage,

ii. a municipality in Québec, or

iii. the State if the gift is made after 31 March 1998; and

(d) the aggregate of all amounts each of which is the fair market value of a gift made by the corporation in the year or in any of the five preceding taxation years to

i. a prescribed institution or public authority in Canada if the object of the gift is a cultural property described in section 232, or

ii. a certified archival centre or an accredited museum, where the object of the gift is a prescribed cultural property.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

63. (1) Section 710.0.1 of the said Act is amended

(1) by replacing, in the portion before paragraph *a*, “paragraphs *c*, *f*, *k* and *l* of section 710 refer” by “paragraph *c* of section 710 refers”;

(2) by replacing, in paragraph *b*, “paragraph *k* or *l*” by “any of subparagraphs *i* to *iii* of paragraph *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

64. (1) The said Act is amended by inserting, after section 710.0.1, the following section :

“710.0.2. For the purposes of paragraph *c* of section 710, the fair market value of a servitude referred to in paragraph *b* of section 710.0.1 is deemed to be equal to the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a consequence of the making of the gift of the servitude.”

(2) Subsection 1 applies in respect of gifts made after 12 May 1994. However, where section 710.0.2 of the said Act, enacted by subsection 1,

applies to a taxation year that ends before 1 January 1998, it shall be read as follows:

“710.0.2. For the purposes of paragraphs *k* and *l* of section 710, the fair market value of a servitude referred to in paragraph *b* of section 710.0.1 is deemed to be equal to the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a consequence of the making of the gift of the servitude.”

65. (1) Section 710.1 of the said Act is amended by replacing “paragraph *b*” by “subparagraph *i* of paragraph *d*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

66. (1) Section 711 of the said Act is replaced by the following:

“711. The deduction allowed by paragraph *a* of section 710 shall not exceed the lesser of the corporation’s income for the year and the amount determined by the formula

$$0.75 \times A + 0.25 \times (B + C + D).$$

In the formula provided for in the first paragraph,

(*a*) A is the corporation’s income for the year computed before any deduction under section 800;

(*b*) B is the aggregate of all amounts each of which is a taxable capital gain of the corporation for the year from a disposition that is the making of a gift of a property related to the mission of the donee, made by the corporation in the year and described in paragraph *a* of section 710;

(*c*) C is the aggregate of all amounts each of which is a taxable capital gain of the corporation for the year, because of the application of section 234.0.1, from a disposition of a property related to the mission of the donee in a preceding taxation year; and

(*d*) D is the aggregate of all amounts each of which is determined in respect of the corporation’s depreciable property of a prescribed class and equal to the lesser of

i. the amount included under section 94 in respect of the class in computing the corporation’s income for the year, and

ii. the aggregate of all amounts each of which is determined in respect of a disposition that is the making of a gift of a property of the class that is a property related to the mission of the donee, made by the corporation in the



year and described in paragraph *a* of section 710, and equal to the lesser of the proceeds of disposition of the property minus any outlays and expenses made or incurred by the corporation for the purpose of making the disposition, and the capital cost to the corporation of the property.

For the purposes of subparagraphs *b* to *d* of the second paragraph, a property is related to the mission of the donee if the donee has acquired the property in connection with its primary mission and can use the property without being required to sell it.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

67. (1) The said Act is amended by inserting, after section 711, the following section:

“711.1. For the purpose of determining the amount deductible under section 710 in computing the taxable income of a corporation for a taxation year, the following rules apply:

(*a*) an amount relating to a gift is deductible only to the extent that it exceeds amounts in respect of the gift deducted in computing the corporation’s taxable income for preceding taxation years; and

(*b*) no amount in respect of a gift made in a particular taxation year is deductible under any of paragraphs *a* to *d* of section 710 until amounts deductible under that paragraph in respect of gifts made in taxation years preceding the particular year have been deducted.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1996. However, where section 711.1 of the said Act, enacted by subsection 1, applies to a taxation year ending before 1 January 1998, it shall be read as follows:

“711.1. For the purposes of section 710, no amount in respect of a gift made in a particular taxation year is deductible until amounts deductible under that section in respect of gifts made in taxation years preceding the particular year have been deducted.”

68. (1) Section 712.0.2 of the said Act is amended by replacing “paragraphs *k* and *l*” by “paragraph *c*” and “paragraph *k*” by “subparagraph *i* of paragraph *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

69. (1) Section 714.1 of the said Act is amended by replacing, in the first paragraph, “paragraphs *c*, *d*, *e* and *g* to *i*” by “subparagraphs *i*, *ii*, *iv* and *vi* to *viii* of paragraph *a*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

70. (1) Section 716 of the said Act is amended by replacing “contemplated in paragraphs *a* or *c* to *l*” by “referred to in any of paragraphs *a* to *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

71. (1) The said Act is amended by inserting, after section 716.0.1, the following sections:

“716.0.2. The definitions of “excepted gift” and “non-qualifying security” in the first paragraph of section 752.0.10.1, the second paragraph of that section and sections 752.0.10.16 to 752.0.10.18 apply in respect of a corporation as if the references therein to “an individual” were read as references to “a corporation”, as if the reference therein to “752.0.10.12” were read as a reference to “716” and as if a non-qualifying security of a corporation included a share, other than a share listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, of the capital stock of the corporation.

“716.0.3. If, but for this section, a corporation, other than a corporation that was a predecessor corporation in an amalgamation to which section 544 applied or a corporation that was wound up in a winding-up to which Chapter VII of Title IX of Book III applied, would be deemed under section 752.0.10.16 to have made a gift after the corporation ceased to exist, for the purposes of this Title, the corporation is deemed to have made the gift in its last taxation year.

Any amount of interest payable under this Part must be determined as if the presumption provided in the first paragraph did not apply.”

(2) Subsection 1 has effect from 1 August 1997.

72. (1) Section 725 of the said Act is amended by inserting, after paragraph *c*, the following paragraph:

“(c.1) an amount received by the individual from the Minister of Education as a postdoctoral research fellowship under the Fellowship for Excellence Program, that is awarded according to the standards provided in Schedule V to decision 191649 of the Conseil du trésor dated 31 March 1998, and included as such under paragraph *g* or *h* of section 312;”.

(2) Subsection 1 applies from the taxation year 1998.

73. (1) Section 725.0.1 of the said Act is amended by inserting the following definitions in alphabetical order:

““band” means

(a) a band within the meaning of subsection 1 of section 2 of the Indian Act (Revised Statutes of Canada, 1985, chapter I-5);

(b) a band within the meaning of subsection 1 of section 2 of the Cree-Naskapi (of Quebec) Act (Statutes of Canada, 1984, chapter 18);

(c) a designated corporation within the meaning of section 2 of the Indians and Bands on certain Indian Settlements Remission Order made by Order in Council P.C. 1992-1052 dated 14 May 1992, as amended by Order in Council P.C. 1994-2096 dated 14 December 1994, under the Financial Administration Act (Revised Statutes of Canada, 1985, chapter F-11); or

(d) a Band within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act (Statutes of Canada, 1986, chapter 27);

““council of the band” means

(a) in the case of a band referred to in paragraph *a* of the definition of “band”, a council of the band within the meaning of subsection 1 of section 2 of the Indian Act;

(b) in the case of a band referred to in paragraph *b* of the definition of “band”, a council within the meaning of subsection 1 of section 2 of the Cree-Naskapi (of Quebec) Act; or

(c) in the case of a Band referred to in paragraph *d* of the definition of “band”, a Council within the meaning of subsection 1 of section 2 of the Sechelt Indian Band Self-Government Act;”.

(2) Subsection 1 applies from the taxation year 1997.

74. (1) Section 725.0.2 of the said Act is amended by replacing subparagraphs *a* and *b* of the second paragraph by the following:

“(a) a band that owns a reserve;

“(b) a council of the band representing one or more bands referred to in subparagraph *a*; or”.

(2) Subsection 1 applies from the taxation year 1997.

75. (1) Section 725.6 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“725.6. Subject to paragraph *f* of section 737.18, paragraph *d* of section 737.22 and paragraph *e* of sections 737.22.0.4 and 737.22.0.0.4, an individual who has, by virtue of sections 487.1 to 487.6, included an amount in computing the individual’s income for the year in respect of a benefit received by the individual in respect of a home relocation loan, may deduct an amount equal to the least of”.

(2) Subsection 1 applies from the taxation year 1997. However, where the portion of section 725.6 of the said Act before paragraph *a*, enacted by subsection 1, applies to the taxation year 1997, it shall be read as if the reference to “sections 737.22.0.4 and 737.22.0.0.4” were a reference to “section 737.22.0.4”.

76. Section 726.4.13 of the said Act is amended by replacing, in the English text, the words “incurred before a particular time” by the words “incurred before any time”.

77. (1) The said Act is amended by inserting, after section 726.4.17.17, the following :

**“TITLE VI.3.2.3**

**“ADDITIONAL DEDUCTION IN RESPECT OF CERTAIN  
EXPLORATION EXPENSES INCURRED IN THE NEAR NORTH AND  
FAR NORTH OF QUÉBEC**

“726.4.17.18. In this Title,

“northern exploration zone” means a territory situated in Québec, which comprises

(a) the territory between 50°30' north latitude and 54°00' north latitude and bounded on the east by the Grenville Front ;

(b) the portion of the territory of the Lower North Shore situated between Baie-Johan-Beetz and the Petit Mécatina river; and

(c) the territory situated north of 54°00' north latitude ;

“qualified corporation” means a corporation all of the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses in respect of which an amount is renounced under section 359.2 or 359.2.1 are incurred, and throughout the 12-month period preceding that time, fulfills the following conditions :

(a) the corporation does not operate any mineral resource or oil or gas well ;

(b) the corporation neither controls another corporation that operates a mineral resource or an oil or gas well nor is so controlled by such a corporation ;

“qualified partnership” means a partnership all the activities of which consist mainly in exploring for minerals, petroleum or gas or developing a mineral resource or an oil or gas well and which, at the time the expenses

referred to in paragraph *d* of section 395 are incurred and, throughout the 12-month period preceding that time, fulfills the following conditions:

(a) neither the partnership nor any of its members operates a mineral resource or an oil or gas well;

(b) none of its members is a corporation that controls a corporation operating a mineral resource or an oil or gas well or is so controlled by such a corporation.

“726.4.17.19. A corporation may deduct, in computing its taxable income for a taxation year, an amount not exceeding its exploration base relating to certain exploration expenses incurred in a northern exploration zone at the end of the year, computed before any deduction for the year under this section.

“726.4.17.20. In this Title, the exploration base relating to certain exploration expenses incurred in a northern exploration zone of a corporation, at any time, means an amount equal to the amount by which the amount computed under section 726.4.17.21 is exceeded by 25% of the amount by which

(a) the aggregate of the expenses, except those described in section 726.4.17.22, incurred by the corporation in a northern exploration zone after 31 March 1998 and before that time, and that are

i. Canadian exploration expenses that would be described in paragraph *a*, *b.1* or *c* of section 395 if the reference in those paragraphs to “Canada”, wherever it appears except in subparagraph iv of that paragraph *b.1*, were a reference to “the northern exploration zone”, or described in paragraph *d* of that section 395 if the reference therein to “expenses described in paragraphs *a* to *b.1* and *c* to *c.2*” were replaced by a reference to “expenses that would be described in paragraph *a*, *b.1* or *c*, if the reference in those paragraphs to “Canada”, wherever it appears except in subparagraph iv of paragraph *b.1*, were a reference to “the northern exploration zone””, or

ii. Canadian development expenses that would be described in paragraph *a* or *a.1* of section 408 if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “the northern exploration zone”, or described in paragraph *d* of that section 408 if the reference therein to “expense described in paragraphs *a* to *c*” were replaced by a reference to “expense that would be described in paragraph *a* or *a.1*, if the reference in those paragraphs to “Canada”, wherever it appears, were a reference to “the northern exploration zone””, and that are deemed, under paragraph *a* of section 359.3, to be Canadian exploration expenses of the corporation by reason of a renunciation to the corporation under section 359.2.1; exceeds

(b) the aggregate of all amounts of assistance, within the meaning of paragraph *c.0.1* of section 359, that a person, including a partnership, has received, is entitled to receive or becomes, at any time, entitled to receive in

respect of an expense referred to in paragraph *a*, to the extent that the assistance has not reduced, by reason of subparagraph *a* of the first paragraph of section 359.2, the Canadian exploration expenses of the corporation or, by reason of paragraph *a* of section 359.2.1, the Canadian development expenses deemed to be Canadian exploration expenses of the corporation.

“726.4.17.21. The amount to which section 726.4.17.20 refers is equal, at any time referred to therein, to the aggregate of

(*a*) any amount deducted by the corporation under section 726.4.17.19 in computing its taxable income for a taxation year ending before that time, and

(*b*) 25% of each amount that became receivable by the corporation before that time but after 31 March 1998 and in respect of which the consideration given by the corporation was a property, other than a property disposed of by the corporation to any person with whom the corporation 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 in respect of which an amount was included, under section 726.4.17.20, in computing the exploration base relating to certain exploration expenses of the corporation or of a person with whom the corporation was not dealing at arm’s length, incurred in a northern exploration zone.

“726.4.17.22. The expenses to which paragraph *a* of section 726.4.17.20 refers are

(*a*) any amount included in the Canadian exploration and development overhead expenses of the corporation, within the meaning of the regulations ;

(*b*) any amount relating to Canadian exploration expenses or Canadian development expenses that is renounced by a corporation that is not a qualified corporation, effective after 31 March 1998, under section 359.2 or 359.2.1, as the case may be, in respect of a share ;

(*c*) any amount relating to financing, including expenses incurred before the beginning of the carrying on of a business ;

(*d*) expenses that are Canadian exploration expenses of the corporation under paragraph *d* of section 395, to the extent that they refer to expenses incurred, after 31 March 1998 and before the time referred to in section 726.4.17.20, by a partnership that is not a qualified partnership ; and

(*e*) any prescribed expense.

“726.4.17.23. Where an expense incurred before any time is included in the aggregate determined under paragraph *a* of section 726.4.17.20 in respect of a corporation and, after that time, a person, including a partnership,

becomes entitled to receive assistance, within the meaning of paragraph *c.0.1* of section 359, in respect of that expense, the assistance shall be included in the aggregate referred to in paragraph *b* of that section 726.4.17.20 in respect of the corporation at the time the expense was incurred, to the extent that it has not reduced the amount of the expense by reason of subparagraph *a* of the first paragraph of section 359.2 or paragraph *a* of section 359.2.1.

“726.4.17.24. For the purposes of this Title, the operation of a mineral resource or an oil or gas well shall be interpreted as such an operation carried out in reasonable commercial quantities.

“726.4.17.25. For the purposes of this Title, where a member of a partnership is deemed to have incurred Canadian exploration expenses under paragraph *d* of section 395, the expenses are deemed to have been incurred by the member at the time they were incurred by the partnership.”

(2) Subsection 1 applies in respect of exploration expenses incurred after 31 March 1998.

78. (1) Section 726.22 of the said Act is amended, in the first paragraph,

(1) by replacing the portion before subparagraph *a* by the following :

“726.22. Subject to paragraph *f* of section 737.22 and paragraph *h* of sections 737.22.0.4 and 737.22.0.0.4, the amounts to which section 726.21 refers are the following :”;

(2) by replacing, in the English text of subparagraph 2 of subparagraph ii of subparagraph *b*, “this paragraph” by “this subparagraph *b*”.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1997. However, where the portion of the first paragraph of section 726.22 of the said Act before subparagraph *a*, enacted by that paragraph 1, applies to the taxation year 1997, it shall be read as if the reference therein to “sections 737.22.0.4 and 737.22.0.0.4” were a reference to “section 737.22.0.4”.

79. (1) The said Act is amended by inserting, after section 733.0.1, the following section :

“733.0.2. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss or limited partnership loss for a taxation year of a corporation that is, for that year, a qualified corporation within the meaning of the first paragraph of section 1029.8.36.89, the following rules apply :

(*a*) the amount determined under subparagraph *a* of the first paragraph of section 737.18.3 in respect of the qualified corporation for the year is deemed to be nil;

(b) the amount determined under subparagraph *b* of the first paragraph of section 737.18.3 in respect of the qualified corporation for the year is, up to the amount that would, but for paragraph *a*, be determined under subparagraph *a* of the first paragraph of that section 737.18.3 in respect of the qualified corporation for the year, deemed to be nil.”

(2) Subsection 1 applies from the taxation year 1998.

80. (1) The said Act is amended by inserting, after section 737.18, the following:

**“TITLE VII.2.1**

**“DEDUCTION IN RESPECT OF A QUALIFIED INVESTMENT FUND**

**“CHAPTER I**

**“INTERPRETATION AND GENERAL**

**“737.18.1.** In this Title,

“exemption period” applicable to a qualified corporation in respect of a qualified investment fund of the qualified corporation means the period of five years that begins on the reference date applicable to the qualified investment fund;

“qualification certificate” has the meaning assigned by the first paragraph of section 1029.8.36.89;

“qualified corporation” has the meaning assigned by the first paragraph of section 1029.8.36.89;

“qualified investment fund” has the meaning assigned by the first paragraph of section 1029.8.36.89;

“reference date” has the meaning assigned by the first paragraph of section 1029.8.36.89;

“temporary certificate” has the meaning assigned by the first paragraph of section 1029.8.36.89.

**“737.18.2.** For the purpose of determining, for the purposes of this Title, the income or loss of a qualified corporation for a taxation year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation, the following rules apply:

(a) the income or loss, as the case may be, shall be computed as if the activities constituted the carrying on, by the qualified corporation, of a separate business;



(b) the income or loss of the qualified corporation for the year from the operations of an international financial centre is deemed to be nil.

## “CHAPTER II

### “DEDUCTION

“737.18.3. Subject to the third paragraph, a qualified corporation may, in computing its taxable income for a taxation year, deduct an amount that does not exceed the amount by which

(a) the aggregate of all amounts each of which is the amount obtained by multiplying the income of the qualified corporation for the year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation in respect of which the conditions mentioned in the second paragraph are met, by the proportion that the number of days in the year comprised in the exemption period applicable to the qualified corporation in respect of that fund is of the number of days in the year during which it administers and manages that fund; exceeds

(b) the aggregate of all amount each of which is the amount obtained by multiplying the loss of the qualified corporation for the year from its activities relating to the administration and management of a qualified investment fund of the qualified corporation in respect of which the conditions mentioned in the second paragraph are met, by the proportion that the number of days in the year comprised in the exemption period applicable to the qualified corporation in respect of that fund is of the number of days in the year during which it administers and manages that fund.

The conditions to which subparagraph *a* or *b*, as the case may be, of the first paragraph refers in respect of a qualified investment fund of the qualified corporation are as follows:

(a) a qualification certificate, the date of which is not after the filing-due date of the qualified corporation for the year, has been issued to the qualified corporation in respect of that fund or, where the date is after the filing-due date of the qualified corporation for the year, a temporary certificate, the date of which is not after that filing-due date, has been issued to the qualified corporation in respect of that fund;

(b) the taxation year of the qualified corporation is comprised, in whole or in part, in the exemption period applicable to the qualified corporation in respect of that fund.

A qualified corporation may not deduct an amount in computing its taxable income for a taxation year under the first paragraph unless it encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and, in relation to each qualified investment fund of the qualified corporation that is referred to for the year in

subparagraph *a* or *b* of the first paragraph, a copy of the valid qualification certificate or valid temporary certificate, as the case may be, mentioned in subparagraph *a* of the second paragraph in respect of that fund and a copy of the valid certificate issued to the qualified corporation by the Minister of Finance for the year in respect of that fund.

### “CHAPTER III

#### “ADMINISTRATION

“737.18.4. Where the Minister of Finance revokes a qualification certificate or a temporary certificate issued by the Minister of Finance to a qualified corporation in respect of a qualified investment fund of the qualified corporation, or a certificate issued by the Minister of Finance for a taxation year to a qualified corporation in respect of such a fund, and where that revocation occurs at a particular time within eight years or, where the corporation is not a Canadian-controlled private corporation, nine years after the reference date in respect of the fund, the following rules apply :

(*a*) every certificate issued by the Minister of Finance to the qualified corporation in respect of that fund for a taxation year, and every qualification certificate or temporary certificate issued by the Minister of Finance to the qualified corporation in respect of that fund are, for the purposes of this Title, null and void from the time they were issued ;

(*b*) the corporation shall, for any taxation year that ends before the particular time, where the corporation has filed a fiscal return under section 1000 for that preceding year and the taxable income of the corporation as determined for that preceding year differs from the amount that would have been its taxable income for that preceding year if, in respect of the qualified investment fund, no qualification certificate or temporary certificate had been issued to the corporation, file with the Minister, on or before its filing-due date for the taxation year that includes the particular time, an amended fiscal return in which the corporation shall take into account the tax consequences of the revocation in respect of an amount relating to that preceding year.

Notwithstanding the expiration of the time limits provided for in section 1010,

(*a*) the Minister may, within one year after the filing-due date referred to in subparagraph *b* of the first paragraph, but for the amended fiscal return that the corporation is required to file under that subparagraph *b*, redetermine the tax, interest and penalties payable under this Part by the corporation for any taxation year for which the revocation referred to in the first paragraph entails tax consequences under this Part ; and

(*b*) the Minister may also redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

i. within three years after the later of the day of mailing, pursuant to subparagraph *a*, of a notice of assessment for a taxation year or of a notification that no tax is payable for a taxation year and the day on which an amended fiscal return for the taxation year is filed pursuant to subparagraph *b* of the first paragraph, or

ii. within four years after the day referred to in subparagraph i if, at the end of the taxation year concerned, the corporation is not a Canadian-controlled private corporation.

However, the Minister may, in respect of a taxation year for which the revocation referred to in the first paragraph entails tax consequences under this Part, make an assessment, a reassessment or an additional assessment beyond the periods referred to in paragraph *a* or *a.0.1* of subsection 2 of section 1010 only to the extent that the assessment, reassessment or additional assessment may reasonably be considered to relate to a tax consequence referred to in subparagraph *b* of the first paragraph.

“737.18.5. For the purposes of section 737.18.4, where a temporary certificate issued to a qualified corporation in respect of a qualified investment fund of the qualified corporation is not replaced by a qualification certificate, on or before the filing-due date of the qualified corporation for the taxation year of the qualified corporation that includes the last day of the three-year period that begins on the reference date applicable to that fund, that temporary certificate is deemed to be revoked by the Minister of Finance in that taxation year.”

(2) Subsection 1 applies from the taxation year 1998.

81. (1) Section 737.19 of the said Act, amended by section 25 of chapter 8 of the statutes of 1999, is again amended by replacing, in the portion of paragraph *a* before subparagraph i, the words “from the Minister” by the words “issued by the Minister”.

(2) Subsection 1 has effect from 8 June 1999.

82. Section 737.22 of the said Act is amended, in the English text, by replacing, in subparagraph 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22 of the Act, enacted by paragraph *f* of that section 737.22, “this paragraph” by “this subparagraph *b*”.

83. (1) The said Act is amended by inserting, after section 737.22, the following:

**“TITLE VII.3.0.1****“DEDUCTION IN RESPECT OF A FOREIGN RESEARCHER ON A POST-DOCTORAL INTERNSHIP****“CHAPTER I****“DEFINITIONS**

“737.22.0.0.1. In this Title,

“eligible employer” means an eligible public research centre within the meaning of paragraph *a.1* of section 1029.8.1 or an eligible university entity within the meaning of paragraph *f* of that section;

“eligible income” of a foreign researcher on a post-doctoral internship for a taxation year means the aggregate of all amounts paid to the researcher as wages in the year by the researcher’s eligible employer and that may reasonably be considered to be attributable to the researcher’s research activity period;

“foreign researcher on a post-doctoral internship” means an individual who, at a particular time after 31 March 1998, takes up employment, as an employee, with an eligible employer pursuant to an employment contract entered into after 31 March 1998 with the eligible employer, in respect of whom the eligible employer obtained, not later than 30 days after the later of the date the employment contract was entered into and the individual’s employment starting date, a certificate issued by the Minister of Education, that has not been revoked, certifying that the individual is specialized in the field of pure or applied science or a related field and holds a doctoral degree in such a field, and who

(*a*) is not resident in Canada immediately before entering into the employment contract or immediately before taking up employment, as an employee, with the eligible employer,

(*b*) from the particular time and without interruption, works exclusively or almost exclusively as an employee of the eligible employer, and

(*c*) performs duties as an employee of the eligible employer that consist exclusively or almost exclusively in performing scientific research and experimental development;

“research activity period” of a foreign researcher on a post-doctoral internship means the period beginning on the day when, for the first time after 31 March 1998, the foreign researcher takes up employment, as an employee, with an eligible employer and ending on the earlier of

(*a*) the day on which the foreign researcher ceases to satisfy a condition set out in paragraph *b* or *c* of the definition of “foreign researcher on a post-doctoral internship”, and

(b) the seven hundred and thirty-first day following the foreign researcher's employment starting date ;

“wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

**“737.22.0.0.2.** For the purposes of this Title, any employment contract referred to in the definition of “foreign researcher on a post-doctoral internship” in section 737.22.0.0.1 that is renewed is deemed not to be a separate employment contract.

The same rule applies where a new employment contract is entered into with another eligible employer, in which case that other eligible employer is deemed not to be other than the eligible employer who entered into the employment contract referred to in the definition of “foreign researcher on a post-doctoral internship” in section 737.22.0.0.1.

## **“CHAPTER II**

### **“DEDUCTION**

**“737.22.0.0.3.** A foreign researcher on a post-doctoral internship may deduct, in computing the foreign researcher's taxable income for a taxation year, any amount not greater than the amount by which the foreign researcher's eligible income for the year as attested in prescribed manner by the eligible employer exceeds the aggregate of the amounts deductible by the foreign researcher in computing the foreign researcher's income for the year under Chapter III of Title II of Book III and which may reasonably be considered to be attributable to the foreign researcher's employment as a foreign researcher on a post-doctoral internship during the research activity period.

## **“CHAPTER III**

### **“COMPUTATION OF TAXABLE INCOME**

**“737.22.0.0.4.** For the purpose of computing the taxable income of a foreign researcher on a post-doctoral internship referred to in section 737.22.0.0.3 for a taxation year, the following rules apply :

(a) where the foreign researcher has included in computing the foreign researcher's income for the year an amount representing the benefit the foreign researcher is deemed to receive in the year under any of sections 49 and 50 to 52, in respect of the share or the transfer or other disposition of the rights under the agreement and the amount of the benefit is included in the foreign researcher's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction provided in section 725.2, deemed to be nil ;

(b) where the foreign researcher has included in computing the foreign researcher's income for the year an amount representing the benefit the foreign researcher is deemed to receive under section 49 by virtue of section 49.2 in respect of a share acquired by the foreign researcher after 22 May 1985 and the amount of the benefit is included in the foreign researcher's eligible income for the year, the amount of the benefit is, for the purpose of computing the deduction provided in section 725.3, deemed to be nil;

(c) where the foreign researcher has included in computing the foreign researcher's income for the year an amount referred to in paragraph *a* or *e* of section 725 and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purpose of computing the deduction provided in either of those paragraphs, deemed to be nil;

(d) where the foreign researcher has included in computing the foreign researcher's income for the year an amount referred to in subparagraph *a* of the second paragraph of section 725.1.2 and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purpose of computing the deduction provided in the first paragraph of that section, deemed to be nil;

(e) paragraph *a*, the portion of paragraph *b* before subparagraph *i* and paragraph *c* of section 725.6 shall be read as follows :

“(a) such part of the benefit that would be deemed to have been received in the year by the individual under sections 487.1 to 487.6 if those sections had applied only in respect of the home relocation loan as may reasonably be attributed to the part of the year that is not included in the individual's research activity period within the meaning of section 737.22.0.0.1 ;”;

“(b) the amount of interest for that part of the year, not included in the individual's research activity period within the meaning of section 737.22.0.0.1, that would be computed at the prescribed rate referred to in section 487.2 in respect of the home relocation loan of the individual if that loan were in the amount of \$25,000 and were extinguished on the earlier of” ;

“(c) such part of the amount of the benefit that the individual is deemed to have received in the year under sections 487.1 to 487.6 in respect of the loan as may reasonably be considered as having been received in the part of the year not included in the individual's research activity period within the meaning of section 737.22.0.0.1.” ;

(f) where the foreign researcher has included in computing the foreign researcher's income for the year an amount received by the foreign researcher under a registered gain-sharing plan that is part of a quality approach, within the meaning of section 725.8, of a corporation and the amount is included in the foreign researcher's eligible income for the year, the amount is, for the purpose of computing the deduction provided in section 725.9, deemed to be nil ;

(g) where the foreign researcher has included in computing the foreign researcher's income for the year an amount received, or the value of a benefit received or enjoyed by the foreign researcher and such amount or such value is both described in subparagraph *a* of the first paragraph of section 726.22 and included in the foreign researcher's eligible income for the year, the amount or value, as the case may be, is, for the purpose of computing the deduction provided in section 726.21, deemed to be nil; and

(h) subparagraphs 1 and 2 of subparagraph ii of subparagraph *b* of the first paragraph of section 726.22 shall be read as follows:

“(1) \$7.50 multiplied by the number of days in the year included in the qualifying period in which the taxpayer resided in the particular area, except any day included in the taxpayer's research activity period within the meaning of section 737.22.0.0.1;”;

“(2) \$7.50 multiplied by the number of days in the year included in that portion of the qualifying period throughout which the taxpayer maintained and resided in a self-contained domestic establishment in the particular area, except any day included in the taxpayer's research activity period within the meaning of section 737.22.0.0.1 or included in computing an amount deducted under this subparagraph *b* by another person who resided on that day in that establishment.”.

(2) Subsection 1 applies from the taxation year 1998.

84. The heading of Chapter I.0.1 of Title I of Book V of Part I of the said Act is replaced, in the English Text, by the following:

“PERSONAL TAX CREDITS”.

85. (1) Section 752.0.1 of the said Act is amended

(1) by replacing subparagraph iii of paragraph *b* by the following:

“iii. who, during the year, ordinarily lives with the individual or is deemed to ordinarily live with the individual under section 752.0.5.1;”;

(2) by replacing the portion of paragraph *e* before subparagraph i by the following:

“(e) \$1,300 for a person in respect of whom the individual is entitled to a deduction under paragraph *b*, if, where the rules in Book V.2.1 do not apply to the individual for the year, the individual is not entitled to the deduction under paragraph *a* and, where the rules in Book V.2.1 apply to the individual for the year, the individual would not be entitled to the deduction under paragraph *a* but for that Book and if, during the year, the individual”;

(3) by replacing subparagraph iii of paragraph *f* by the following:

“iii. who, during the year, ordinarily lives with the individual or is deemed to ordinarily live with the individual under section 752.0.5.1;”.

(2) Subsection 1 applies from the taxation year 1998.

86. (1) The said Act is amended by inserting, after section 752.0.5, the following section:

“752.0.5.1. For the purposes of subparagraph iii of paragraph *b* or *f* of section 752.0.1, a person who, during a year, does not ordinarily live with the individual on whom the person is dependent by reason of mental or physical infirmity, is deemed to ordinarily live with that individual during that year, except if the person has not been resident in Canada at any time in the year where the person is not the child or grandchild of the individual.”

(2) Subsection 1 applies from the taxation year 1998.

87. (1) Section 752.0.7.4 of the said Act is amended

(1) by replacing subparagraphs ii and iii of paragraph *a* by the following:

“ii. the lesser of \$1,000 and the amount referred to in section 752.0.8 in respect of the individual for the year;

“iii. where the individual has attained the age of 65 years before the end of the year, \$2,200;”;

(2) by replacing subparagraphs ii and iii of paragraph *b* by the following:

“ii. the lesser of \$1,000 and the amount referred to in section 752.0.8 in respect of the eligible spouse for the year;

“iii. where the eligible spouse has attained the age of 65 years before the end of the year, \$2,200.”

(2) Subsection 1 applies from the taxation year 1998.

88. (1) Section 752.0.9 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

89. (1) Section 752.0.10 of the said Act is amended by replacing the portion before paragraph *a* by the following:

“752.0.10. For the purposes of this chapter, the amounts described in section 752.0.8 do not include any amount that is”.

(2) Subsection 1 applies from the taxation year 1998.



90. (1) Section 752.0.10.1 of the said Act is amended

(1) by inserting the following definitions in alphabetical order:

““excepted gift” of an individual means the gift of a share made by the individual if

(a) the donee is not a private foundation;

(b) the individual deals at arm’s length with the donee; and

(c) where the donee is a charitable organization or a public foundation, the individual deals at arms’s length with each director, trustee, officer and like official of the donee;

““non-qualifying security” of an individual at any time means

(a) an obligation, other than an obligation of a financial institution described in the second paragraph to repay an amount deposited with the institution or an obligation listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, of the individual or the individual’s succession or of any person or partnership with whom or with which the individual or the succession does not deal at arm’s length immediately after that time;

(b) a share, other than a share listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, of the capital stock of a corporation with which the individual or the succession does not deal at arm’s length immediately after that time; or

(c) any other security, other than a security listed on a prescribed stock exchange for the purposes of paragraph *d* of section 21.11.20, issued or contracted by the individual or the succession or by any person or partnership with whom or with which the individual or the succession does not deal at arm’s length immediately after that time;

““qualified total charitable gifts” of an individual for a taxation year means

(a) where the individual dies in the year or the subsequent taxation year, the lesser of the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1 and the total charitable gifts of the individual for the year; and

(b) in any other case, the least of the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1, the total charitable gifts of the individual for the year and the amount determined by the formula

$0.75 \times A + 0.25 \times (B + C + D - E)$ ”;

(2) by replacing the definition of “total Crown gifts” by the following :

““total Crown gifts” of an individual for a taxation year means the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the total cultural gifts of the individual for the year, made by the individual before 1 April 1998 or pursuant to an obligation in writing entered into on or before 31 March 1998, in the year or in any of the five preceding taxation years to the State or to Her Majesty in right of Canada or a province, if the conditions set out in section 752.0.10.2 are met in respect of that amount;”;

(3) by replacing, in the definition of “total charitable gifts”, the portion before paragraph *a* by the following :

““total charitable gifts” of an individual for a taxation year means the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the total Crown gifts, the total gifts of qualified property or the total cultural gifts of the individual for the year, made by the individual in the year or in any of the five preceding taxation years, if the conditions set out in section 752.0.10.2 are met in respect of that amount, to”;

(4) by adding, after paragraph *h* of the definition of “total charitable gifts”, the following paragraph :

“(i) the State or to Her Majesty in right of Canada or a province;”;

(5) by replacing, in the definition of “total gifts of qualified property”, the portion before paragraph *a* by the following :

““total gifts of qualified property” of an individual for a taxation year means the aggregate of all amounts each of which is the fair market value of a gift, other than a gift the fair market value of which is included in the total Crown gifts or the total cultural gifts of the individual for the year, made by the individual in the year or in any of the five preceding taxation years, if the conditions set out in section 752.0.10.2 are met in respect of that amount, to”;

(6) by replacing paragraph *b* of the definition of “total gifts of qualified property” by the following :

“(b) the State or to a municipality in Québec, if the object of the gift is qualified property.”;

(7) by adding the following paragraphs:

“For the purposes of paragraph *a* of the definition of “non-qualifying security” in the first paragraph, “financial institution” means a corporation that is

(a) a member of the Canadian Payments Association ; or

(b) a savings and credit union that is a member or shareholder of a body corporate, in this Act referred to as a corporation, or organization that is a central for the purposes of the Canadian Payments Association Act (Revised Statutes of Canada, 1985, chapter C-21).

“In the formula provided for in paragraph *b* of the definition of “qualified total charitable gifts” in the first paragraph,

(a) A is the individual’s income for the year computed with reference to the rules in Title II of Book V.2.1;

(b) B is the aggregate of all amounts each of which is a taxable capital gain of the individual for the year from a disposition that is the making of a gift of a property related to the mission of the donee made by the individual in the year and included in the total charitable gifts of the individual for the year;

(c) C is the aggregate of all amounts each of which is a taxable capital gain of the individual for the year, because of the application of section 234.0.1, from a disposition of a property related to the mission of the donee in a preceding taxation year;

(d) D is the aggregate of all amounts each of which is determined in respect of the individual’s depreciable property of a prescribed class and equal to the lesser of

i. the amount included under section 94 in respect of the class in computing the individual’s income for the year, and

ii. the aggregate of all amounts determined in respect of a disposition that is the making of a gift of a property of the class that is a property related to the mission of the donee, made by the individual in the year and included in the total charitable gifts of the individual for the year, each of which is equal to the lesser of the proceeds of disposition of the property minus any outlays made or expenses incurred by the individual for the purpose of making the disposition, and the capital cost to the individual of the property; and

(e) E is the aggregate of all amounts each of which is the portion of an amount deducted under Title VI.5 of Book IV in computing the individual’s taxable income for the year that may reasonably be considered to relate to a gift referred to in paragraph *b* or *c*.

“For the purposes of subparagraphs *b* to *d* of the third paragraph, a property is related to the mission of the donee if the donee has acquired the property in connection with its primary mission and can use the property without being required to sell it.”

(2) Paragraph 1 of subsection 1, where it enacts the definition of “excepted gift” in the first paragraph of section 752.0.10.1 of the said Act, applies in respect of gifts made after 31 July 1997.

(3) Paragraph 1 of subsection 1, where it enacts the definition of “non-qualifying security” in the first paragraph of section 752.0.10.1 of the said Act, and paragraph 7 of that subsection 1, where it enacts the second paragraph of that section 752.0.10.1, have effect from 1 August 1997.

(4) Paragraph 1 of subsection 1, where it enacts the definition of “qualified total charitable gifts” in the first paragraph of section 752.0.10.1 of the said Act, applies to taxation years that begin after 31 December 1997. In addition, paragraph 1 of subsection 1, where it enacts that definition, applies to the taxation year 1997 where an individual dies in the year 1998 and paragraph *a* of that definition shall be read without reference to “computed with reference to the rules in Title II of Book V.2.1”.

(5) Paragraphs 2 to 5 of subsection 1 and paragraph 7 of that subsection 1, where it enacts the third and fourth paragraphs of section 752.0.10.1 of the said Act, apply to taxation years that begin after 31 December 1997.

(6) Paragraph 6 of subsection 1 applies in respect of gifts made after 31 March 1998.

91. (1) The said Act is amended by inserting, after section 752.0.10.3.1, the following section :

“752.0.10.3.2. For the purposes of the definition of “total gifts of qualified property” in the first paragraph of section 752.0.10.1, the fair market value of a servitude referred to in paragraph *b* of the definition of “qualified property” in that first paragraph is deemed to be the greater of its fair market value otherwise determined and the amount by which the fair market value of the land encumbered by the servitude has been reduced as a result of the making of the gift of the servitude.”

(2) Subsection 1 applies in respect of gifts made after 12 May 1994.

92. (1) The said Act is amended by inserting, after section 752.0.10.5, the following section :

“752.0.10.5.1. For the purpose of determining the total Crown gifts, total charitable gifts, total gifts of qualified property and total cultural gifts, no amount in respect of a gift described in any of the definitions of those expressions in the first paragraph of section 752.0.10.1 and made in a particular taxation year by an individual shall be taken into account in determining an amount that is deducted under section 752.0.10.6 in computing the tax payable under this Part by the individual for a taxation year until amounts in respect of such gifts made in taxation years preceding the particular year that can be so taken into account are so taken into account.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1996.

93. (1) Section 752.0.10.6 of the said Act is amended by replacing paragraph *c* by the following :

“(c) the individual’s qualified total charitable gifts for the year.”

(2) Subsection 1 applies to taxation years that begin after 31 December 1997. In addition, it applies to the taxation year 1997 of an individual who dies in the year 1998.

94. (1) Sections 752.0.10.9 and 752.0.10.10 of the said Act are replaced by the following :

“752.0.10.9. Subject to section 752.0.10.16, a gift made by an individual in the taxation year in which the individual dies, including a gift deemed by section 752.0.10.10, 752.0.10.10.1 or 752.0.10.16 to have been so made, is deemed, for the purposes of this chapter other than this section, to have been made by the individual in the preceding taxation year to the extent that an amount in respect of the gift is not deducted under section 752.0.10.6 for the taxation year in which the individual dies.

“752.0.10.10. Subject to section 752.0.10.16, where an individual by the individual’s will makes a gift to a donee referred to in the first paragraph of section 752.0.10.1, the gift is deemed, for the purposes of this chapter, to have been made by the individual immediately before the individual’s death.”

(2) Subsection 1 applies in respect of gifts made after 31 July 1997.

95. (1) The said Act is amended by inserting, after section 752.0.10.10, the following section :

“752.0.10.10.1. If, but for this section, an individual would be deemed under section 752.0.10.16 to have made a gift after the individual’s death, for the purposes of this chapter the individual is deemed to have made the gift in the taxation year in which the individual died.

Any amount of interest payable under this Act must be determined as if the presumption provided in the first paragraph did not apply.”

(2) Subsection 1 applies in respect of gifts made after 31 July 1997.

96. (1) The said Act is amended by inserting, after section 752.0.10.15, the following sections :

“752.0.10.16. For the purposes of this chapter, where at any particular time an individual makes a gift, including a gift that, but for this section and section 752.0.10.9, would be deemed under section 752.0.10.10 to have been made at the particular time, of a non-qualifying security of the individual and the gift is not an excepted gift of the individual, the following rules apply :

(a) except for the purpose of determining the individual's proceeds of disposition of the security pursuant to section 752.0.10.12, the gift is deemed not to have been made;

(b) where the security ceases to be a non-qualifying security of the individual at a subsequent time that is within 60 months after the particular time and the donee has not disposed of the security at or before the subsequent time, the individual is deemed to have made a gift to the donee of property at the subsequent time and the fair market value of that gift is deemed to be the lesser of the fair market value of the security at the subsequent time and the amount of the gift made at the particular time that would, but for this section, have been included in the individual's total charitable gifts or total Crown gifts for a taxation year;

(c) where the security is disposed of by the donee within 60 months after the particular time and paragraph *b* does not apply to the security, the individual is deemed to have made a gift to the donee of property at the time of the disposition and the fair market value of that gift is deemed to be the lesser of the fair market value of any consideration, other than a non-qualifying security of the individual or a property that would be a non-qualifying security of the individual if the individual were alive at the time of the disposition, received by the donee for the security and the amount of the gift made at the particular time that would, but for this section, have been included in the individual's total charitable gifts or total Crown gifts for a taxation year; and

(d) a designation under section 752.0.10.12 in respect of the gift made at the particular time may be made in the individual's fiscal return for the year that includes the subsequent time referred to in paragraph *b* or the time of the disposition referred to in paragraph *c*.

**“752.0.10.17.** Where a share, in this section referred to as the “new share”, that is a non-qualifying security of an individual has been acquired by a donee referred to in section 752.0.10.16 in exchange for another share, in this section referred to as the “exchanged share”, that is a non-qualifying security of the individual as a result of a transaction to which any of sections 301, 301.1, 537 and 541 to 555.4 applies, the new share is deemed for the purposes of section 752.0.10.16 and this section to be the same share as the exchanged share.

**“752.0.10.18.** For the purposes of this chapter, the fair market value of a gift of property made at any particular time by an individual is deemed to be equal to the fair market value of the gift of property otherwise determined minus the amount described in the second paragraph, where

(a) if the property is a non-qualifying security of the individual, the gift is an excepted gift; and

(b) within 60 months after the particular time,

i. the donee holds a non-qualifying security of the individual that was acquired by the donee on the latest of 1 August 1997 and any time that is after 60 months before the particular time, or

ii. where the individual and the donee do not deal at arm's length with each other,

(1) the individual or any person or partnership with whom or with which the individual does not deal at arm's length uses property of the donee under an agreement that was made or modified after the time that is 60 months before the particular time and has begun to so use it after 31 July 1997, and

(2) the property was not used in the carrying on of the donee's charitable activities.

The amount to which the first paragraph refers is the aggregate of all amounts each of which is the fair market value of the consideration given by the donee to acquire a non-qualifying security referred to in subparagraph i of subparagraph *b* of the first paragraph or the fair market value of property referred to in subparagraph ii of that subparagraph *b*, as the case may be.

Where the first paragraph applies for the purpose of determining the fair market value of a gift made at any particular time by an individual, the fair market value, referred to in the second paragraph, of consideration given to acquire a non-qualifying security referred to in subparagraph i of subparagraph *b* of the first paragraph or of property referred to in subparagraph ii of that subparagraph *b* is deemed to be equal to the fair market value of the consideration otherwise determined minus any portion of it that has been used under the first paragraph to reduce the fair market value of another gift made before that time by the individual."

(2) Subsection 1, where it enacts sections 752.0.10.16 and 752.0.10.17 of the said Act, applies in respect of gifts made after 31 July 1997.

(3) Subsection 1, where it enacts section 752.0.10.18 of the said Act, has effect from 1 August 1997.

97. (1) Section 752.0.18.2 of the said Act is amended by replacing, in paragraph *a*, "737.21 and 737.22.0.3" by "737.21, 737.22.0.0.3 and 737.22.0.3".

(2) Subsection 1 applies from the taxation year 1998.

98. (1) Section 752.0.18.7 of the said Act is amended by replacing "737.21 and 737.22.0.3" by "737.21, 737.22.0.0.3 and 737.22.0.3".

(2) Subsection 1 applies from the taxation year 1998.

99. (1) Section 752.14 of the said Act is replaced by the following :

“752.14. For the purposes of section 752.12, additional tax of an individual for a taxation year is equal to the amount by which the individual’s minimum tax applicable for the year as determined under section 776.46 exceeds the amount that would be the tax otherwise payable by the individual under this Part for the year if such amount were computed under Book V without reference to sections 752.1 to 752.5, 772.2 to 772.13, 776 and 776.1.1 to 776.1.5.”

(2) Subsection 1 applies from the taxation year 1998.

100. (1) Section 752.15.1 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

101. (1) Section 771 of the said Act is amended, in subsection 1,

(1) by replacing paragraph *j* by the following:

“(*j*) notwithstanding paragraph *d.2*, in the case of a corporation referred to in paragraph *b*, for a taxation year for which it is an exempt corporation, within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds 16.25% of the amount determined in its respect for the year under section 771.8.5;”;

(2) by replacing the portion of paragraph *k* before subparagraph *i* by the following:

“(*k*) notwithstanding paragraphs *d.2* and *j*, in the case of a corporation referred to in paragraph *b*, for its taxation year that includes the last day of its eligibility period and for which it is an exempt corporation, within the meaning of sections 771.12 and 771.13, to the amount by which 16.25% of its taxable income for the year exceeds the aggregate of”.

(2) Subsection 1 has effect from 26 March 1997.

102. (1) Section 771.1 of the said Act is amended by replacing the definition of “eligibility period” by the following:

““eligibility period” of a corporation means the five-year period that begins on the later of the first day of the corporation’s first taxation year and 26 March 1997, except where the corporation ceases, in a particular taxation year, to be an exempt corporation within the meaning of sections 771.12 and 771.13, in which case that expression means the portion of the period that ends on the last day of the taxation year preceding the particular year;”.

(2) Subsection 1 has effect from 26 March 1997.



103. (1) Section 771.1.5 of the said Act is amended by replacing paragraph *b* by the following:

“(b) where a Canadian-controlled private corporation to which any of sections 771.1.2 to 771.1.4 applies, other than a corporation to which section 771.1.4.1 applies, has a taxation year of fewer than 51 weeks, its business limit for the year is that proportion of its business limit for the year, determined without reference to this paragraph and sections 771.1.5.1 and 771.1.5.2, that the number of days in the year is of 365.”

(2) Subsection 1 applies from the taxation year 1998.

104. Section 771.1.5.3 of the said Act is amended by replacing paragraph *c* by the following:

“(c) in respect of a cooperative, its paid-up capital determined for that year in accordance with Title I of Book III of Part IV.”

105. (1) The said Act is amended by inserting, after section 771.2.2, the following section:

“771.2.3. For the purposes of subparagraphs i and ii of paragraph *d.2* of subsection 1 of section 771, subparagraphs ii and iii of paragraphs *f*, *h* and *i* of subsection 1 of section 771 and paragraph *d* of sections 771.8.1, 771.8.3 and 771.8.4, the amount by which the income of a corporation for a taxation year from an eligible business carried on by it exceeds its loss for the year from such a business shall be computed

(a) as if the amount determined under subparagraph *a* of the first paragraph of section 737.18.3 in respect of the corporation for the year were nil; and

(b) as if the amount determined under subparagraph *b* of the first paragraph of section 737.18.3 in respect of the corporation for the year were, up to the amount that would, but for paragraph *a*, be determined under subparagraph *a* of that first paragraph in respect of the corporation for the year, nil.”

(2) Subsection 1 applies from the taxation year 1998.

106. (1) Section 771.12 of the said Act is amended by replacing paragraph *a* by the following:

“(a) the corporation holds a certificate issued and unrevoked by the Minister of Finance establishing that the corporation carries on or may carry on a business in a building housing an information technology development centre;”

(2) Subsection 1 has effect from 26 March 1997.

107. (1) Section 771.13 of the said Act is replaced by the following:

“771.13. A corporation is not an exempt corporation for a taxation year if

(a) the corporation is exempt from tax for the year under Book VIII;

(b) the corporation would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(c) the corporation, at any time in the period extending from the day of its incorporation to the end of that year, was a beneficiary of a trust or carried on

i. a personal services business, or

ii. an eligible business as a member of a partnership or as a co-participant in a joint venture with another person or partnership.”

(2) Subsection 1 has effect from 26 March 1997.

108. (1) Section 772.7 of the said Act is amended by replacing, in subparagraph ii of subparagraph *b* of the first paragraph, “737.21,” by “737.21, 737.22.0.0.3,”.

(2) Subsection 1 applies from the taxation year 1998.

109. (1) Section 772.9 of the said Act is amended by replacing, in subparagraph 2 of subparagraph ii of paragraph *a*, “737.21,” by “737.21, 737.22.0.0.3,”.

(2) Subsection 1 applies from the taxation year 1998.

110. (1) Section 772.11 of the said Act is amended by replacing, in subparagraph 2 of subparagraph ii of subparagraph *a* of the second paragraph, “737.21,” by “737.21, 737.22.0.0.3,”.

(2) Subsection 1 applies from the taxation year 1998.

111. (1) Section 775.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

112. (1) Section 776.32 of the said Act is amended by replacing, in the first paragraph, “the aggregate” by “the amount”.

(2) Subsection 1 applies from the taxation year 1998.

113. (1) Section 776.33 of the said Act is replaced by the following :

“776.33. For the purposes of the first paragraph of section 776.32, the amount determined for a taxation year in respect of the individual referred to therein is, subject to the second paragraph, equal to

(a) \$1,500 where the individual has an eligible spouse for the year;

(b) \$1,195 in other cases.

Where more than one individual is, for a taxation year, entitled to deduct an amount under section 776.32 as a result of the designation, pursuant to that section, of one and the same dependent person, the following rules apply :

(a) the amount determined for the year under the first paragraph in respect of each of those individuals shall be reduced to the proportion of that amount that is determined by all of the individuals, and the aggregate of the proportions so determined in respect of each of the individuals shall not exceed 1 for the year;

(b) where the individuals cannot agree as to what proportion is applicable to each of them, the Minister may fix the amount that each of those individuals may deduct for the year under section 776.32.

For the purposes of the second paragraph, where one of the individuals entitled to deduct an amount under section 776.32 is the eligible spouse of an individual referred to in that paragraph, the individual and the eligible spouse of that individual are deemed to be the same person.”

(2) Subsection 1 applies from the taxation year 1998.

114. (1) Sections 776.39 and 776.40 of the said Act are repealed.

(2) Subsection 1 applies from the taxation year 1998.

115. (1) Section 776.67 of the said Act is amended by replacing paragraph *b* by the following :

“(b) where paragraph *a* does not apply, the Minister determines the tax payable by the individual for the year under this Part with reference to the provisions of this Book if, as a consequence of the application of those provisions, the tax payable by the individual for the year is lesser than the amount that would be the individual’s tax payable for the year under this Part if this Book were not taken into account or another individual is, pursuant to

section 776.78, entitled to deduct an amount in computing that other individual's tax otherwise payable for the year under this Part."

(2) Subsection 1 applies from the taxation year 1998.

116. (1) Section 776.75 of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

117. (1) Title V of Book V.2.1 of Part I of the said Act is repealed.

(2) Subsection 1 applies from the taxation year 1998.

118. (1) Section 776.90 of the said Act is replaced by the following :

"776.90. For the purposes of subsection 2 of section 175.1, paragraph *e.1*, subparagraph *xi* of paragraph *i* and paragraph *k* of section 255, subparagraph *ii* of subparagraph *c* of the first paragraph of section 418.15 and subparagraph *b* of the first paragraph of section 485.3, an amount shall not be considered not to be deductible in computing the individual's income for the year because of the provisions of Title II."

(2) Subsection 1 applies from the taxation year 1998.

119. (1) Section 779 of the said Act is amended by replacing "II.16" by "II.17".

(2) Subsection 1 applies from the taxation year 1998.

120. (1) Section 835 of the said Act is amended by replacing, in subparagraph 7 of subparagraph *ii* of paragraph *l*, "paragraphs *a* and *c* to *l*" by "paragraphs *a* to *c*".

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

121. (1) Section 851.33 of the said Act is amended by replacing, in the portion of the first paragraph before subparagraph *a*, "under section 752.0.10.1" by "under the first paragraph of section 752.0.10.1" and "752.0.10.14" by "752.0.10.18".

(2) Subsection 1 has effect from 1 August 1997.

122. (1) Section 851.34 of the said Act is amended by replacing, in the portion before paragraph *a*, "paragraph *d*" by "subparagraph *ii* of paragraph *a*".

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

123. The heading of Title I of Book VII of Part I of the said Act is amended by striking out the word “EMPLOYEES”.

124. Section 923.4 of the said Act is repealed.

125. (1) Section 965.4.4.1 of the said Act is amended by replacing the first paragraph by the following :

“965.4.4.1. For the purposes of sections 965.3 to 965.3.2 and 965.4.1.2, where any of the computations referred to therein must be made in respect of a particular corporation that makes a public share issue, a convertible security issue or a non-guaranteed convertible security issue and that would be, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus, a growth corporation or a qualified corporation but for a venture capital corporation associated with it on that date, the computation is made without taking into account the assets of that venture capital corporation if, on the date on which the public share issue, the convertible security issue or the non-guaranteed convertible security issue, as the case may be, ends, the particular corporation is no longer associated with that venture capital corporation.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 14 November 1997.

126. (1) Section 965.5 of the said Act is replaced by the following :

“965.5. For the purposes of sections 965.3 to 965.3.2 and 965.4.1.2, where a corporation or a corporation associated with it reduces its assets by any transaction for the purpose of qualifying the corporation as a growth corporation or as a corporation whose assets are under \$300,000,000 or as a qualified corporation, as the case may be, the assets are deemed not to have been reduced unless the Minister decides otherwise.”

(2) Subsection 1 applies in respect of shares or non-guaranteed convertible securities acquired as part of a public share issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

127. (1) Section 965.6 of the said Act is amended

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

“(b.1) 125% in the case of a qualifying share of a corporation described in section 965.11.7.1 that is acquired by the purchaser and issued before 15 May 1992 as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus was granted

after 11 November 1986, and 150% in the case of such a share that is issued after 14 May 1992, other than a share referred to in paragraph *b.1.1* or *b.2*.”;

(2) by inserting, after paragraph *b.1*, the following paragraph:

“(b.1.1) 75% in the case of a qualifying share of a corporation described in section 965.11.7.1 that is

i. a preferred share that meets the requirements of paragraph *b* of section 965.9.1.0.4.2 and is issued as part of a public share issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 3 July 1997, or

ii. a common share that meets the requirements of paragraph *a* of section 965.9.1.0.4.2 and is acquired as a result of the exercise of a conversion right conferred on the holder of a qualifying share that is a preferred share referred to in subparagraph *i*.”;

(3) by replacing, in subparagraph *ii* of paragraph *c.8*, “\$250,000,000” by “\$300,000,000”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997.

(3) Paragraph 3 of subsection 1 applies in respect of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 31 March 1998.

128. (1) Section 965.6.0.5 of the said Act is replaced by the following:

“965.6.0.5. The adjusted cost of a qualifying non-guaranteed convertible security to an individual, an investment group or an investment fund is obtained by multiplying the cost of the security to the individual, investment group or investment fund, as the case may be, determined without reference to the borrowing costs, subscription or custody fees or other similar costs related to the security, by 50% in the case of a qualifying non-guaranteed convertible security issued by a corporation whose assets are under \$300,000,000.”

(2) Subsection 1 applies in respect of non-guaranteed convertible securities acquired as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

129. (1) Section 965.9.1.0.1 of the said Act is amended by replacing paragraph *c* by the following:

“(c) it is issued by a qualified corporation whose assets are less than \$300,000,000 on the date of the receipt for the final prospectus or of the exemption from filing a prospectus in respect of the issue of convertible securities referred to in paragraph *b* ;”.

(2) Subsection 1 applies in respect of shares acquired as a result of the exercise of a conversion right conferred on the holder of a convertible security issued as part of a convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

130. (1) Section 965.9.1.0.2 of the said Act is amended by replacing paragraph *c* by the following :

“(c) it is issued by a qualified corporation whose assets are less than \$300,000,000 on the date of the transaction referred to in paragraph *b* ;”.

(2) Subsection 1 applies in respect of shares acquired as a result of the exercise of a conversion right conferred on the holder of a convertible security issued in replacement of a convertible security already issued as part of a convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

131. (1) The said Act is amended by inserting, after section 965.9.1.0.4, the following sections :

“965.9.1.0.4.1. A share issued by a corporation described in section 965.11.7.1 also qualifies for a stock savings plan if

(a) it is a common share which, in comparison with all other common shares with voting rights of the capital stock of the issuing corporation, carries voting rights in a ratio of at least one to ten ; and

(b) it meets the requirements of paragraphs *c* to *f* of section 965.7 where its acquirer is an investment fund, and the requirements of paragraphs *c* to *g* of section 965.7 where its acquirer is an individual or an investment group.

“965.9.1.0.4.2. A share also qualifies for a stock savings plan if it is issued by a corporation described in section 965.11.7.1 and is either

(a) a common share described in section 965.9.1.0.4.1 which

i. is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a preferred share that met the requirements of paragraph *b*,

ii. under the conditions pertaining to the issue of the preferred share referred to in subparagraph i, cannot

(1) be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

(2) be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in relation to any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or

(3) entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation,

iii. is the subject of a statement by the issuing corporation, in the final prospectus or the application for an exemption from filing a prospectus relating to the public share issue as part of which the preferred share referred to in subparagraph i was issued, to the effect that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title,

iv. before the receipt for the final prospectus or the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iii was obtained, was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title, and

v. is

(1) on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iii, a share of a class listed on a stock exchange in Canada, or

(2) a share of a class none of the shares of which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iii, has been issued but in respect of which the issuing corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus, to have shares of that class listed on a stock exchange in Canada not later than 60 days after the date on which the issuing corporation demonstrates to the proper authorities of that stock exchange that it has distributed a sufficient quantity of shares of that class to holders; or

(b) a preferred share that is a non-guaranteed preferred share issued as part of a public share issue by the corporation which



i. subject to section 965.9.1.0.8, meets the requirements of paragraphs *c* to *f* of section 965.7 where its acquirer is an investment fund, and the requirements of paragraphs *c* to *g* of section 965.7 where its acquirer is an individual or an investment group,

ii. is convertible into a common share meeting the requirements of paragraph *a*, and

iii. is of a separate class relating to the public share issue.

“965.9.1.0.4.3. A share described in section 965.9.1.0.4.1 and issued by a corporation described in section 965.11.7.1 also qualifies for a stock savings plan if

(a) it is acquired by an individual, an investment group or an investment fund as first purchaser, other than a dealer acting as an intermediary, as a result of the exercise of a conversion right conferred on the holder of a particular preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.4.2 and issued, as a result of a transaction referred to in section 536, 541 or 544, in replacement for such a preferred share which was outstanding at the time of such transaction or in replacement for such a preferred share which had been issued in substitution for a preferred share which, were it not for such substitution, could have been converted into a qualifying share described in this section ;

(b) under the conditions pertaining to the issue of the particular preferred share, it cannot

i. be redeemed by the issuing corporation or purchased by anyone in any manner whatever, directly or indirectly, either in whole or in part,

ii. be the subject of a transaction that would result in rendering such a share, a share substituted for such a share, a share received through a transaction referred to in section 301, 536, 541 or 544 in relation to any such shares or a substituted share redeemable by the issuing corporation or purchasable by anyone, in any manner whatever, directly or indirectly, either in whole or in part, or in transferring property of the issuing corporation, other than a dividend, to the shareholder, or

iii. entitle the holder to a dividend that is or will be the subject of an undertaking whereby its payment is guaranteed by a person other than the issuing corporation ;

(c) the issuing corporation states, in the final prospectus or the application for an exemption from filing a prospectus relating to the replacement of the particular preferred share, that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title ;

(d) it is

i. a share of a class of the capital stock of the corporation having shares of the same class which, immediately after the transaction mentioned in paragraph *a*, are listed on a stock exchange in Canada, or

ii. a share of a class of the capital stock of the corporation none of the shares of which, immediately after the transaction mentioned in paragraph *a*, is listed on a stock exchange in Canada but in respect of which the corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus relating to the replacement of the particular preferred share, to have shares of that class listed on a stock exchange in Canada not later than 60 days after the date on which the corporation demonstrates to the proper authorities of that stock exchange that it has distributed a sufficient quantity of shares of that class to holders; and

(*e*) before the transaction mentioned in paragraph *a*, it was the subject of a favourable advance ruling from the Ministère du Revenu to the effect that it respects the objectives of this Title.”

(2) Subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997. However,

(1) where subparagraph 1 of subparagraph *v* of paragraph *a* of section 965.9.1.0.4.2 of the said Act, enacted by subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”;

(2) where subparagraph 2 of subparagraph *v* of paragraph *a* of section 965.9.1.0.4.2 of the said Act and subparagraphs *i* and *ii* of paragraph *d* of section 965.9.1.0.4.3 of the said Act, enacted by subsection 1, apply before 26 November 1999, they shall be read with the words “a stock exchange in Canada”, wherever they appear therein, replaced by the words “the Montréal Stock Exchange”.

132. (1) Section 965.9.1.0.5 of the said Act is amended, in paragraph *a*,

(1) by replacing, in the English text, the portion of subparagraph *iii* before subparagraph 1 by the following:

“*iii.* under the conditions pertaining to the issue of the preferred share referred to in subparagraph *i*, cannot”;

(2) by replacing, in the English text, subparagraph *iv* by the following:

“*iv.* is the subject of a statement by the issuing corporation, in the final prospectus or the application for an exemption from filing a prospectus relating to the public share issue as part of which the preferred share referred to in subparagraph *i* was issued, to the effect that the share may be included in a stock savings plan and entitles any person to the benefit provided for in respect of the share by this Title,”;

(3) by replacing, in the English text of subparagraph v, the words “it was the subject” by the words “was the subject”;

(4) by replacing subparagraph vi by the following:

“vi. is

(1) on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iv, a share of a class listed on a stock exchange in Canada, or

(2) a share of a class none of the shares of which, on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public share issue referred to in subparagraph iv, has been issued but in respect of which the issuing corporation has undertaken, in the final prospectus or the application for an exemption from filing a prospectus, to have shares of that class listed on a stock exchange in Canada not later than 60 days after the date on which the issuing corporation demonstrates to the proper authorities of that stock exchange that it has distributed a sufficient quantity of shares of that class to holders; or”.

(2) Paragraph 4 of subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997. However,

(1) where subparagraph 1 of subparagraph vi of paragraph *a* of section 965.9.1.0.5 of the said Act, enacted by paragraph 4 of subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”;

(2) where subparagraph 2 of subparagraph vi of paragraph *a* of section 965.9.1.0.5 of the said Act, enacted by paragraph 4 of subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by the words “the Montréal Stock Exchange”.

133. (1) Section 965.9.1.0.6 of the said Act is amended by replacing paragraph *e* by the following:

“(e) it is

i. a share of a class of the capital stock of the corporation having shares of the same class which, immediately after the transaction mentioned in paragraph *a*, are listed on a stock exchange in Canada, or

ii. a share of a class of the capital stock of the corporation none of the shares of which, immediately after the transaction mentioned in paragraph *a*, is listed on a stock exchange in Canada but in respect of which the corporation has undertaken, in the final prospectus or the application for an exemption

from filing a prospectus relating to the replacement of the particular preferred share, to have shares of that class listed on a stock exchange in Canada not later than 60 days after the date on which the corporation demonstrates to the proper authorities of that stock exchange that it has distributed a sufficient quantity of shares of that class to holders ; and”.

(2) Subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997. However, where subparagraphs i and ii of paragraph *e* of section 965.9.1.0.6 of the said Act, enacted by subsection 1, apply before 26 November 1999, they shall be read with the words “a stock exchange in Canada”, wherever they appear therein, replaced by the words “the Montréal Stock Exchange”.

134. (1) Section 965.9.1.1 of the said Act is amended by replacing, in paragraph *d*, the words “registered with a stock exchange in Québec” by the words “listed on a stock exchange in Canada”.

(2) Subsection 1 has effect from 26 November 1999.

135. (1) Section 965.9.8.2 of the said Act is amended by replacing, in paragraph *c*, the words “listed on the Montréal Stock Exchange” by the words “listed on a stock exchange in Canada”.

(2) Subsection 1 has effect from 26 November 1999.

136. (1) Section 965.10 of the said Act is amended

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

“(a.1) its assets are under \$300,000,000;”;

(2) by replacing paragraph *e* by the following :

“(e) it had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders

i. throughout the preceding 12 months, or

ii. throughout the preceding six months where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan, and

(2) a class of shares of its capital stock is listed on a stock exchange in Canada on that date.”

(2) Paragraph 1 of subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 31 March 1998.

(3) Paragraph 2 of subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraph 2 of subparagraph ii of paragraph *e* of section 965.10 of the said Act, enacted by paragraph 2 of subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

137. (1) Section 965.10.2 of the said Act is replaced by the following :

“965.10.2. For the purposes of section 965.10, where a corporation results from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the date of the receipt for the final prospectus or of the exemption from filing a prospectus, the requirement in paragraph *e* of section 965.10 shall be replaced by the requirement to have, throughout the period from the time of the amalgamation to the date of the receipt for the final prospectus or of the exemption from filing a prospectus, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons related to such insiders and, immediately before the time of the amalgamation, for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons related to such insiders

(a) throughout the 12 months preceding the time of the amalgamation ; or

(b) throughout the six months preceding the time of the amalgamation where

i. it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

ii. a class of shares of its capital stock is listed on a stock exchange in Canada immediately before the time of the amalgamation, and

iii. a class of shares of the capital stock of the corporation resulting from the amalgamation is listed on a stock exchange in Canada on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraphs ii and iii of

paragraph *b* of section 965.10.2 of the said Act, enacted by subsection 1, apply before 26 November 1999, they shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

138. (1) Section 965.10.3 of the said Act is amended by replacing the first paragraph by the following :

“965.10.3. For the purposes of section 965.10.2, where a predecessor corporation referred to in that section is itself a corporation resulting from an amalgamation within the meaning of section 544 and a period of at least 12 months has not elapsed between the time of the amalgamation and the time it became a predecessor corporation, the requirement last provided in its respect in section 965.10.2 concerning the number of employees shall be replaced by the requirement to have had, throughout the period from the time of the amalgamation to the time it became a predecessor corporation, not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons to whom they are related and, immediately before the time of the amalgamation, for one of the predecessor corporations to have had not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons to whom they are related

(a) throughout the 12 months preceding the time of the amalgamation ; or

(b) throughout the six months preceding the time of the amalgamation where

i. it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

ii. a class of shares of its capital stock is listed on a stock exchange in Canada immediately before the time of the amalgamation, and

iii. a class of shares of the capital stock of the corporation referred to in section 965.10.2, resulting from an amalgamation, is listed on a stock exchange in Canada on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraphs ii and iii of subparagraph *b* of the first paragraph of section 965.10.3 of the said Act, enacted by subsection 1, apply before 26 November 1999, they shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

139. (1) Section 965.10.3.1 of the said Act is amended by replacing paragraph *b* by the following :

“(b) the subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons to whom they are related

i. throughout the 12-month period immediately preceding the commencement of its winding-up, or

ii. throughout the six-month period immediately preceding the commencement of its winding-up where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

(2) a class of shares of its capital stock is listed on a stock exchange in Canada immediately before the commencement of its winding-up, and

(3) a class of shares of the capital stock of the corporation is listed on a stock exchange in Canada on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraphs 2 and 3 of subparagraph ii of paragraph *b* of section 965.10.3.1 of the said Act, enacted by subsection 1, apply before 26 November 1999, they shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

140. (1) Section 965.10.3.2 of the said Act is amended by replacing subparagraph *b* of the first paragraph by the following :

“(b) the other subsidiary shall have not fewer than five full-time employees who are not insiders within the meaning of section 89 of that Act or persons to whom they are related

i. throughout the 12-month period immediately preceding the commencement of its winding-up, or

ii. throughout the six-month period immediately preceding the commencement of its winding-up where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan,

(2) a class of shares of its capital stock is listed on a stock exchange in Canada immediately before the commencement of its winding-up, and

(3) a class of shares of the capital stock of the corporation referred to in section 965.10.3.1 that makes an issue referred to therein is listed on a stock exchange in Canada on the date of the receipt for the final prospectus or of the exemption from filing a prospectus.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraphs 2 and 3 of subparagraph ii of subparagraph *b* of the first paragraph of section 965.10.3.2 of the said Act, enacted by subsection 1, apply before 26 November 1999, they shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

141. Section 965.11 of the said Act is amended by replacing paragraph *b* by the following :

“(b) debentures, bonds or shares issued by a cooperative, other than a savings and credit union, meeting the requirements of paragraph *d* of section 965.10;”.

142. (1) Section 965.11.5 of the said Act is amended by replacing paragraph *d* by the following :

“(d) one of the subsidiary corporations meets the requirements of paragraphs *a* to *d* of section 965.10 and had not fewer than five full-time employees who are not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons to whom they are related

- i. throughout the 12 months preceding that date, or
- ii. throughout the six months preceding that date where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan, and

(2) a class of shares of the capital stock of the corporation is listed on the Montréal Stock Exchange on that date.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

143. (1) Section 965.17.2 of the said Act is amended by replacing paragraphs *c* and *d* by the following :

“(c) it is a corporation that had not fewer than five full-time employees who were not insiders within the meaning of section 89 of the Securities Act (chapter V-1.1) or persons to whom they were related



- i. throughout the 12 months preceding that date, or
- ii. throughout the six months preceding that date where

(1) it has already made a public issue of shares with the stipulation that they could be included in a stock savings plan, and

(2) a class of shares of its capital stock is listed on a stock exchange in Canada on that date;

“(d) its assets are less than \$300,000,000; and”.

(2) Subsection 1, where it replaces paragraph *c* of section 965.17.2 of the said Act, applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraph 2 of subparagraph ii of paragraph *c* of section 965.17.2 of the said Act, enacted by subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

(3) Subsection 1, where it replaces paragraph *d* of section 965.17.2 of the said Act, applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 31 March 1998.

144. (1) Section 965.17.3 of the said Act is amended by replacing subparagraphs i and ii of paragraph *c* by the following:

“i. whose control was acquired by the qualified corporation more than 12 months before that date fulfills, subject to section 965.17.3.1, the requirements of paragraphs *a* to *e* of section 965.17.2, or

“ii. that results from an amalgamation, within the meaning of section 544, within the 365 days before that date, fulfills the requirements of paragraphs *a*, *b*, *d* and *e* of section 965.17.2 and paragraph *b* of section 965.17.5, and one of the predecessor corporations whose control was acquired by the qualified corporation more than 12 months before that date fulfilled, subject to sections 965.17.3.1 and 965.17.3.2, immediately before that date, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue; and”.

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

145. (1) The said Act is amended by inserting, after section 965.17.3, the following sections:

“965.17.3.1. For the purpose of determining, for the purposes of subparagraphs i and ii of paragraph *c* of section 965.17.3, paragraph *b* of section 965.17.4.1, paragraph *c* of section 965.17.5 and paragraph *b* of section 965.17.5.1, whether a subsidiary or a predecessor corporation, as the case may be, referred to therein fulfills the requirement in paragraph *c* of section 965.17.2, subparagraph 2 of subparagraph ii of paragraph *c* of that section 965.17.2 shall be read as follows:

“(2) a class of shares of the capital stock of the qualified corporation is listed on a stock exchange in Canada on the date of the receipt for the final prospectus or of the exemption from filing a prospectus;”.

“965.17.3.2. The exclusion relating to a public share issue provided in subparagraph ii of paragraph *c* of section 965.17.3, paragraph *b* of section 965.17.4.1, paragraph *c* of section 965.17.5 and paragraph *b* of section 965.17.5.1 does not apply in respect of a public share issue referred to in subparagraph 1 of subparagraph ii of paragraph *c* of section 965.17.2.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997. However, where subparagraph 2 of subparagraph ii of paragraph *c* of section 965.17.2 of the said Act, enacted by section 965.17.3.1 of the said Act, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

146. (1) Section 965.17.4.1 of the said Act is amended by replacing paragraph *b* by the following:

“(b) the other subsidiary meets, subject to sections 965.17.3.1 and 965.17.3.2, immediately before the commencement of its winding-up, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

147. (1) Section 965.17.5 of the said Act is amended by replacing paragraph *c* by the following:

“(c) immediately before the amalgamation, one of the predecessor corporations fulfilled, subject to sections 965.17.3.1 and 965.17.3.2, all the

requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

148. (1) Section 965.17.5.1 of the said Act is amended by replacing paragraph *b* by the following :

“(b) the subsidiary meets, subject to sections 965.17.3.1 and 965.17.3.2, immediately before the commencement of its winding-up, all the requirements to qualify as a growth corporation other than the requirement to make a public share issue, a convertible security issue or a non-guaranteed convertible security issue.”

(2) Subsection 1 applies in respect of a public share issue, convertible security issue or non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 16 October 1997.

149. (1) Section 965.23.0.1 of the said Act is replaced by the following :

“965.23.0.1. Where, as a result of a transaction provided for in section 301, a qualifying non-guaranteed convertible security included in a stock savings plan is converted into a qualifying share referred to in section 965.9.1.0.3 or 965.9.1.0.4, a preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.4.2 and included in a stock savings plan is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.4.2 or in section 965.9.1.0.4.3, or a preferred share meeting the requirements of paragraph *b* of section 965.9.1.0.5 and included in a stock savings plan is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, the qualifying non-guaranteed convertible security or preferred share is deemed to be withdrawn from the stock savings plan only when a qualifying share issued in replacement of the qualifying non-guaranteed convertible security or preferred share, as the case may be, is withdrawn from the plan.”

(2) Subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997.

150. (1) Section 965.23.1.0.1 of the said Act is amended by replacing the portion before paragraph *a* by the following :

“965.23.1.0.1. Where, as a result of a transaction provided for in section 301, a qualifying non-guaranteed convertible security that is owned by

an investment fund is converted into a qualifying share referred to in section 965.9.1.0.3 or 965.9.1.0.4, a preferred share that is a qualifying share by reason of paragraph *b* of section 965.9.1.0.4.2 and that is owned by an investment fund is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.4.2 or in section 965.9.1.0.4.3, or a preferred share that is a qualifying share by reason of paragraph *b* of section 965.9.1.0.5 and that is owned by an investment fund is converted into a qualifying share referred to in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, the following rules apply:”.

(2) Subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997.

151. (1) The said Act is amended by inserting, after section 965.24.1.2.1, the following section:

“965.24.1.2.1.1. Notwithstanding section 965.24.1, where a corporation referred to in section 965.11.7.1 issues, as part of a public issue, a preferred share referred to in paragraph *b* of section 965.9.1.0.4.2, in section 965.9.1.0.4.3, in paragraph *b* of section 965.9.1.0.5 or in section 965.9.1.0.6, that is convertible into a qualifying share referred to in paragraph *a* of section 965.9.1.0.4.2, in section 965.9.1.0.4.3, in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6, while no share of the same class as that qualifying share was outstanding on the date of the receipt for the final prospectus or of the exemption from filing a prospectus relating to the public issue of that preferred share, the corporation is required to undertake, in the final prospectus or the application for an exemption from filing a prospectus relating to the issue of that preferred share, to have shares of the same class as the qualifying share listed on a stock exchange in Canada on or before the sixtieth day after the date on which the corporation demonstrates to the proper authorities of that stock exchange that the shares of that class are sufficiently distributed among holders.”

(2) Subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997. However, where section 965.24.1.2.1.1 of the said Act, enacted by subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada”, wherever they appear therein, replaced by “the Montréal Stock Exchange”.

152. (1) Section 965.29 of the said Act is amended by striking out paragraph *e.1*.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

153. (1) Section 965.31 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

154. (1) Section 965.31.1 of the said Act is amended

(1) by replacing, in paragraphs *j* to *m*, “after 2 May 1991” by “during the period from 3 May 1991 to 31 March 1998”;

(2) by adding, after paragraph *m*, the following paragraph :

“(n) in the case of a qualified investment made after 31 March 1998 by a Québec business investment company, 150% of the aggregate of the amount of the taxpayer’s interest in the qualified investment and the amount of the taxpayer’s additional interest in respect of the qualified investment, without exceeding 150% of the amount of the taxpayer’s financial commitment in respect of the Québec business investment company determined immediately before the time the Québec business investment company makes the qualified investment.”

(2) Subsection 1 has effect from 1 April 1998.

155. (1) Section 965.31.3 of the said Act is replaced by the following :

“965.31.3. In this Title, where an individual acquires by succession or will a share of a Québec business investment company, the following rules apply :

(a) the cost to the individual of the share is deemed to be equal to the cost to the deceased shareholder of the share determined without taking into account the borrowing costs and other costs related to the acquisition thereof or the custody fees ;

(b) the individual’s interest in and additional interest in respect of a qualified investment that is made by the Québec business investment company after the death of the shareholder but before the time the share is allocated or transferred to the individual, are deemed to be an interest of the individual in and an additional interest of the individual in respect of a qualified investment for the year in which the share is allocated or transferred to the individual and not to be an interest of the individual in and an additional interest of the individual in respect of a qualified investment for the year in which the Québec business investment company makes the qualified investment.”

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

156. (1) Section 965.33 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

157. (1) Section 965.34 of the said Act is amended by striking out the words “or a venture capital corporation”.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

158. (1) Section 985.1 of the said Act is amended by replacing, in paragraph *b*, “paragraphs *a* and *c* to *l*” by “paragraphs *a* to *c*” and “in section” by “in the first paragraph of section”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

159. Section 985.4.3 of the said Act is amended by replacing, in the French text, the words “poste recommandée” by the words “courrier recommandé”.

160. (1) Section 985.14 of the said Act is amended by replacing, in paragraph *c*, “paragraphs *c* to *l*” by “paragraph *a* or *c*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

161. (1) Section 985.25 of the said Act is amended by replacing, in paragraph *a*, “716” by “716.0.2” and “752.0.10.14” by “752.0.10.18”.

(2) Subsection 1 has effect from 1 August 1997.

162. (1) Section 985.27 of the said Act is amended by replacing, in paragraph *a* of the definition of “qualified donee”, “paragraphs *a* to *b.1, f* and *l*” by “subparagraphs *v* and *ix* of paragraph *a*, in subparagraph *ii* of paragraph *c* or in paragraph *d*”.

(2) Subsection 1 applies to taxation years that begin after 31 December 1997.

163. (1) The said Act is amended by inserting, after section 1000.1, the following sections:

“1000.2. Where a taxpayer has deducted, in respect of a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), because of subparagraph *t* of the first paragraph of that class or of the second paragraph of that class, an amount in computing the taxpayer’s income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a taxation year ending before all the conditions applicable to the property and mentioned in that subparagraph *t* or that second paragraph, as the case may be, have been met, and, in a subsequent taxation year, an event occurs that results in any of those conditions not being able to be met, the taxpayer shall, on or before the taxpayer’s filing-due date for that subsequent taxation year, file with the Minister for any taxation year that precedes the

subsequent taxation year and for which the taxpayer's fiscal return was filed by the taxpayer under section 1000, and for which tax consequences under this Part arise from the fact that the property cannot be included in that class, an amended fiscal return in which those tax consequences must be taken into account.

“1000.3. Where a partnership has deducted, in respect of a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1), because of subparagraph *t* of the first paragraph of that class or of the second paragraph of that class, an amount in computing its income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a particular fiscal period ending before all the conditions applicable to the property and mentioned in that subparagraph *t* or that second paragraph, as the case may be, have been met, and, in a subsequent fiscal period, an event occurs that results in any of those conditions not being able to be met, each taxpayer who was a member of the partnership at the end of the particular fiscal period shall, on or before the taxpayer's filing-due date for the taxpayer's taxation year in which that subsequent fiscal period ends or would have ended had the taxpayer been a member of the partnership at the end of that subsequent fiscal period, file with the Minister for any taxation year that precedes that taxation year and for which the taxpayer's fiscal return was filed by the taxpayer under section 1000, and for which tax consequences under this Part arise from the fact that the property cannot be included in that class, an amended fiscal return in which those tax consequences must be taken into account.”

(2) Subsection 1 applies to taxation years in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act have not expired on 20 December 1999.

164. (1) The said Act is amended by inserting, after section 1010, the following section :

“1010.O.O.1. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer has deducted, or is a member of a partnership that has deducted, in respect of a property in Class 12 of Schedule B to the Regulation respecting the Taxation Act (R.R.Q., 1981, chapter I-3, r.1) because of subparagraph *t* of the first paragraph of that class or of the second paragraph of that class, an amount in computing the taxpayer's income under paragraph *a* of section 130 or the second paragraph of section 130.1 for a taxation year or a fiscal period, as the case may be, ending before all the conditions applicable to the property and mentioned in that subparagraph *t* or that second paragraph, as the case may be, have been met, and, in a subsequent taxation year or fiscal period, an event occurs that results in any of those conditions not being able to be met, the following rules apply :

(*a*) the Minister may, at any time, but for the amended fiscal return that the taxpayer is required to file under section 1000.2 or 1000.3, redetermine the tax, interest and penalties payable under this Part by the taxpayer for any

taxation year for which tax consequences under this Part arise from the fact that the property cannot be so included in that class ; and

(b) the Minister may also redetermine the tax, interest and penalties payable under this Part and make a reassessment or an additional assessment, as the case may be,

i. within three years after the later of the day of mailing, pursuant to subparagraph *a*, of a notice of assessment for a taxation year or of a notification that no tax is payable for a taxation year and the day on which an amended fiscal return for the taxation year is filed pursuant to section 1000.2 or 1000.3, or

ii. within four years after the day referred to in subparagraph i if, at the end of the taxation year concerned, the taxpayer is a mutual fund trust or a corporation other than a Canadian-controlled private corporation.

However, the Minister may, in respect of a taxation year for which tax consequences under this Part arise from the fact that the property cannot be so included in a class, make an assessment, a reassessment or an additional assessment beyond the periods referred to in paragraph *a* or *a.0.1* of subsection 2 of section 1010 only to the extent that the assessment, reassessment or additional assessment may reasonably be considered to relate to a tax consequence referred to in section 1000.2 or 1000.3.”

(2) Subsection 1 applies to taxation years in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act have not expired on 20 December 1999.

165. (1) Section 1010.0.2 of the said Act is replaced by the following :

“1010.0.2. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer is the subject of an assessment or reassessment made under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the Minister may, within one year after the date of that assessment, redetermine the tax, interest and penalties payable by the taxpayer and make a reassessment for the sole purpose of taking into account elements that may be considered to relate to that assessment or reassessment.”

(2) Subsection 1 applies in respect of assessments or reassessments made under the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement) after 6 November 1998, other than such an assessment relating to a taxation year of a taxpayer in respect of which the time limits provided for in section 1010 of the Taxation Act (R.S.Q., chapter I-3) expired before 7 November 1998.

166. (1) The said Act is amended by inserting, after section 1010.0.2, the following section :



“1010.0.3. Notwithstanding the expiration of the time limits provided for in section 1010, where a taxpayer is the subject of an assessment or reassessment by a province other than Québec under an Act that is similar to this Act, the Minister may, within one year after the date of that assessment, redetermine the tax, interest and penalties payable by the taxpayer and make a reassessment for the sole purpose of taking into account elements that may be considered to relate to that assessment or reassessment.”

(2) Subsection 1 applies in respect of assessments or reassessments by a province other than Québec after 18 December 1997, other than such an assessment relating to a taxation year of a taxpayer in respect of which the time limits provided for in section 1010 of the said Act expired before 19 December 1997.

167. (1) Section 1029.6.0.1 of the said Act is amended

(1) by replacing, in paragraph *a*, “and II.6.5” by “, II.6.5, II.6.8 and II.6.9”;

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

“(b) where it may reasonably be considered that all or a portion of a consideration paid or payable by a person or partnership under a particular contract relates to a particular expenditure or to particular costs and that person or a member of that partnership may be deemed, for a taxation year, to have paid to the Minister an amount, under Divisions II to II.6.2, II.6.5, II.6.8 or II.6.9, in respect of that expenditure or those costs, as the case may be, no amount may be deemed to have been paid to the Minister by another taxpayer, for any taxation year, under any of those divisions, in respect of all or part of a cost, an expenditure or any costs incurred in performing the particular contract or any contract derived therefrom, that may reasonably be considered to relate to the particular expenditure or particular costs;”;

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

“(c) a taxpayer operating an international financial centre in a taxation year shall not be deemed to have paid to the Minister any amount for the year under this chapter other than an amount that the taxpayer is deemed to have so paid for the year under Division II.6.8 or II.6.9, in respect of a cost, an expenditure or any costs incurred by the taxpayer within the context of the operations of the international financial centre.”

(2) Paragraphs 1 and 2 of subsection 1 have effect from 1 January 1998. However, where paragraph *a* of section 1029.6.0.1 of the said Act, as amended by paragraph 1, and paragraph *b* of that section, enacted by paragraph 2, apply before 1 April 1998, they shall be read with “, II.6.8 or II.6.9” replaced by “or II.6.8”.

(3) Paragraph 3 of subsection 1 applies to taxation years that end after 31 March 1998.

168. (1) Section 1029.7 of the said Act is amended, in the first paragraph,

(1) by replacing, in the English text of subparagraph *d*, the words “at the time the contract was entered into” by the words “at the time the particular contract was entered into”;

(2) by adding, after subparagraph *e*, the following subparagraphs :

“(f) that portion of the consideration paid under the contract by the taxpayer in respect of the research and development undertaken on the taxpayer’s behalf in the year to a person or partnership with whom or with which the taxpayer was not dealing at arm’s length at the time the contract was entered into, and paid again by that person or partnership, under a particular contract, in respect of that research and development, to another person or partnership with whom or with which the taxpayer was not dealing at arm’s length at the time the particular contract was entered into and who or which has undertaken all or part of the research and development, that may reasonably be attributed to the wages paid to the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees;

“(g) one-half of that portion of the consideration paid under the contract by the taxpayer to a person or partnership with whom or with which the taxpayer was not dealing at arm’s length at the time the contract was entered into, and paid again by that person or partnership, under a particular contract, to another person or partnership with whom or with which the taxpayer was dealing at arm’s length at the time the particular contract was entered into, that may reasonably be attributed to such research and development undertaken on the taxpayer’s behalf in the year by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees;

“(h) that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer’s behalf, for work undertaken in the year relating to such research and development, to a person or partnership with whom or with which the taxpayer was not dealing at arm’s length at the time the particular contract was entered into, and paid again by that person or partnership, under another particular contract, to another person or partnership with whom or with which the taxpayer was not dealing at arm’s length at the time the other particular contract was entered into and who or which has undertaken all or part of the work, that may reasonably be attributed to the wages paid to the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees; and

“(i) one-half of that portion of the consideration paid by the taxpayer under a particular contract, other than a contract by which the taxpayer causes scientific research and experimental development to be undertaken on the taxpayer’s behalf, for work relating to such research and development, to a

person or partnership with whom or with which the taxpayer was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or partnership, under another particular contract, to another person or partnership with whom or with which the taxpayer was dealing at arm's length at the time the other particular contract was entered into, that may reasonably be attributed to the work undertaken in the year by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees.”

(2) Paragraph 2 of subsection 1 applies in respect of scientific research and experimental development undertaken after 31 March 1998, under a contract entered into after that date.

169. (1) Section 1029.8 of the said Act is amended by adding, after subparagraph *e* of the first paragraph, the following subparagraphs :

“(f) that portion of the consideration paid under the contract by the partnership in respect of the research and development undertaken on its behalf in that fiscal period to a person or another partnership with whom or with which a member of the partnership was not dealing at arm's length at the time the contract was entered into, and paid again by that person or that other partnership, under a particular contract, in respect of that research and development, to another person or partnership with whom or with which a member of the partnership was not dealing at arm's length at the time the particular contract was entered into and who or which has undertaken all or part of the research and development, that may reasonably be attributed to the wages paid to the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees ;

“(g) one-half of that portion of the consideration paid under the contract by the partnership to a person or another partnership with whom or with which a member of the partnership was not dealing at arm's length at the time the contract was entered into, and paid again by that person or that other partnership, under a particular contract, to another person or partnership with whom or with which all the members of the partnership were dealing at arm's length at the time the particular contract was entered into, that may reasonably be attributed to such research and development undertaken on its behalf in that fiscal period by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees ;

“(h) that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work undertaken in that fiscal period relating to such research and development, to a person or another partnership with whom or with which a member of the partnership was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or that other

partnership, under another particular contract, to another person or partnership with whom or with which a member of the partnership was not dealing at arm's length at the time the other particular contract was entered into and who or which has undertaken all or part of the work, that may reasonably be attributed to the wages paid to the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees; and

“(i) one-half of that portion of the consideration paid by the partnership under a particular contract, other than a contract by which the partnership causes scientific research and experimental development to be undertaken on its behalf, for work relating to such research and development, to a person or another partnership with whom or with which a member of the partnership was not dealing at arm's length at the time the particular contract was entered into, and paid again by that person or that other partnership, under another particular contract, to another person or partnership with whom or with which all the members of the partnership were dealing at arm's length at the time the other particular contract was entered into, that may reasonably be attributed to the work undertaken in that fiscal period by the employees of an establishment of that other person or partnership situated in Québec or that could be so attributed if that other person or partnership had such employees.”

(2) Subsection 1 applies in respect of scientific research and experimental development undertaken after 31 March 1998, under a contract entered into after that date.

170. (1) Section 1029.8.0.0.1 of the said Act is replaced by the following:

“1029.8.0.0.1A taxpayer shall not be deemed to have paid to the Minister an amount as partial payment of the taxpayer's tax payable for a taxation year under section 1029.7 or 1029.8 in respect of an expenditure that is a portion of a consideration referred to in subparagraph *c*, *e*, *g* or *i* of the first paragraph of that section, unless the taxpayer files with the Minister, on or before the taxpayer's filing-due date for the year, a statement in prescribed form containing the following information:

(a) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *c* or *e* of the first paragraph of section 1029.7 or 1029.8, as the case may be,

i. the name of the person or partnership referred to therein with whom or with which the taxpayer or the partnership of which the taxpayer is a member has entered into the contract or particular contract referred to therein, as the case may be, the registration number assigned to that person or partnership in accordance with the Act respecting the Québec sales tax (chapter T-0.1) and, where that person is an individual, that person's Social Insurance Number,

ii. the total amount of the consideration provided for in the contract or particular contract referred to therein, as the case may be, in respect of the

scientific research and experimental development or the work relating to that scientific research and experimental development, as the case may be, referred to in that section, and

iii. the amount of the portion of the consideration provided for in the contract or particular contract referred to therein, as the case may be, that is paid in the year or, where the taxpayer is a member of a partnership, in the fiscal period of the partnership ending in the year, in respect of the scientific research and experimental development or the work relating to that scientific research and experimental development, as the case may be, referred to in that section ;

(b) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *g* of the first paragraph of section 1029.7 or 1029.8, as the case may be,

i. the name of the other person or partnership referred to therein with whom or with which the person or partnership with whom or with which a contract has been entered into by the taxpayer or the partnership of which the taxpayer is a member has entered into the particular contract referred to therein, the registration number assigned to that other person or partnership in accordance with the Act respecting the Québec sales tax and, where that other person is an individual, that other person's Social Insurance Number,

ii. the total amount of the consideration provided for in the particular contract referred to therein that is required to be paid to the other person or partnership and that relates to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken on behalf of the taxpayer or the partnership of which the taxpayer is a member under the contract referred to therein that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to therein, and

iii. the amount of the portion of the consideration provided for in the particular contract referred to therein that is paid in the year or, where the taxpayer is a member of a partnership, in the fiscal period of the partnership ending in the year, to the other person or partnership and that relates to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken on behalf of the taxpayer or the partnership of which the taxpayer is a member under the contract referred to therein that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to therein ;

(c) in the case of an expenditure that is a portion of a consideration referred to in subparagraph *i* of the first paragraph of section 1029.7 or 1029.8, as the case may be,

i. the name of the other person or partnership referred to therein with whom or with which the person or partnership with whom or with which a particular contract has been entered into by the taxpayer or the partnership of which the taxpayer is a member has entered into the other particular contract referred to therein, the registration number assigned to that other person or partnership in accordance with the Act respecting the Québec sales tax and, where that other person is an individual, that other person's Social Insurance Number,

ii. the total amount of the consideration provided for in the other particular contract referred to therein that is required to be paid to the other person or partnership and that relates to the work relating to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken under the particular contract referred to therein that the taxpayer or the partnership of which the taxpayer is a member has entered into with the person or partnership referred to therein, and

iii. the amount of the portion of the consideration provided for in the other particular contract referred to therein that is paid in the year or, where the taxpayer is a member of a partnership, in the fiscal period of the partnership ending in the year, to the other person or partnership and that relates to the work relating to the scientific research and experimental development referred to in that section that the taxpayer or the partnership of which the taxpayer is a member causes to be undertaken under the particular contract referred to therein that the taxpayer or partnership of which the taxpayer is a member has entered into with the person or partnership referred to therein.”

(2) Subsection 1 applies in respect of scientific research and experimental development undertaken after 31 March 1998, under a contract entered into after that date.

171. (1) Section 1029.8.19.2 of the said Act is amended

(1) by replacing, in the first paragraph, the references to “subparagraph *c*” by references to “subparagraphs *c* and *g*”;

(2) by replacing, in the second paragraph, the references to “subparagraph *e*” by references to “subparagraphs *e* and *i*”.

(2) Subsection 1 applies in respect of scientific research and experimental development undertaken after 31 March 1998, under a contract entered into after that date.

172. (1) Section 1029.8.19.3 of the said Act is amended

(1) by replacing the first and second paragraphs by the following:

“1029.8.19.3 Notwithstanding section 1029.8.19.2, a taxpayer may be deemed to have paid an amount to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *c* or *g* of the first paragraph of each of those sections, or under any of sections 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11, in respect of a project referred to in the first paragraph of that section 1029.8.19.2 in which the scientific research and experimental development is undertaken, in whole or in part, on behalf of the taxpayer or the partnership of which the taxpayer is a member, by another person or partnership if, were it not for section 1029.8.19.2, an amount would have been deemed to have been paid to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *c* or *g* of the first paragraph of that section, or under any of sections 1029.8.6, 1029.8.7, 1029.8.10 and 1029.8.11 and if each contribution referred to in the first paragraph of that section 1029.8.19.2, in respect of the project or the carrying out thereof, constitutes an expenditure made by the other person or partnership or, where subparagraph *g* of the first paragraph of section 1029.7 or 1029.8 applies, by the other person or partnership referred to in that subparagraph, to undertake, in whole or in part, the scientific research and experimental development.

“Notwithstanding section 1029.8.19.2, a taxpayer may be deemed to have paid an amount to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *e* or *i* of the first paragraph of each of those sections, under a contract referred to in the second paragraph of that section 1029.8.19.2 in which the work relating to scientific research and experimental development is undertaken, in whole or in part, on behalf of the taxpayer or the partnership of which the taxpayer is a member, by another person or partnership if, were it not for section 1029.8.19.2, an amount would have been deemed to have been paid to the Minister under section 1029.7 or 1029.8, in respect of the portion of a consideration referred to in subparagraph *e* or *i* of the first paragraph of that section and if each contribution referred to in the second paragraph of that section 1029.8.19.2, in respect of the contract or the performance of the contract, constitutes an expenditure made by the other person or partnership or, where subparagraph *i* of the first paragraph of section 1029.7 or 1029.8 applies, by the other person or partnership referred to in that subparagraph, to undertake, in whole or in part, that work.”;

(2) by replacing, in the third paragraph, “subparagraph *c* or *e*” by “subparagraph *c*, *e*, *g* or *i*”.

(2) Subsection 1 applies in respect of scientific research and experimental development undertaken after 31 March 1998, under a contract entered into after that date.

173. (1) Section 1029.8.19.5 of the said Act is amended

(1) by replacing, in the first paragraph, the references to “subparagraphs *a* and *b*” by references to “subparagraph *a*, *b* or *f*”;

(2) by replacing the second paragraph by the following :

“Notwithstanding sections 1029.7 and 1029.8, in respect of the portion of a consideration referred to in subparagraph *d* or *h* of the first paragraph of each of those sections, where, in respect of a contract for work relating to scientific research and experimental development referred to in either of those subparagraphs or in respect of the performance of the contract, a taxpayer, a partnership, a member of that partnership, a person not dealing at arm’s length with the taxpayer, the partnership or any member thereof, or any other person designated by the Minister, has obtained, is entitled to obtain or may reasonably expect to obtain a contribution or, upon a determination by the Minister to that effect, is deemed to have obtained or to be entitled to obtain a contribution, from a person or a partnership who or that is a party to the work, from a person or a partnership not dealing at arm’s length with that person or partnership, or from any other person or partnership designated by the Minister, the taxpayer or any taxpayer who is a member of the partnership, as the case may be, is deemed not to be deemed to have paid to the Minister an amount under either of those sections, in respect of the portion of a consideration referred to in subparagraph *d* or *h* of the first paragraph of each of those sections, in respect of that contract.”

(2) Subsection 1 applies in respect of scientific research and experimental development undertaken after 31 March 1998, under a contract entered into after that date.

174. (1) Section 1029.8.21.4 of the said Act is amended, in the first paragraph,

(1) by replacing the definition of “non-government assistance” by the following :

““non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;”;

(2) by replacing, in the definition of “acquisition costs”, “1 January 2002” by “1 January 2000”.

(2) Subsection 1 applies in respect of costs incurred after 25 March 1997.

175. (1) Section 1029.8.21.7 of the said Act is amended

(1) by replacing the portion of subparagraph *a* of the first paragraph before subparagraph *i* by the following :

“(a) where the acquisition costs are incurred after 25 March 1997 and before 19 December 1997, the qualified property referred to therein does not



use perchloroethylene, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph.”;

(2) by replacing the portion of subparagraph *b* of the first paragraph before subparagraph *i* by the following :

“(b) where the acquisition costs are incurred after 25 March 1997 and before 19 December 1997, the qualified property referred to therein uses less perchloroethylene than the property it replaces, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph.”;

(3) by adding, after subparagraph *b* of the first paragraph, the following subparagraphs :

“(c) where the acquisition costs are incurred after 18 December 1997, the qualified property referred to therein does not use perchloroethylene, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph,

- i. less than \$250,000, 20%, or
- ii. equal to or greater than \$250,000, 15% ; or

“(d) where the acquisition costs are incurred after 18 December 1997, the qualified property referred to therein uses less perchloroethylene than the property it replaces, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph,

- i. less than \$250,000, 15%, or
- ii. equal to or greater than \$250,000, 10%.”;

(4) by replacing the portion of the second paragraph before subparagraph *a* by the following :

“For the purposes of subparagraphs *a* to *d* of the first paragraph, the fiscal period or taxation year referred to therein is”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of costs incurred after 25 March 1997.

(3) Paragraphs 3 and 4 of subsection 1 apply in respect of costs incurred after 18 December 1997. However, where subparagraphs *c* and *d* of the first paragraph of section 1029.8.21.7 of the said Act, enacted by paragraph 3 of subsection 1, apply in respect of costs incurred in relation to qualified property acquired by an eligible taxpayer or a qualified partnership under the terms of a written contract entered into after 18 December 1997 and leased to the eligible taxpayer or the qualified partnership immediately before the acquisition under the terms of a written contract entered into after 25 March 1997 and before 19 December 1997, those subparagraphs shall be read as follows :

“(c) where the acquisition costs are incurred after 18 December 1997, the qualified property referred to therein does not use perchloroethylene, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph,

- i. less than \$250,000, 40%, or
- ii. equal to or greater than \$250,000, 30% ; or

“(d) where the acquisition costs are incurred after 18 December 1997, the qualified property referred to therein uses less perchloroethylene than the property it replaces, as certified in the validation certificate issued by the Minister of the Environment and Wildlife, and the gross revenue from the dry-cleaning business in which the property is used is, for the fiscal period or the taxation year referred to in the second paragraph,

- i. less than \$250,000, 30%, or
- ii. equal to or greater than \$250,000, 20%.”

176. (1) Section 1029.8.21.11 of the said Act is amended by replacing, in the portion before paragraph *a*, “1 January 2003” by “1 January 2001”.

(2) Subsection 1 has effect from 26 March 1997.

177. (1) Section 1029.8.21.12 of the said Act is amended by replacing, in the portion before paragraph *a*, “1 January 2003” by “1 January 2001”.

(2) Subsection 1 has effect from 26 March 1997.

178. (1) Section 1029.8.21.13 of the said Act is amended by replacing, in the portion before paragraph *a*, “1 January 2003” by “1 January 2001”.

(2) Subsection 1 has effect from 26 March 1997.

179. (1) Section 1029.8.22 of the said Act is amended by striking out paragraph *c* of the definition of “qualified corporation” in the first paragraph.

(2) Subsection 1 applies to taxation years that end after 31 March 1998.

180. (1) Section 1029.8.33.2 of the said Act is amended

(1) by striking out paragraph *c* of the definition of “qualified corporation” in the first paragraph;

(2) by replacing, in the definition of “qualified training period” in the first paragraph, the portion before paragraph *a* by the following:

““qualified training period” means, subject to the third paragraph, a period of practical training served by an eligible trainee of an eligible taxpayer or qualified partnership under the supervision”;

(3) by replacing, in paragraph *a.1* of the definition of “eligible trainee” in the first paragraph, the words “Société québécoise de développement de la main-d’oeuvre” by the words “Minister of Employment and Solidarity”;

(4) by replacing, in the definition of “eligible trainee” in the first paragraph, paragraph *b* by the following:

“(b) an individual who is enrolled as a full-time student in an education program at the secondary level offered by a recognized educational institution, which provides for one or more training periods totalling at least 140 hours during the course of the program,”;

(5) by inserting, after paragraph *b* of the definition of “eligible trainee” in the first paragraph, the following paragraph:

“(b.1) an individual who is enrolled as a full-time student in an education program at the college level, or at the university level if the individual is enrolled in an undergraduate program, offered by a recognized educational institution, which provides for one or more training periods totalling at least 140 hours during the course of the program, or”;

(6) by adding, after the second paragraph, the following paragraph:

“Where the eligible trainee is an individual referred to in paragraph *b.1* of the definition of “eligible trainee” in the first paragraph, the following requirements must also be met for the training period served by the eligible trainee to be a qualified training period:

(a) the training period must, under the education program, be followed by a period of resumption of studies;

(b) the trainee must be remunerated under conditions that would be at least equivalent to those established under the Act respecting labour standards (chapter N-1.1) if that Act were applicable to the determination of the remuneration paid to the trainee.”

(2) Paragraph 1 of subsection 1 applies to taxation years that end after 31 March 1998.

(3) Paragraphs 2 and 4 to 6 of subsection 1 apply in respect of expenditures made after 31 December 1998 in relation to a training period that begins after that date.

(4) Paragraph 3 of subsection 1 has effect from 1 April 1998.

181. (1) Section 1029.8.33.3 of the said Act is amended by adding, after the third paragraph, the following paragraph:

“Notwithstanding the first paragraph, the amount referred to in the definition of “qualified expenditure” in the first paragraph of section 1029.8.33.2, in respect of an eligible trainee who is an individual referred to in paragraph *b.1* of the definition of “eligible trainee” in that paragraph, is equal to zero where the week in respect of which the amount is computed is included in a period of more than 20 consecutive weeks of training with the same eligible taxpayer or the same qualified partnership and that week follows the twentieth week of training.”

(2) Subsection 1 applies in respect of expenditures made after 31 December 1998 in relation to a qualified training period that begins after that date.

182. (1) Section 1029.8.33.4.1 of the said Act is replaced by the following:

“1029.8.33.4. Where the eligible trainee in respect of whom an amount must be determined in accordance with section 1029.8.33.3 is an individual referred to in paragraph *a.1* or *c* of the definition of “eligible trainee” in the first paragraph of section 1029.8.33.2, the amount of “\$500” in the first paragraph of that section 1029.8.33.3 shall be replaced by an amount of “\$625”, and the figure “10” in subparagraph *b* of the first paragraph of section 1029.8.33.4 shall be replaced by the figure “20”.”

(2) Subsection 1 applies in respect of qualified expenditures made after 31 March 1998 in relation to a qualified training period that begins after that date.

183. (1) Section 1029.8.33.6 of the said Act is amended by replacing, in the first paragraph, “1 January 1999” by “1 January 2002”.

(2) Subsection 1 has effect from 31 March 1998.

184. (1) Section 1029.8.33.7 of the said Act is amended by replacing, in the first paragraph, “1 January 1999” by “1 January 2002”.

(2) Subsection 1 has effect from 31 March 1998.

185. (1) Section 1029.8.33.10 of the said Act is amended, in the first paragraph,

(1) by replacing, in subparagraph *a*, the words “it administers” by the words “administered by the Minister”;

(2) by replacing the portion of subparagraph *b* before subparagraph *i* by the following:

“(b) where the qualified training period is served by one or more eligible trainees referred to in paragraph *b* or *b.1* of the definition of “eligible trainee” in the first paragraph of section 1029.8.33.2, the recognized educational institution offering the education program within the framework of which the qualified training period is served issues to the eligible taxpayer or qualified partnership, as the case may be, in prescribed form, an attestation”;

(3) by inserting, after subparagraph *b*, the following subparagraph:

“(b.1) where the qualified training period is served by one or more eligible trainees referred to in paragraph *b.1* of the definition of “eligible trainee” in the first paragraph of section 1029.8.33.2, the attestation shall also certify that each training period is followed by a period of resumption of studies;”.

(2) Paragraph 1 of subsection 1 has effect from 1 April 1998.

(3) Paragraphs 2 and 3 of subsection 1 apply in respect of qualified expenditures made after 31 December 1998 in relation to a qualified training period that begins after that date.

186. (1) Section 1029.8.33.12 of the said Act is amended, in the definition of “qualified expenditure”,

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

“(a) unless provided for in paragraph *b*, an amount paid by the eligible taxpayer or the qualified partnership in respect of an eligible employee in relation to the taxation year or fiscal period, as the case may be, under any of the following provisions:”;

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

“(a.1) the amount paid, as an assessment, by the eligible taxpayer or the qualified partnership in respect of an eligible employee in relation to the taxation year or fiscal period, as the case may be, pursuant to the Act respecting industrial accidents and occupational diseases (chapter A-3.001);”;

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

“(b) an indemnity pertaining to the annual leave as prescribed by the Act respecting labour standards or the compensation in lieu thereof provided for in a contract of employment and paid in respect of an eligible employee by the eligible taxpayer in respect of the taxation year or by the qualified partnership in respect of the fiscal period, as the case may be, and any amount paid by the eligible taxpayer or by the qualified partnership under the provisions mentioned in subparagraphs ii to iv of paragraph *a* in respect of that indemnity or compensation;”.

(2) Paragraphs 1 and 3 of subsection 1 apply to pay periods that begin after 31 December 1997.

(3) Paragraph 2 of subsection 1 applies to pay periods that end after 31 December 1999.

187. (1) Section 1029.8.33.13 of the said Act is amended

(1) by striking out, in the first paragraph, the words “both” and “and paid”;

(2) by replacing the third paragraph by the following:

“The qualified expenditure, for a taxation year, to which the first paragraph refers in respect of an eligible taxpayer consists of

(a) for each pay period ending in the taxation year and on or before the nearer of the date of the last day of the taxation year and 31 December 2000, the aggregate of all amounts paid under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, other than any amount paid under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer, in respect of the pay period, to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted, awarded or attributed to eligible employees, in respect of the pay period, in relation to the tips reported by eligible employees to the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to the customer’s bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer, in respect of the pay period, to eligible employees;

(b) for each pay period ending in the taxation year and on or before the nearer of the date of the last day of the taxation year and 31 December 2000, the amount paid under the provision mentioned in subparagraph iv of paragraph *a* of the definition of “qualified expenditure” in section 1029.8.33.12, other than any amount paid under that provision and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the

salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer, in respect of the pay period, to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted or awarded to eligible employees, in respect of the pay period, in relation to the tips reported by eligible employees to the eligible taxpayer and to the tips that eligible employees received or benefited from and that constitute service charges added to the customer's bill is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer, in respect of the pay period, to eligible employees;

(c) the amount paid under the provision mentioned in subparagraph i of paragraph a of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer for a period that is after 24 March 1997 and before 1 January 2001, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees for such a period;

(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, paid by the eligible taxpayer in the taxation year in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer for a period that is after 24 March 1997 and before 1 January 2001, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees for such a period, and of any amount paid in the taxation year, under the provisions mentioned in subparagraphs ii to iv of paragraph a of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnities or compensation; and

(e) the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph a.1 of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips reported by eligible employees to the eligible taxpayer for a period that is after 31 December 1999 and before 1 January 2001, to the tips that eligible employees received or benefited from during such a period and that

constitute service charges added to the customer's bill and to the amounts attributed by the eligible taxpayer under section 42.11 to eligible employees for such a period."

(2) Paragraphs 1 and 2 of subsection 1, except where the latter paragraph enacts subparagraph *e* of the third paragraph of section 1029.8.33.13 of the said Act, apply to pay periods that begin after 31 December 1997.

(3) Paragraph 2 of subsection 1, where it enacts subparagraph *e* of the third paragraph of section 1029.8.33.13 of the said Act, applies to pay periods that end after 31 December 1999.

188. (1) Section 1029.8.33.14 of the said Act is amended

(1) by striking out, in the first paragraph, the words "both" and "and paid";

(2) by replacing the fourth paragraph by the following:

"The qualified expenditure, for a fiscal period, to which the first paragraph refers in respect of a qualified partnership consists of

(a) for each pay period ending in the fiscal period and on or before the nearer of the date of the last day of the fiscal period and 31 December 2000, the aggregate of all amounts paid under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, other than any amount paid under those provisions and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership, in respect of the pay period, to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted, awarded or attributed to eligible employees, in respect of the pay period, in relation to the tips reported by eligible employees to the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to the customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees is of the total of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership, in respect of the pay period, to eligible employees;

(b) for each pay period ending in the fiscal period and on or before the nearer of the date of the last day of the fiscal period and 31 December 2000, the amount paid under the provision mentioned in subparagraph iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, other than any amount paid under that provision and referred to in subparagraph *d* in relation to an indemnity referred to in that subparagraph, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership, in respect of the pay period, to eligible employees, in the proportion that the amount of the salary or wages paid, allocated, granted



or awarded to eligible employees, in respect of the pay period, in relation to the tips reported by eligible employees to the qualified partnership and to the tips that eligible employees received or benefited from and that constitute service charges added to the customer's bill is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership, in respect of the pay period, to eligible employees ;

(c) the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips reported by eligible employees to the qualified partnership for a period that is after 24 March 1997 and before 1 January 2001, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees for such a period ;

(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, paid by the qualified partnership in the fiscal period in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips reported by eligible employees to the qualified partnership for a period that is after 24 March 1997 and before 1 January 2001, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts attributed by the qualified partnership under section 42.11 to eligible employees for such a period, and of any amount paid in the fiscal period, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in section 1029.8.33.12, in relation to such indemnities or compensation ; and

(e) the aggregate of all amounts each of which is an amount paid, as an assessment, under the Act mentioned in paragraph *a.1* of the definition of "qualified expenditure" in section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to the gross wages, within the meaning of sections 289 and 289.1 of the Act respecting industrial accidents and occupational diseases (chapter A-3.001), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips reported by eligible employees to the qualified partnership for a period that is after 31 December 1999 and before 1 January 2001, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts

attributed by the qualified partnership under section 42.11 to eligible employees for such a period.”

(2) Paragraphs 1 and 2 of subsection 1, except where the latter paragraph enacts subparagraph *e* of the fourth paragraph of section 1029.8.33.14 of the said Act, apply to pay periods that begin after 31 December 1997.

(3) Paragraph 2 of subsection 1, where it enacts subparagraph *e* of the fourth paragraph of section 1029.8.33.14 of the said Act, applies to pay periods that end after 31 December 1999.

189. (1) Section 1029.8.34 of the said Act is amended

(1) by replacing the definition of “non-government assistance” in the first paragraph by the following :

““non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than a prescribed amount and the amount that a corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35 ;”;

(2) by inserting, in the first paragraph, the following definition in alphabetical order :

““qualified computer-aided special effects and animation expenditure” of a corporation for a taxation year in respect of a property that is a Québec film production means the lesser of

(a) the amount by which

i. the aggregate of

(1) the computer-aided special effects and animation expenditure of the corporation for the year in respect of the property,

(2) any repayment made by the corporation in the year, pursuant to a legal obligation to do so, of any assistance referred to, in relation to the property, in subparagraph *ii* or in paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” in respect of a taxation year for which the corporation is a qualified corporation or of any other assistance referred to in subparagraph *i* of subparagraph *c* of the first paragraph of section 1129.2 in relation to the property, not exceeding 60/7 of the tax under Part III.1 which the corporation is required to pay in a taxation year preceding the year by reason of the said subparagraph *i* in relation to that assistance, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the computer-aided special effects and animation expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the

aggregate of all amounts each of which is the qualified computer-aided special effects and animation expenditure of the corporation in respect of the property, for a taxation year before the end of which the main filming and taping of the property began and which precedes the year, exceeds 60/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 for a year preceding the year by reason of subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to paragraph *b* of the definition of "computer-aided special effects and animation expenditure", reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year; and

(*b*) the amount by which

i. 45% of the amount by which production costs, other than an amount included in the production cost, cost or capital cost of the property to another corporation that is a qualified corporation, incurred by the corporation before the end of the year in respect of the property, exceeds the amount of any government assistance and non-government assistance attributable to those costs that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year and that it has not repaid at that time pursuant to a legal obligation to do so, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified computer-aided special effects and animation expenditure of the corporation in respect of the property, for a taxation year before the end of which the main filming and taping of the property began and which precedes the year, exceeds 60/7 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 in respect of the property for a taxation year preceding the year;"

(3) by replacing subparagraph ii of paragraph *b* of the definition of "manpower expenditure" in the first paragraph by the following:

"ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, that is reasonably attributable to the wages of the particular corporation's employees who provided services as part of the production of the property,"

(4) by replacing subparagraph 2 of subparagraph i of paragraph *a* of the definition of "qualified manpower expenditure" in the first paragraph by the following:

“(2) a repayment made by the corporation in the year, pursuant to a legal obligation to do so, of any assistance referred to, in respect of the property, in subparagraph ii or in subparagraph *e* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation or of any other assistance referred to in subparagraph i of subparagraph *c* of the first paragraph of section 1129.2 in respect of the property not exceeding 250% of the tax under Part III.1 which the corporation is required to pay in a taxation year preceding the year by reason of the said subparagraph i in respect of such assistance.”;

(5) by replacing, in the definition of “qualified manpower expenditure” in the first paragraph, the portion of paragraph *a* after subparagraph 2.1 of subparagraph i by the following:

“(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year in respect of the property, the labour expenditure of the corporation, an amount determined under subparagraph 2 or 2.1 or 250% of the amount by which the amount that, but for the fourth paragraph of section 1029.8.35, the corporation would be deemed to have paid to the Minister under that section exceeds the amount that the corporation is deemed to have paid to the Minister under that section, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year before the end of which the main filming and taping of the property began and which precedes the year, exceeds 250% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1 for a taxation year preceding the year, by reason of subparagraph i of subparagraph *c* of the first paragraph of section 1129.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, by virtue of subparagraph *e* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year; and”;

(6) by inserting, in the first paragraph, the following definition in alphabetical order:

““computer-aided special effects and animation expenditure” of a corporation for a taxation year in respect of a property that is a Québec film production means

(*a*) where the corporation is not a qualified corporation for the year, an amount equal to zero; and

(b) in other cases, an amount equal to the amount by which the amount of wages paid, after 31 March 1998 and in the year to the employees of a person or partnership having an establishment in Québec for activities connected with computer-aided special effects and animation and carried out as part of the production of the property, and indicated on a valid certificate issued to the corporation for the year in relation to the property by the Société de développement des entreprises culturelles, exceeds the amount of any government assistance and non-government assistance, attributable to those wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that year;" ;

(7) by striking out paragraphs *b* and *d* of the definition of "qualified corporation" in the first paragraph ;

(8) by replacing subparagraph *d* of the second paragraph by the following :

"(d) the amount referred to in paragraph *b* of that definition shall be determined by considering, where the remuneration relates to the post-production stage of the property, only the services that are provided at that stage by a person who performs the duties of assistant sound-effects technician, assistant colourist, assistant mixer, cutter, sound-effects technician, animation cameraperson, colourist, timer, computer graphics designer, mixer, special effects editor, senior editor, sound editor, picture editor, boom operator, developing technician, inspection technician — clean up, printing technician, projectionist, encoding technician, recording technician, dubbing technician, optical effects technician, videotape operator, subtitle technician or video film recorder operator;" ;

(9) by replacing the portion of the third paragraph before subparagraph *b* by the following :

"For the purposes of subparagraph 2 of subparagraph *i* of paragraph *a* of the definitions of "qualified computer-aided special effects and animation expenditure" and "qualified labour expenditure" in the first paragraph, an amount of assistance is deemed to be repaid by a qualified corporation in a taxation year, pursuant to a legal obligation to do so, where that amount

(a) reduced, for the purpose of computing an amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.35,

i. a qualified computer-aided special effects and animation expenditure of the qualified corporation, because of subparagraph *ii* of paragraph *a* of the definition of "qualified computer-aided special effects and animation expenditure" in the first paragraph,

ii. a labour expenditure of the qualified corporation, because of subparagraph *e* of the second paragraph,

iii. a qualified labour expenditure of the qualified corporation, because of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph, or

iv. a computer-aided special effects and animation expenditure of the qualified corporation, because of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph;”;

(10) by replacing the portion of the fourth paragraph before subparagraph *a* by the following :

“For the purposes of subparagraph i of paragraph *b* of the definitions of “qualified computer-aided special effects and animation expenditure” and “qualified labour expenditure” in the first paragraph, an amount of government assistance or non-government assistance that a qualified corporation is entitled to receive in a taxation year is deemed not to be such an amount where that amount”;

(11) by replacing the fifth paragraph by the following :

“For the purposes of subparagraph i of paragraph *b* of the definitions of “qualified computer-aided special effects and animation expenditure” and “qualified labour expenditure” in the first paragraph, the production costs incurred by a corporation before the end of a taxation year in respect of a property are deemed to include the aggregate of

(*a*) an amount as production fees equal to the greater of

i. the costs actually incurred as production fees in respect of the property, to the extent that they are reasonable under the circumstances, and

ii. 10% of the aggregate of all production costs, excluding the costs relating to the script, to development, to the producer, to the production and to the stars, and the post-production costs for the property;

(*b*) an amount as general administration costs equal to the greater of

i. the costs actually incurred as general administration costs in respect of the property, to the extent that they are reasonable under the circumstances, and

ii. 10% of all the production costs, excluding the costs referred to in subparagraph i and the costs relating to the script, to development, to the producer, to the production and to the stars, and the post-production costs for the property; and

(*c*) an amount equal to the fair market value of the use by the corporation before the end of the year of property or services as part of the production of the property, for no consideration on the part of the corporation.”;

(12) by replacing the word “manpower”, wherever it appears in the English text of the following provisions, by the word “labour”:

— the portion of the definition of “manpower expenditure” in the first paragraph before paragraph *a*;

— paragraph *c* of the definition of “manpower expenditure” in the first paragraph;

— the portion of the definition of “qualified manpower expenditure” in the first paragraph before paragraph *a*;

— subparagraph 1 of subparagraph *i* of paragraph *a* of the definition of “qualified manpower expenditure” in the first paragraph;

— the portion of subparagraph *ii* of paragraph *b* of the definition of “qualified manpower expenditure” in the first paragraph before subparagraph 1;

— the portion of the second paragraph before subparagraph *a*;

— subparagraphs *e* and *f* of the second paragraph;

— the sixth paragraph.

(2) Paragraphs 2, 6, 9, 10 and 12 of subsection 1 have effect from 1 April 1998.

(3) Paragraphs 3, 7 where it strikes out paragraph *b* of the definition of “qualified corporation” in the first paragraph of section 1029.8.34 of the said Act, and 8 of subsection 1 apply in respect of a production the main filming or taping of which began after 23 June 1998.

(4) Paragraphs 4, 5 and 7, where it strikes out paragraph *d* of the definition of “qualified corporation” in the first paragraph of section 1029.8.34 of the said Act, of subsection 1 apply to taxation years that end after 31 March 1998.

(5) Paragraph 11 of subsection 1 has effect from 19 December 1990, except in respect of a taxation year of a taxpayer in respect of which the time limits provided for in subsection 2 of section 1010 of the said Act expired before 23 June 1998. However, where the portion of the fifth paragraph of section 1029.8.34 of the said Act before subparagraph *a*, enacted by that paragraph 11, applies before 1 April 1998, it shall be read as follows:

“For the purposes of subparagraph *i* of paragraph *b* of the definition of “qualified manpower expenditure” in the first paragraph, the production costs incurred by a corporation before the end of a taxation year in respect of a property are deemed to include the aggregate of”.

(6) For the purposes of subsection 5 and of Part I of the said Act, the Minister of Revenue shall, notwithstanding sections 1007, 1010 and 1011 of the said Act, make, pursuant to the said Part I, a determination or

redetermination of the amount deemed to have been paid by a corporation under Division II.6 of Chapter III.1 of Title III of Book IX of that Part, and any assessment or reassessment of the interest and penalties of the corporation that are required to give effect to paragraph 11 of subsection 1 and that subsection 5.

190. (1) Section 1029.8.35 of the said Act is amended

(1) by replacing the first and second paragraphs by the following :

“1029.8.35A corporation that, for a year, is a qualified corporation and encloses, with its fiscal return it is required to file for the year under section 1000, a copy of the favourable advance ruling in force at the end of the year or, as the case may be, of the certificate, unrevoked at the end of the year, that was given or issued by the Société de développement des entreprises culturelles in respect of a property that is a Québec film production, and the prescribed form containing the prescribed information is deemed, subject to the second paragraph and sections 1029.8.35.1 and 1029.8.35.2, where the main filming or taping of the property began before the end of the year, to have paid to the Minister on the corporation’s balance-due day for that year, as partial payment of its tax payable for that year under this Part, an amount equal to the aggregate of

(a) 40% of its qualified labour expenditure for the year in respect of the property ; and

(b) where paragraph *b* of section 1029.8.35.2 applies in respect of the property and the qualified corporation encloses with its fiscal return for the year a copy of the certificate issued to it for the year by the Société de développement des entreprises culturelles that is valid for the year, in respect of the property, in relation to activities connected with computer-aided special effects or animation, 11 2/3% of the corporation’s qualified computer-aided special effects and animation expenditure for the year in respect of the property.

“For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, as partial payment of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which the first payment is required to be made, the portion, in this paragraph referred to as the “particular portion”, of the amount determined under the first paragraph for the year that may reasonably be attributed to a labour expenditure or to a computer-aided special effects and animation expenditure of the corporation for a preceding taxation year and, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment without reference to the particular portion.”;



(2) by replacing the portion of subparagraph *b* of the third paragraph before subparagraph *i* by the following :

“(b) in respect of a qualified labour expenditure or qualified computer-aided special effects and animation expenditure of a corporation for a particular taxation year or a subsequent taxation year in respect of a property all or any part of which, in circumstances other than those described in subparagraph *a* and on or before the earlier of the first day on which the property is used for commercial purposes and the first anniversary of the day on which the main filming or taping was completed, was acquired by an individual resident in Québec at the end of any taxation year of that individual or by a partnership any member of which, at the end of any of the partnership’s fiscal periods, is such an individual at the end of the individual’s taxation year in which the fiscal period ends or such a partnership, where,”;

(3) by replacing, in the English text of the fourth paragraph, the word “manpower” by the word “labour”.

(2) Subsection 1 has effect from 1 April 1998.

191. (1) The said Act is amended by inserting, after section 1029.8.35, the following section :

“1029.8.35.0. For the purposes of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph of section 1029.8.34 and subparagraph *b* of the first paragraph of section 1029.8.35, where the Société de développement des entreprises culturelles replaces or revokes a certificate issued by it for a taxation year in respect of a property that is a qualified production, in relation to activities connected with computer-aided special effects or animation, the following rules apply :

(a) the replaced certificate is null and void from the time it was issued or deemed issued and the new certificate is deemed to have been issued at that time for that taxation year; and

(b) the revoked certificate is null and void from the time it was issued or deemed issued.”

(2) Subsection 1 has effect from 1 April 1998.

192. (1) Section 1029.8.35.1 of the said Act is amended by replacing, in subparagraph *i* of subparagraph *b* of the second paragraph, “31 December 1997” by “30 June 1998”.

(2) Subsection 1 has effect from 26 March 1997.

193. (1) Section 1029.8.35.2 of the said Act is amended by replacing, in the portion before paragraph *a*, the words “mentioned in that paragraph” by the words “mentioned in subparagraph *a* of that paragraph”.

(2) Subsection 1 has effect from 1 April 1998.

194. (1) The said Act is amended by inserting, after section 1029.8.36, the following :

**“DIVISION II.6.0.0.1**

**“CREDIT FOR FILM DUBBING**

“1029.8.36.0.0. In this division,

“eligible dubbing service” in relation to the production of a property that is a qualified production means

(a) where the property is a feature film for theatres, any of the following services :

i. the performance of actors,

ii. adaptation, that is, translation of dialogue,

iii. detection, that is, writing of synchronized dialogue, using conventional signs, of all the dialogue and mouth movements of all the characters of the original version,

iv. calligraphy/grid/typing, that is, recopying the adapted text, taking into account the synchronization indications from detection, to be read by the actors during the recording of the dubbed version,

v. stage management, that is, directing the actors during the recording,

vi. the production of film titles, that is, the photography on neutral backgrounds of opening and closing credits and, as the case may be, of subtitles, to produce the negative of the titles for the dubbed version, to be used for the production of distribution copies, and

vii. optical transfer, that is, recording of the sound on a negative to be matched with the negative of the picture to produce distribution copies for theatres; and

(b) in any other case, any of the services referred to in subparagraphs i to v of paragraph a;

“excluded production” means a Québec film production, within the meaning of the first paragraph of section 1029.8.34, in respect of which an amount is deemed to have been paid to the Minister under Division II.6;

“film dubbing expenditure” of a corporation for a taxation year in respect of the production of a property that is a qualified production means, subject to

the second paragraph, the aggregate of the following amounts, to the extent that they are reasonable in the circumstances :

(a) the salaries or wages that are incurred in the year by the corporation and paid by it in the year or within 60 days after the end of the year, or within a longer period that is reasonable to the Minister for eligible dubbing services rendered in Québec by the corporation's employees in respect of the production of the property ;

(b) the consideration that is paid by the corporation in the year or within 60 days after the end of the year, or within a longer period that is reasonable to the Minister for eligible dubbing services rendered in Québec by a person or partnership, other than an employee of the corporation, as part of the production of the property ;

“government assistance” means 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, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division ;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph w of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division ;

“qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on therein a business that consists in the rendering of dubbing services and that is a qualified business, but does not include

(a) a corporation that, at any time in the year or during the 24 months preceding the year, is controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Québec ;

(b) a corporation that is exempt from tax for the year under Book VIII ;

(c) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof :

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.” ;  
or

(d) a corporation governed, in the year, by an Act establishing a labour-sponsored fund ;

“qualified film dubbing expenditure” of a corporation for a taxation year in respect of the production of a property that is a qualified production means the lesser of

(a) the amount by which

i. the aggregate of

(1) the film dubbing expenditure of the corporation for the year in respect of the production of the property,

(2) any repayment made by the corporation in the year, pursuant to a legal obligation to do so, of any assistance referred to, in relation to the production of the property, in subparagraph ii or in subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, and

(3) the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the production of the property, the film dubbing expenditure of the corporation or an amount determined under subparagraph 2, exceeds the amount by which the aggregate of all amounts each of which is the qualified film dubbing expenditure of the corporation in respect of the production of the property, for a taxation year preceding the year, exceeds 300% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.1 for a year preceding the year by reason of subparagraph i of subparagraph *b* of the first paragraph of section 1129.4.0.2, in relation to assistance referred to in subparagraph ii, exceeds

ii. the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to a film dubbing expenditure of the corporation for a taxation year preceding the year in respect of the production of the property, to the extent that the amount has not, by virtue of subparagraph *d* of the second paragraph, reduced the film dubbing expenditure of the corporation for that preceding year; and

(b) the amount by which

i. 40.5% of the consideration paid to the qualified corporation in the year or a preceding taxation year for the performance of the dubbing contract in relation to the production of the property, exceeds

ii. the amount by which the aggregate of all amounts each of which is the qualified film dubbing expenditure of the corporation in respect of the production of the property, for a taxation year preceding the year, exceeds 300% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.1 for a taxation year preceding the year in respect of the production of the property;

“qualified production” for a taxation year of a corporation means the dubbed version of a production, other than an excluded production, in respect of which the corporation holds for the year a certificate issued by the Société de développement des entreprises culturelles for the purposes of this division;

“salary or wages” means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of “film dubbing expenditure” in the first paragraph, the following rules apply:

(a) for the purposes of paragraph *b* of that definition, the portion of the consideration paid by the corporation to a person or partnership with whom or with which the corporation was not dealing at arm’s length at the time the person or partnership undertook to provide eligible dubbing services as part of the production of the property shall not exceed the fair market value of the eligible dubbing services rendered in Québec by the person or partnership as part of the production of the property;

(b) for the purposes of paragraph *b* of that definition, the portion of the consideration paid by the corporation for the provision of a service referred to in subparagraph vi of paragraph *a* of the definition of “eligible dubbing service” in the first paragraph is deemed to be equal to 30% of that portion of the consideration, and that portion of the consideration paid by the corporation for the provision of a service referred to in subparagraph vii of that paragraph *a* is deemed to be equal to 20% of that portion of the consideration;

(c) for the purposes of paragraph *b* of that definition, the consideration paid by the corporation for the provision of eligible dubbing services shall not include the portion of that consideration that is the Québec sales tax or the goods and services tax in respect of those services;

(d) the amount of the film dubbing expenditure of a corporation for a taxation year in respect of the production of a property shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year; and

(e) where, for a taxation year, a corporation is not a qualified corporation, its film dubbing expenditure for the year in respect of the production of a property is deemed to be nil.

For the purposes of subparagraph 2 of subparagraph i of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph, an amount of assistance is deemed, in respect of the production of a property that is a qualified production, to be repaid by a corporation in a taxation year, pursuant to a legal obligation to do so, where that amount

(a) reduced, for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.2, in respect of the production of the property,

i. because of subparagraph *d* of the second paragraph, a film dubbing expenditure of the corporation in respect of the production of the property, or

ii. because of subparagraph ii of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph, a qualified film dubbing expenditure of the corporation in respect of the production of the property ;

(b) was not received by the corporation ; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

For the purposes of subparagraph i of paragraph *b* of the definition of “qualified film dubbing expenditure” in the first paragraph, the following rules apply :

(a) the consideration paid for the performance of a dubbing contract to the qualified corporation by a taxpayer with whom the corporation was not dealing at arm’s length at the time the contract was entered into shall not exceed the fair market value of the services rendered by the qualified corporation for the performance of the dubbing contract ; and

(b) the consideration paid for the performance of a dubbing contract to the qualified corporation shall not include the portion of that consideration that is the Québec sales tax or the goods and services tax in respect of that contract.

“1029.8.36.0.0.2. qualified corporation that, in a taxation year, produces a dubbed version of a production and encloses with its fiscal return it is required to file for the year under section 1000, a copy of the certificate issued to it by the Société de développement des entreprises culturelles indicating that the dubbed version is, in respect of that year, a qualified production and the prescribed form containing the prescribed information, is deemed, subject to the second paragraph, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to 33 1/3% of its qualified film dubbing expenditure for the year in respect of the production of that qualified production.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which the first payment is required to be made,

the portion, in this paragraph referred to as the “particular portion”, of the amount determined under the first paragraph for the year that may reasonably be attributed to a film dubbing expenditure of the corporation for a preceding taxation year and, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment without reference to the particular portion.

“1029.8.36.0.0. Notwithstanding section 1029.8.36.0.0.2, no amount may, for a taxation year, be deemed to have been paid to the Minister by a qualified corporation in respect of the production of the dubbed version of a production if the certificate issued to the qualified corporation by the Société de développement des entreprises culturelles indicating that the dubbed version is a qualified production is revoked in that year.

#### “DIVISION II.6.0.0.2

##### “FILM PRODUCTION SERVICES CREDIT

“1029.8.36.0.0. In this division,

“computer-aided special effects and animation expenditure” of a corporation for a taxation year in respect of a property that is a qualified production or a qualified low-budget production means

(a) where the corporation is not a qualified corporation for the year, an amount equal to zero; and

(b) in other cases, an amount equal to the amount by which the amount of wages paid after 31 March 1998 and in the year to the eligible employees of a person or partnership having an establishment in Québec, for activities connected with computer-aided special effects and animation carried out in respect of the production of the property, and indicated on the valid certificate issued to the corporation for the year, in relation to the property, by the Société de développement des entreprises culturelles, exceeds the amount of any government assistance and non-government assistance, attributable to those wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year;

“eligible employee” of an individual, a corporation or a partnership for a taxation year means, in respect of a property that is a qualified production or a qualified low-budget production, an employee resident in Québec at the end of the calendar year preceding the calendar year during which the main filming and taping of the property began;

“eligible individual”, for a taxation year, in respect of a property that is a qualified production means an individual resident in Québec at the end of the calendar year preceding the calendar year during which the main filming and taping of the property began;

“excluded corporation” for a taxation year means a corporation that is

(a) at any time in the year or during the 24 months preceding the year, controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Québec;

(b) exempt from tax for the year under Book VIII;

(c) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(d) governed, in the year, by an Act establishing a labour-sponsored fund;

“excluded production” means a Québec film production, within the meaning of the first paragraph of section 1029.8.34, in respect of which an amount is deemed to have been paid to the Minister under Division II.6;

“government assistance” means, subject to the fourth paragraph, 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;

“labour expenditure” of a corporation for a taxation year in respect of a property that is a qualified production means, subject to the second paragraph, the aggregate of the following amounts, to the extent that they are reasonable in the circumstances:

(a) the salaries or wages directly attributable to the production of the property that are incurred by the corporation after 12 February 1998 and in the year, to the extent that they relate to services rendered in Québec in relation to the stages of production of the property, from the final script stage to the post-production stage, and paid by it to its eligible employees in the year or within 60 days after the end of the year, or within a longer period that is reasonable to the Minister;

(b) that portion of the remuneration, other than salary or wages, that is directly attributable to the production of the property, that relates to services rendered in Québec after 12 February 1998 and during the year to the corporation in relation to the stages of production referred to in paragraph *a*, that is incurred in the year by the corporation and paid by it before the end of the year or within 60 days after the end of the year, or within a longer period that is reasonable to the Minister,



i. to an eligible individual, to the extent that that portion of the remuneration is reasonably attributable either to services personally rendered in Québec by the eligible individual as part of the production of the property or to the wages of the individual's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property,

ii. to a particular corporation having an establishment in Québec, other than a corporation referred to in subparagraph iii, to the extent that that portion of the remuneration is reasonably attributable to the wages of the particular corporation's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property,

iii. to a corporation having an establishment in Québec all the issued capital stock of which, except directors' qualifying shares, belongs to an eligible individual and the activities of which consist principally in the provision of the eligible individual's services, to the extent that that portion of the remuneration is reasonably attributable to services rendered in Québec by the eligible individual as part of the production of the property, or

iv. to a partnership carrying on a business in Québec and having an establishment in Québec, to the extent that that portion of the remuneration is reasonably attributable either to services rendered in Québec, as part of the production of the property, by an eligible individual who is a member of the partnership, or to the wages of the partnership's eligible employees that relate to services rendered in Québec by the eligible employees as part of the production of the property; and

(c) where the corporation is a subsidiary wholly-owned corporation of a particular corporation, the reimbursement made by the corporation, in the year or within 60 days after the end of the year, or within a longer period that is reasonable to the Minister, of an expenditure that was incurred in a particular taxation year by the particular corporation in respect of the property and that would be included in the labour expenditure of the corporation in respect of the property for the particular year because of paragraph *a* or *b* if, where such is the case, the corporation had had such a particular taxation year and if the expenditure had been incurred by the corporation for the same purpose as it was by the particular corporation and had been paid at the same time and to the same person or partnership as it was paid by the particular corporation;

“non-government assistance” means, subject to the fourth paragraph, an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof;

“qualified computer-aided special effects and animation expenditure” of a corporation for a taxation year in respect of a property that is a qualified production or a qualified low-budget production means the amount by which

(a) the aggregate of

i. the computer-aided special effects and animation expenditure of the corporation for the year in respect of the property,

ii. any repayment made by the corporation in the year, pursuant to a legal obligation to do so, of assistance referred to, in relation to the property, in paragraph *b* or in paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in respect of a taxation year for which the corporation is a qualified corporation, and

iii. the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the computer-aided special effects and animation expenditure of the corporation or an amount determined under subparagraph ii, exceeds the amount by which the aggregate of all amounts each of which is the qualified computer-aided special effects and animation expenditure of the corporation in respect of the property, for a taxation year before the end of which the main filming or taping of the property began and which precedes the year, exceeds 500% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.2 for a year preceding the year by reason of subparagraph *a* of the first paragraph of section 1129.4.0.6, in relation to assistance referred to in paragraph *b*; exceeds

(*b*) the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to a computer-aided special effects and animation expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that that amount has not, pursuant to paragraph *b* of the definition of “computer-aided special effects and animation expenditure”, reduced the amount of that computer-aided special effects and animation expenditure of the corporation for that preceding year;

“qualified corporation” for a taxation year in respect of a property that is a qualified production or a qualified low-budget production means a corporation, other than an excluded corporation, that, in the year, has an establishment in Québec and the activities of which consist principally in the carrying on in Québec of a film or television production business, or a film or television production services business, that is a qualified business, and that

(*a*) owns the copyright on the property throughout the period during which the property is produced in Québec; or

(*b*) has contracted directly with the owner of the copyright on the property to render film production services in relation to the property, where the owner of the copyright is not a qualified corporation in respect of the property;

“qualified labour expenditure” of a corporation for a taxation year in respect of a property that is a qualified production means the amount by which

(*a*) the aggregate of

i. the labour expenditure of the corporation for the year in respect of the property,

ii. any repayment made by the corporation in the year, pursuant to a legal obligation to do so, of any assistance referred to, in relation to the property, in subparagraph i of subparagraph *b* or subparagraph *d* of the second paragraph in respect of a taxation year for which the corporation is a qualified corporation, and

iii. the amount by which the aggregate of all amounts each of which is, for a taxation year preceding the year and in respect of the property, the labour expenditure of the corporation or an amount determined under subparagraph ii, exceeds the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property, for a taxation year before the end of which the main filming and taping of the property began and which precedes the year, exceeds 100/11 of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.0.2 for a taxation year preceding the year by reason of subparagraph *a* of the first paragraph of section 1129.4.0.6, in relation to assistance referred to in subparagraph i of paragraph *b*; exceeds

(*b*) the aggregate of

i. the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, by virtue of subparagraph *d* of the second paragraph, reduced the labour expenditure of the corporation for that preceding year, and

ii. the amount of any reimbursement of an expenditure made to the corporation by a subsidiary wholly-owned corporation of the corporation where that subsidiary includes, by virtue of paragraph *c* of the definition of "labour expenditure", that amount in its labour expenditure for a taxation year in respect of a property that is a qualified production;

"qualified low-budget production" for a taxation year means a property that is a production, other than a qualified production or an excluded production, in respect of which the Société de développement des entreprises culturelles issues a certificate for the purposes of this division in which it specifies that the budget for the production does not exceed

(*a*) in the case of a production that is part of a series of television productions that has two or more episodes, or is a pilot program for such a series of episodes,

i. \$100,000 where the running time is less than 30 minutes, and

ii. \$200,000 in other cases ; and

(b) in the case of a production other than a production referred to in paragraph *a*, \$1,000,000;

“qualified production” for a taxation year means a property that is a production, other than a qualified low-budget production or an excluded production, in respect of which the Société de développement des entreprises culturelles issues a certificate for the purposes of this division ;

“salary or wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of “labour expenditure” in the first paragraph, the following rules apply :

(a) for the purposes of paragraph *a* of that definition, the salaries or wages directly attributable to a property that is a qualified production are, where an eligible employee directly undertakes, supervises or supports the production of the property, the portion of the salaries or wages paid to or on behalf of the employee that may reasonably be considered to relate to the production of the property ;

(b) remuneration, including a salary or wages, does not include remuneration determined by reference to profits or revenues derived from the operation of a property or an expenditure as remuneration that is, or may reasonably be considered to be, incurred by a corporation, as a mandatary, on behalf of another person ;

(c) the amount referred to in paragraph *b* of that definition shall be determined by considering, where the remuneration relates to the post-production stage of the property, only the services that are rendered at that stage by a person who performs the duties of assistant sound-effects technician, assistant colourist, assistant mixer, cutter, sound-effects technician, animation cameraperson, director of post-production, colourist, timer, computer graphics designer, mixer, special effects editor, senior editor, sound editor, picture editor, boom operator, developing technician, inspection technician — clean up, printing technician, projectionist, encoding technician, recording technician, dubbing technician, optical effects technician, videotape operator, subtitle technician or video film recorder operator ;

(d) the amount of the labour expenditure of a corporation for a taxation year in respect of a property shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to that expenditure, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year ;

(e) the labour expenditure of a corporation for a taxation year in respect of a property shall not include an amount that is not included in the production cost to the corporation of the property or that relates to advertizing, marketing, promotion or market research, or an amount related in any way to another property; and

(f) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property is deemed nil.

For the purposes of subparagraph ii of paragraph *a* of the definitions of “qualified computer-aided special effects and animation expenditure” and “qualified labour expenditure” in the first paragraph, an amount of assistance is deemed, in respect of a property that is a qualified production or a qualified low-budget production, to be repaid by a qualified corporation in a taxation year, pursuant to a legal obligation to do so, where that amount

(a) reduced, for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.0.5, in respect of the property,

i. because of paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph, a qualified computer-aided special effects and animation expenditure of the qualified corporation,

ii. because of subparagraph *d* of the second paragraph, a qualified labour expenditure of the qualified corporation in respect of the production of the property,

iii. because of subparagraph i of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph, a qualified labour expenditure of the qualified corporation in respect of the property, or

iv. because of paragraph *b* of the definition of “computer-aided special effects and animation expenditure” in the first paragraph, a computer-aided special effects and animation expenditure of the qualified corporation;

(b) was not received by the qualified corporation; and

(c) ceased in the taxation year to be an amount that the qualified corporation may reasonably expect to receive.

For the purposes of this division, government assistance or non-government assistance does not include an amount that a corporation is deemed to have paid to the Minister for a taxation year under this division or an amount that a corporation is deemed to have paid for a taxation year under subsection 3 of section 125.4 or 125.5 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement).

“1029.8.36.0.0. ~~A~~. corporation that, for a taxation year, is a qualified corporation and encloses, with its fiscal return it is required to file for the year under section 1000, a copy of the valid certificate issued by the Société de développement des entreprises culturelles in respect of a property that is a qualified production or a qualified low-budget production, and the prescribed form containing the prescribed information is deemed, where the main filming or taping of the property began before the end of the year, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to

(a) where the property is a qualified production, the aggregate of

i. 20% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property, and

ii. 11% of its qualified labour expenditure for the year in respect of the property; and

(b) where the property is a qualified low-budget production, 20% of its qualified computer-aided special effects and animation expenditure for the year in respect of the property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027 or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which the first payment is required to be made, the portion, in this paragraph referred to as the “particular portion”, of the amount determined under the first paragraph for the year that may reasonably be attributed to a labour expenditure or to a computer-aided special effects and animation expenditure of the corporation for a preceding taxation year and, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment without reference to the particular portion.

“1029.8.36.0.0. ~~For~~ the purposes of this division, where the Société de développement des entreprises culturelles replaces or revokes a certificate issued by it in respect of a property that is a qualified production or a qualified low-budget production, the following rules apply:

(a) the replaced certificate is null and void from the time it was issued or deemed issued and the new certificate is deemed to have been issued at that time; and

(b) the revoked certificate is null and void from the time it was issued or deemed issued.”

(2) Subsection 1, where it enacts Division II.6.0.0.1 of Chapter III.1 of Title III of Book IX of Part I of the said Act, applies in respect of a film dubbing expenditure incurred after 18 December 1997 as part of a dubbing contract entered into after that date. However, where the definition of “qualified corporation” in the first paragraph of section 1029.8.36.0.0.1 of the said Act, enacted by subsection 1, applies to a taxation year that ends before 1 April 1998, it shall be read with the following paragraph added thereto :

“(e) a corporation all or substantially all the gross revenue of which, for the year, is derived from operations of an international financial centre;”.

(3) Subsection 1, where it enacts Division II.6.0.0.2 of Chapter III.1 of Title III of Book IX of Part I of the said Act, applies to taxation years that end after 12 February 1998. However, where section 1029.8.36.0.0.4 of the said Act, enacted by subsection 1,

(1) applies in respect of a production the main filming and taping of which began before 24 June 1998, it shall be read with the following paragraph added thereto :

“For the purposes of this division, a qualified corporation does not include a corporation that holds a broadcasting licence issued by the Canadian Radio-television and Telecommunications Commission or that, at any time in the year or during the 24 months preceding the year, does not deal at arm’s length with a corporation holding such a licence.”;

(2) applies to taxation years that end before 1 April 1998, it shall be read with the following paragraph added thereto :

“For the purposes of this division, a qualified corporation does not include a corporation all or substantially all the gross revenue of which, for the year, is derived from operations of an international financial centre.”

195. (1) The heading of Division II.6.0.1 of Chapter III.1 of Title III of Book IX of Part I of the said Act is replaced by the following :

“CREDIT FOR MULTIMEDIA TITLES (PART 1)”.

(2) Subsection 1 has effect from 9 May 1996.

196. (1) Section 1029.8.36.0.1 of the said Act is amended

(1) by replacing the definition of “non-government assistance” in the first paragraph by the following :

““non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph w of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof, other than any amount of financial assistance granted by the Conseil des arts

et des lettres du Québec, the information highway fund or the Société de développement des entreprises culturelles and an amount that is deemed to have been paid to the Minister for a taxation year under this division;”;

(2) by replacing subparagraph ii of paragraph *a* of the definition of “qualified manpower expenditure” in the first paragraph by the following:

“ii. the amount by which the amount of any government assistance and non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year, that is attributable to a labour expenditure of the corporation for a taxation year preceding the year in respect of the property, to the extent that the amount has not, by virtue of the second paragraph, reduced the labour expenditure of the corporation for that preceding year, exceeds the amount determined pursuant to the fourth paragraph; and”;

(3) by replacing, in subparagraph i of paragraph *b* of the definition of “qualified manpower expenditure” in the first paragraph, “50%” by “60%”;

(4) by replacing subparagraph ii of paragraph *b* of the definition of “qualified manpower expenditure” in the first paragraph by the following:

“ii. the amount by which the aggregate of all amounts each of which is the qualified labour expenditure of the corporation in respect of the property for a taxation year preceding the year exceeds the aggregate of

(1) 500% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.1 in respect of the property for a taxation year preceding the year and that is attributable to an amount that the corporation is deemed to have paid to the Minister under subparagraph i of paragraph *a* of section 1029.8.36.0.2, and

(2) 400% of the aggregate of all amounts each of which is tax that the corporation is required to pay under Part III.1.1 in respect of the property for a taxation year preceding the year and that is attributable to an amount that the corporation is deemed to have paid to the Minister under subparagraph ii of paragraph *a* of section 1029.8.36.0.2;”;

(5) by adding, after the third paragraph, the following paragraph:

“The amount to which subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph refers is equal to the aggregate of

(a) 500% of the aggregate of all amounts each of which is tax that the corporation is required to pay under subparagraph i of subparagraph *f* of the first paragraph of section 1129.4.2 in respect of the property for a taxation year ending before 18 April 1997 and that precedes the year; and



(b) 400% of the aggregate of all amounts each of which is tax that the corporation is required to pay under subparagraph i of subparagraph *f* of the first paragraph of section 1129.4.2 in respect of the property for a taxation year ending after 17 April 1997 and that precedes the year.”;

(6) by replacing the word “manpower”, wherever it appears in the English text of the following provisions, by the word “labour”:

- the definition of “manpower expenditure” in the first paragraph;
- the portion of the definition of “qualified manpower expenditure” in the first paragraph before paragraph *a*;
- subparagraphs 1 and 3 of subparagraph i of paragraph *a* of the definition of “qualified manpower expenditure” in the first paragraph;
- the second paragraph;
- the portion of the third paragraph before subparagraph *a*;
- subparagraphs i to iii of subparagraph *a* of the third paragraph.

(2) Paragraph 1 of subsection 1 has effect from 9 May 1996.

(3) Paragraphs 2 to 6 of subsection 1 apply to taxation years that end after 17 April 1997.

197. (1) Section 1029.8.36.0.2 of the said Act is amended by replacing paragraphs *a* and *b* by the following:

“(a) an amount equal to

i. where the taxation year ends before 18 April 1997, 20% of its qualified labour expenditure for the year in respect of the title, or

ii. where the taxation year ends after 17 April 1997, 25% of its qualified labour expenditure for the year in respect of the title;

“(b) where the Société de développement des entreprises culturelles certifies that the title is both available in French and intended for the consumer market, 20% of its qualified labour expenditure for the year in respect of the title; and”.

(2) Subsection 1 applies to taxation years that end after 17 April 1997.

198. (1) The said Act is amended by inserting, after section 1029.8.36.0.3, the following:

“1029.8.36.0.3.A. qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.0.2 only if it files with the Minister the prescribed information in prescribed form and a copy of the temporary or final certificate or the document validating the operating receipts, as the case may be, referred to in that section, on or before the day that is 12 months after the qualified corporation’s filing-due date for the particular year.

“1029.8.36.0.3. This division applies in respect of a property that is a multimedia title of a qualified corporation the main production work of which began before 23 May 1997 and in respect of which the Société de développement des entreprises culturelles issues a certificate, except where the qualified corporation made an election, in respect of the property, under section 1029.8.36.0.3.7 or 1029.8.36.0.3.17.

#### “DIVISION II.6.0.1.1

##### “CREDIT FOR MULTIMEDIA TITLES (PART 2)

“1029.8.36.0.3.B. In this division,

“eligible production costs” of a corporation for a taxation year in respect of a property that is a multimedia title, means the aggregate of

(a) the amount by which the production costs of the corporation for the year in respect of the property exceeds the aggregate of all amounts each of which is government assistance or non-government assistance attributable to the production costs that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for that year; and

(b) any amount paid by the corporation in the year or a preceding taxation year, pursuant to a legal obligation to do so, as repayment of assistance referred to in paragraph *a* in respect of the property ;

“eligible production work” relating to a property that is a multimedia title means the work carried out to complete the production stages of the property from the design stage to the final version stage, ready to be commercialized, including activities relating to the writing of the script for the property, the development of its interactive structure, the purchase and production of its component elements and its computer development, but does not include activities relating to mastering, multiplication of the property’s information storage media, promotion, broadcasting or distribution ;

“government assistance” means 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, other than any amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the information highway fund or the Société de

développement des entreprises culturelles and an amount deemed to have been paid to the Minister for a taxation year under this division;

“labour expenditure” of a corporation for a taxation year in respect of a property that is a multimedia title means, subject to the second paragraph, the aggregate of the following amounts, to the extent that they are reasonable in the circumstances and included in the production cost, cost or capital cost, as the case may be, of the property:

(a) the salaries or wages attributable to the property that are incurred and paid by the corporation, in respect of its employees of an establishment situated in Québec, for eligible production work relating to the property carried out in the year or a preceding taxation year;

(b) the aggregate of all amounts each of which is the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to the property that was carried out on its behalf in the year or a preceding taxation year to a person or partnership who or which carried out all or a part of the eligible production work and with whom or with which the corporation is not dealing at arm’s length at the time the contract is entered into, that may reasonably be attributed to the salaries or wages attributable to the property that the person or partnership incurred and paid in respect of the person’s or partnership’s employees of an establishment situated in Québec, or that could be so attributed if that person or partnership had such employees; and

(c) the aggregate of all amounts each of which is one-half of the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to the property, to a person or partnership with whom or with which the corporation is dealing at arm’s length at the time the contract is entered into, that may reasonably be attributed to the eligible production work carried out on its behalf in the year or a preceding taxation year by the employees of an establishment of that person or partnership situated in Québec, or that could be so attributed if that person or partnership had such employees;

“multimedia title” of a corporation means an organized set of numerical information in respect of which a certificate, a favourable advance ruling or a validation certificate, as the case may be, has been given or issued to the corporation by the Société de développement des entreprises culturelles for the purposes of this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph w of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof, other than any amount of financial assistance granted by the Conseil des arts et des lettres du Québec, the information highway fund or the Société de développement des entreprises culturelles and an amount deemed to have been paid to the Minister for a taxation year under this division;

“production costs” of a corporation for a taxation year in respect of a property that is a multimedia title means the aggregate of

(a) the aggregate of all amounts each of which is an amount, other than an amount relating to management fees or administration costs and an amount included in the production cost, cost or capital cost, as the case may be, of the property to another corporation that is a qualified corporation, incurred by the corporation before the end of the year to carry out, in Québec, eligible production work relating to the property, to the extent that it is reasonable in the circumstances and included in the production cost, cost or capital cost, as the case may be, of the property to the corporation; and

(b) the aggregate of all amounts, each of which is an amount incurred by the corporation before the end of the year in relation to production fees and administrative costs in connection with the property, to the extent that that aggregate does not exceed 20% of the qualified labour expenditure of the corporation for the year in respect of the property;

“qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on therein a business of producing multimedia titles that is a qualified business, but does not include

(a) a corporation that holds, for the year, a final certificate referred to in the first paragraph of section 1029.8.36.0.3.19;

(b) a corporation that is exempt from tax for the year under Book VIII;

(c) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”;

or

(d) a corporation governed, in the year, by an Act establishing a labour-sponsored fund;

“qualified labour expenditure” of a corporation for a taxation year in respect of a property that is a multimedia title means the amount by which

(a) the aggregate of

i. the labour expenditure of the corporation for the year in respect of the property, and

ii. any amount paid by the corporation in the year or a preceding taxation year, pursuant to a legal obligation to do so, as repayment of assistance to the

extent that the assistance, in the year or a preceding taxation year, reduced because of subparagraph *d* of the second paragraph a labour expenditure of the corporation in respect of the property; exceeds

(*b*) the product obtained by multiplying the factor specified in the fourth paragraph in respect of the property by the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.0.3.4 by the corporation, on account of its tax payable, in respect of the property for a preceding taxation year;

“salary or wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of “labour expenditure” in the first paragraph,

(*a*) the salaries or wages incurred by a person or a partnership in respect of an employee are attributable to a property only where the employee works directly in the carrying out of the eligible production work relating to the property and only to the extent that they may reasonably be considered to relate to the carrying out of the eligible production work in view of the time spent thereon by the employee and, in that respect, an employee who spends 90% or more of working time to carry out the eligible production work relating to the property is deemed to spend all working time thereon;

(*b*) the consideration referred to in paragraph *b* or *c* of the definition does not include an amount paid by a corporation to another corporation to the extent that the amount may reasonably be attributed to eligible production work relating to a property that was carried out in a taxation year of that other corporation for which that other corporation holds a certificate referred to in the first paragraph of section 1029.8.36.0.3.19 issued to it by the Société de développement des entreprises culturelles for that year;

(*c*) the amount of the salaries or wages incurred or of the portion of a consideration paid, as the case may be, does not include an expenditure that is included in the production cost of a property to a corporation and that is an amount otherwise included in the cost or capital cost of the property to another corporation that is a qualified corporation;

(*d*) the amount of the salaries or wages incurred or of the portion of the consideration paid, as the case may be, of a labour expenditure of a corporation for a taxation year in respect of a property shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to the salaries or wages or to the portion of the consideration, as the case may be, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year; and

(*e*) where, for a taxation year, a corporation is not a qualified corporation, its labour expenditure for the year in respect of a property is deemed to be nil.

For the purposes of subparagraph ii of paragraph *a* of the definition of “qualified labour expenditure” in the first paragraph and of paragraph *b* of the definition of “eligible production costs” in that first paragraph, an amount of assistance is deemed, in respect of a property that is a multimedia title, to be repaid by a qualified corporation in a taxation year, pursuant to a legal obligation to do so, where that amount

(a) reduced, for the purpose of computing the amount that the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.4 in respect of the property,

i. because of paragraph *d* of the second paragraph, the amount of the salaries or wages incurred or the portion of the consideration paid, as the case may be, of a labour expenditure of the qualified corporation in respect of the property, or

ii. because of paragraph *a* of the definition of “eligible production costs” in the first paragraph, the eligible production costs of the qualified corporation in respect of the property;

(b) was not received by the qualified corporation; and

(c) ceased in the taxation year to be an amount that the qualified corporation may reasonably expect to receive.

The factor to which paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph refers, in respect of a property, is

(a) 20/13, in the case where the certificate, favourable advance ruling or validation certificate that was given or issued, as the case may be, in respect of the property by the Société de développement des entreprises culturelles certifies that the property is produced without having been ordered, is intended to be commercialized and is available in a French version; and

(b) 20/9, in any other case.

“1029.8.36.0.3.A. corporation that, for a taxation year, is a qualified corporation and encloses with its fiscal return it is required to file for the year under section 1000 a copy of the valid certificate, valid favourable advance ruling or valid validation certificate that was given or issued, as the case may be, to it by the Société de développement des entreprises culturelles in respect of a property that is a multimedia title of the corporation and the prescribed form containing the prescribed information, is deemed to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the lesser of

(a) an amount equal to the amount obtained by applying the appropriate percentage determined in the second paragraph in relation to the property for the year to the corporation’s qualified labour expenditure for the year in respect of the property; and

(b) the amount by which the amount obtained by applying the appropriate percentage determined in the third paragraph in relation to the property for the year to the corporation's eligible production costs at the end of the year in respect of the property exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under this section by the corporation in respect of the property for a preceding taxation year.

The percentage to which subparagraph *a* of the first paragraph refers in relation to a property that is a multimedia title for a taxation year is

(a) 65%, where the Société de développement des entreprises culturelles certifies that the property is produced without having been ordered, is intended to be commercialized and is available in a French version; and

(b) 45%, in any other case.

The percentage to which subparagraph *b* of the first paragraph refers in relation to a property that is a multimedia title for a taxation year is

(a) 35%, where the Société de développement des entreprises culturelles certifies that the property is produced without having been ordered, is intended to be commercialized and is available in a French version; and

(b) 25%, in any other case.

“1029.8.36.0.3. For the purposes of section 1029.8.36.0.3.4, where the Société de développement des entreprises culturelles replaces or revokes a certificate, a favourable advance ruling or a validation certificate that was given or issued, as the case may be, by it to a corporation in respect of a property that is a multimedia title, the following rules apply :

(a) the replaced certificate is null and void from the time it was issued or deemed issued and the new certificate is deemed to have been issued at that time;

(b) the replaced favourable advance ruling is null and void from the time it was given or deemed given and the new favourable advance ruling is deemed to have been given at that time;

(c) the replaced validation certificate is null and void from the time it was issued or deemed issued and the new validation certificate is deemed to have been issued at that time; and

(d) a revoked certificate or a revoked favourable advance ruling, as the case may be, is null and void from the time it was issued or given or deemed issued or given and a revoked validation certificate is null and void from the time it was issued or deemed issued.

“1029.8.36.0.3. A qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular

taxation year under section 1029.8.36.0.3.4, in respect of a property that is a multimedia title of the qualified corporation, the main production work of which began after 22 May 1997 and before 1 April 1998, only if it files with the Minister the prescribed information in prescribed form and a copy of the certificate, favourable advance ruling or validation certificate, as the case may be, referred to in that section, on or before the day that is 12 months after the qualified corporation's filing-due date for the particular year.

A qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.0.3.4, in respect of a property that is a multimedia title of the qualified corporation, the main production work of which began after 9 May 1996 and before 23 May 1997, and in respect of which the qualified corporation made the election provided for in section 1029.8.36.0.3.7, only if it files with the Minister the prescribed information in prescribed form and a copy of the certificate, favourable advance ruling or validation certificate, as the case may be, referred to in section 1029.8.36.0.3.4, on or before the qualified corporation's filing-due date for its taxation year that includes 20 December 1999.

~~“1029.8.36.0.3. This division applies in respect of a property that is a multimedia title of a qualified corporation the main production work of which began after 22 May 1997 and before 1 April 1998, or in respect of a property that is a multimedia title of a qualified corporation the main production work of which began after 9 May 1996 and before 23 May 1997 where, in the latter case, the corporation makes the election in prescribed form containing the prescribed information and sends it to the Minister on or before the corporation's filing-due date for its taxation year that includes 20 December 1999.~~

The first paragraph does not apply to a property that is a multimedia title of a qualified corporation in respect of which the corporation made an election under section 1029.8.36.0.3.17.

#### **“DIVISION II.6.0.1.2**

##### **“CREDIT FOR MULTIMEDIA TITLES (GENERAL)**

~~“1029.8.36.0.3. In this division,~~

“eligible production work” relating to a property that is a multimedia title means the work carried out to complete the production stages of the property from the design stage to the final version stage, ready to be commercialized, including activities relating to the writing of the script for the property, the development of its interactive structure, the purchase and production of its component elements and its computer development, but does not include activities relating to mastering, multiplication of the property's information storage media, promotion, broadcasting or distribution ;



“government assistance” means 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, other than an amount deemed to have been paid to the Minister for a taxation year under this division;

“labour expenditure” of a corporation for a taxation year in respect of a property that is a multimedia title means, subject to the second paragraph, the aggregate of the following amounts, to the extent that they are reasonable in the circumstances:

(a) the salaries or wages attributable to the property that are incurred and paid by the corporation, in respect of its employees of an establishment situated in Québec, for eligible production work relating to the property carried out in the year;

(b) the aggregate of all amounts each of which is the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to the property that was carried out on its behalf in the year to a person or partnership who or which carried out all or a part of the eligible production work and with whom or with which the corporation is not dealing at arm’s length at the time the contract is entered into, that may reasonably be attributed to the salaries or wages attributable to the property that the person or partnership incurred and paid in respect of the person’s or partnership’s employees of an establishment situated in Québec, or that could be so attributed if that person or partnership had such employees; and

(c) the aggregate of all amounts each of which is one-half of the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to the property, to a person or partnership with whom or with which the corporation is dealing at arm’s length at the time the contract is entered into, that may reasonably be attributed to the eligible production work carried out on the person’s or partnership’s behalf in the year by the employees of an establishment of that person or partnership situated in Québec, or that could be so attributed if that person or partnership had such employees;

“multimedia title” of a corporation means an organized set of numerical information in respect of which a certificate, a favourable advance ruling or a validation certificate, as the case may be, has been given or issued to the corporation by the Société de développement des entreprises culturelles for the purposes of this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph w of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof, other than an amount deemed to have been paid to the Minister for a taxation year under this division;

“qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on therein a business of producing multimedia titles that is a qualified business, but does not include

(a) a corporation that holds, for the year, a final certificate referred to in the first paragraph of section 1029.8.36.0.3.19;

(b) a corporation that is exempt from tax for the year under Book VIII;

(c) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(d) a corporation governed, in the year, by an Act establishing a labour-sponsored fund;

“qualified labour expenditure” of a corporation for a taxation year in respect of a property that is a multimedia title means the amount by which

(a) the labour expenditure of the corporation for the year in respect of the property; exceeds

(b) the amount of any government assistance and non-government assistance attributable to the amount of salaries or wages incurred or the portion of the consideration paid, as the case may be, of a labour expenditure of the corporation for the year, in respect of the property, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the year;

“salary or wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of “labour expenditure” in the first paragraph,

(a) the salaries or wages incurred by a person or a partnership in respect of an employee are attributable to a property only where the employee works directly in the carrying out of eligible production work relating to the property and only to the extent that they may reasonably be considered to relate to the carrying out of the eligible production work in view of the time spent thereon by the employee and, in that respect, an employee who spends 90% or more of working time to carry out the eligible production work relating to a property is deemed to spend all working time thereon; and

(b) the consideration referred to in paragraph *b* or *c* of that definition does not include an amount paid by a corporation to another corporation, to the extent that the amount may reasonably be attributed to eligible production work in respect of a property that was carried out in a taxation year of that other corporation for which that other corporation holds a valid final certificate referred to in the first paragraph of section 1029.8.36.0.3.19 issued to it by the Société de développement des entreprises culturelles for that year.

“1029.8.36.0.3.9. corporation that, for a taxation year, is a qualified corporation and encloses with its fiscal return it is required to file for the year under section 1000 a copy of the valid certificate, valid favourable advance ruling or valid validation certificate given or issued, as the case may be, to it by the Société de développement des entreprises culturelles in respect of a property that is a multimedia title of the corporation, and the prescribed form containing the prescribed information is deemed, subject to the second paragraph, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount obtained by applying the appropriate percentage, determined in the third paragraph in relation to the property for the year, to the corporation’s qualified labour expenditure for the year in respect of the property.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment.

The percentage to which the first paragraph refers in relation to a property that is a multimedia title for a taxation year is

(a) 50%, in the case where the Société de développement des entreprises culturelles certifies that the property is to be commercialized for the general public and is available in a French version ;

(b) 40%, in the case where the Société de développement des entreprises culturelles certifies that the property is to be commercialized for the general public and is not available in a French version ; and

(c) 35%, in any other case.

“1029.8.36.0.3.10. For the purposes of section 1029.8.36.0.3.9, where the Société de développement des entreprises culturelles replaces or revokes a certificate, a favourable advance ruling or a validation certificate given or issued, as the case may be, by it to a corporation in respect of a property that is a multimedia title, the following rules apply :

(a) the replaced certificate is null and void from the time it was issued or deemed issued and the new certificate is deemed to have been issued at that time;

(b) the replaced favourable advance ruling is null and void from the time it was given or deemed given and the new favourable advance ruling is deemed to have been given at that time;

(c) the replaced validation certificate is null and void from the time it was issued or deemed issued and the new validation certificate is deemed to have been issued at the time; and

(d) a revoked certificate or a revoked favourable advance ruling, as the case may be, is null and void from the time it was issued or given or deemed issued or given and a revoked validation certificate is null and void from the time it was issued or deemed issued.

~~1029.8.36.0.3.1~~Where, in a taxation year, a qualified corporation pays, pursuant to a legal obligation to do so, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance referred to in paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.3.8 that was taken into account for the purpose of computing a particular qualified labour expenditure incurred by the corporation in respect of a property that is a multimedia title in a particular taxation year and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.9 for the particular taxation year, the corporation is deemed to have paid to the Minister for that taxation year, if it encloses the prescribed form with its fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular taxation year under that section 1029.8.36.0.3.9 if any amount of government assistance or non-government assistance the corporation so repaid in the year or in a preceding year had reduced the amount determined under paragraph *b* of the definition of “qualified labour expenditure” in the particular year, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.9 for that particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a preceding year under this section in respect of an amount of such government assistance or non-government assistance that was repaid.

~~1029.8.36.0.3.1~~~~2~~For the purposes of section 1029.8.36.0.3.11, an amount of assistance is deemed, in respect of a property that is a multimedia title, to be repaid by a qualified corporation in a taxation year, pursuant to a legal obligation to do so, if that amount

(a) reduced, because of paragraph *b* of the definition of “qualified labour expenditure” in the first paragraph of section 1029.8.36.0.3.8, a qualified

labour expenditure of the qualified corporation for the purpose of computing the amount it is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.9;

(b) was not received by the qualified corporation; and

(c) ceased in the taxation year to be an amount that the qualified corporation may reasonably expect to receive.

~~“1029.8.36.0.3. Where, in respect of a contract entered into in connection with the carrying out of eligible production work in relation to a property that is a multimedia title, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the carrying out of the eligible production work, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, or a person or a partnership is deemed to have obtained or to be entitled to obtain such a benefit or advantage upon a determination of the Minister to that effect, the amount of the qualified labour expenditure of a corporation for a taxation year in respect of the property shall be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, or is deemed to have obtained or to be entitled to obtain, on or before the corporation’s filing-due date for that taxation year.~~

~~“1029.8.36.0.3. Notwithstanding section 1029.8.36.0.3.9, where a corporation, under the terms of a contract, causes eligible production work to be carried out on its behalf in relation to a property that is a multimedia title, and the consideration payable or paid by the corporation for such work does not consist in whole of currency, the corporation shall not be deemed to have paid to the Minister an amount under that section in respect of all or any part of the consideration that may reasonably be considered to be payable or paid in currency.~~

~~“1029.8.36.0.3. For the purposes of this division, the qualified labour expenditure of a qualified corporation in respect of a property that is a multimedia title shall be reduced by the amount of the consideration payable or paid, under the terms of a contract entered into for the carrying out of eligible production work, in relation to the disposition of property or the providing of a service to the corporation or to a person with whom the corporation is not dealing at arm’s length, except to the extent that the consideration may reasonably be considered to relate to property resulting from the eligible production work or to services relating to the property, or to property or part of a property consumed in connection with the work or the services.~~

~~“1029.8.36.0.3. A qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.0.3.9 or 1029.8.36.0.3.11, in respect of~~

a property that is a multimedia title of the qualified corporation, the main production work of which began after 31 March 1998, only if it files with the Minister the prescribed information in prescribed form and, where applicable, a copy of the favourable advance ruling or the validation certificate, as the case may be, referred to in section 1029.8.36.0.3.9, on or before the day that is 12 months after the corporation's filing-due date for the particular year.

A qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.0.3.9 or 1029.8.36.0.3.11, in respect of a property that is a multimedia title of the qualified corporation, the main production work of which began after 9 May 1996 and before 1 April 1998, and in respect of which the corporation made an election under section 1029.8.36.0.3.17, only if it files with the Minister the prescribed information in prescribed form and, where applicable, a copy of the certificate, the favourable advance ruling or the validation certificate, as the case may be, referred to in section 1029.8.36.0.3.9, on or before the corporation's filing-due date for its taxation year that includes 20 December 1999.

“1029.8.36.0.3.17s division applies in respect of a property that is a multimedia title of a qualified corporation the main production work of which began after 31 March 1998, or in respect of a property that is a multimedia title of a qualified corporation, the main production work of which began after 9 May 1996 and before 1 April 1998 where, in the latter case, the corporation makes the election in prescribed form containing the prescribed information and sends it to the Minister on or before the corporation's filing-due date for its taxation year that includes 20 December 1999.

### “DIVISION II.6.0.1.3

#### “CREDIT FOR CORPORATIONS SPECIALIZED IN THE PRODUCTION OF MULTIMEDIA TITLES

“1029.8.36.0.3.18. this division,

“designated establishment”, for a taxation year, of a qualified corporation means an establishment of the corporation situated in Québec and that is mentioned in the final certificate referred to in the first paragraph of section 1029.8.36.0.3.19 that the Société de développement des entreprises culturelles issued to the corporation for the year;

“eligible multimedia title” of a qualified corporation means an organized set of numerical information in respect of which the Société de développement des entreprises culturelles would have given or issued, as the case may be, a certificate, a favourable advance ruling or a validation certificate, for the purposes of any of Divisions II.6.0.1 to II.6.0.1.2, if that division had applied to the corporation;

“eligible production work” relating to an eligible multimedia title means work carried out to complete the production stages of the title from the design

stage to the final version stage, ready to be commercialized, including activities relating to the writing of the script for the title, the development of its interactive structure, the purchase and production of its component elements and its computer development, but does not include activities relating to mastering, multiplication of the title's information storage media, promotion, broadcasting or distribution;

“government assistance” means 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, other than an amount deemed to have been paid to the Minister for a taxation year under this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than an amount deemed to have been paid to the Minister for a taxation year under this division;

“qualified corporation” for a taxation year means a corporation that, in the year, has an establishment in Québec and carries on therein a business of producing multimedia titles that is a qualified business, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(c) a corporation governed, in the year, by an Act establishing a labour-sponsored fund;

“qualified labour expenditure” of a qualified corporation for a taxation year means, subject to the second paragraph, the aggregate of the following amounts, to the extent that they are reasonable in the circumstances:

(a) the salaries or wages incurred by the corporation in the year and paid, in respect of its employees all or substantially all of whose duties consist in directly undertaking, supervising or supporting eligible production work relating to eligible multimedia titles in a designated establishment of the corporation for the year;

(b) the aggregate of all amounts each of which is the portion of the consideration paid by the corporation, under the terms of a contract, for

eligible production work that was carried out on its behalf in the year in relation to eligible multimedia titles, to a person or partnership who or which carried out all or a part of the eligible production work and with whom or with which the corporation is not dealing at arm's length at the time the contract is entered into, that may reasonably be attributed to the salaries or wages attributable to the titles that the person or partnership incurred or paid in respect of its employees of an establishment situated in Québec, or that could be so attributed if that person or partnership had such employees; and

(c) the aggregate of all amounts each of which is one-half of the portion of the consideration paid by the corporation, under the terms of a contract, for eligible production work relating to eligible multimedia titles, to a person or partnership with whom or with which the corporation is dealing at arm's length at the time the contract is entered into, that may reasonably be attributed to the eligible production work carried out on its behalf in the year by the employees of an establishment of that person or partnership situated in Québec, or that could be so attributed if that person or partnership had such employees;

“salary or wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of “qualified labour expenditure” in the first paragraph,

(a) the salaries or wages incurred by a person or a partnership in respect of an employee are attributable to an eligible multimedia title only where the employee works directly in the carrying out of eligible production work relating to the title and only to the extent that they may reasonably be considered to relate to the carrying out of the eligible production work in view of the time spent thereon by the employee and, in that respect, an employee who spends 90% or more of working time to carry out eligible production work relating to an eligible multimedia title is deemed to spend all working time thereon;

(b) the consideration referred to in paragraph *b* or *c* of the definition does not include an amount paid by a corporation to another corporation where the amount may reasonably be attributed to eligible production work relating to eligible multimedia titles that was carried out in a taxation year of that other corporation for which that other corporation holds a valid final certificate referred to in the first paragraph of section 1029.8.36.0.3.19 issued to it by the Société de développement des entreprises culturelles for that year; and

(c) an amount incurred in a taxation year that relates to work to be carried out in a subsequent taxation year is deemed not to have been incurred in that year, but to have been incurred in the subsequent year during which the work to which the amount refers is carried out.

“1029.8.36.0.3.19. A qualified corporation that, for a taxation year, holds a valid final certificate issued to it for the year by the Société de développement des entreprises culturelles, certifying that all or substantially



all of its activities carried out in the year, in the aggregate of its establishments situated in Québec, consist in producing eligible multimedia titles for itself or on behalf of another person or partnership, and, where applicable, in carrying out scientific research and experimental development connected with such titles, and that encloses with its fiscal return it is required to file for the year under section 1000 the prescribed form containing the prescribed information and a copy of the final certificate is deemed, subject to the second paragraph, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for the year under this Part, an amount equal to the amount obtained by applying the appropriate percentage determined in the third paragraph in its respect for the year to its qualified labour expenditure for the year.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment.

The percentage to which the first paragraph refers for the taxation year referred to therein is

(a) 50%, where the valid final certificate issued to the corporation for the year certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are to be commercialized for the general public and are available in a French version, or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles ;

(b) 40%, where subparagraph *a* does not apply and the valid final certificate issued to the corporation for the year certifies that at least 75% of the eligible multimedia titles produced by the corporation in the year are to be commercialized for the general public or that at least 75% of its gross revenue for the year is derived from such eligible multimedia titles ;

(c) 35%, where the valid final certificate issued to the corporation for the year certifies that less than 75% of the eligible multimedia titles produced by the corporation in the year are to be commercialized for the general public and that less than 75% of its gross revenue for the year is derived from such eligible multimedia titles.

“1029.8.36.0.3.20 Where the Société de développement des entreprises culturelles replaces or revokes a final certificate issued to a corporation for a taxation year, section 1029.8.36.0.3.19 applies having regard to the following rules :

(a) the replaced final certificate is null and void from the time it was issued or deemed issued and the new final certificate is deemed to have been issued at that time; and

(b) the revoked final certificate is null and void from the time it was issued or deemed issued.

~~1029.8.36.0.3.21~~ For the purpose of computing the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.3.19, the amount of the salaries or wages incurred or of a portion of the consideration paid, included in the qualified labour expenditure of the corporation for the year, shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to the salaries or wages or to the portion of the consideration, as the case may be, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for the year.

~~1029.8.36.0.3.22~~ Where, in a taxation year, a qualified corporation pays, pursuant to a legal obligation to do so, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance that reduced, because of section 1029.8.36.0.3.21, the qualified labour expenditure of the corporation for a particular taxation year for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for the particular taxation year under section 1029.8.36.0.3.19, the corporation is deemed to have paid to the Minister for that taxation year, if it encloses the prescribed form, with its fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular taxation year under that section 1029.8.36.0.3.19 if any amount of government assistance or non-government assistance the corporation so repaid in the year or in a preceding year had reduced, in the particular year, the amount of any government assistance or non-government assistance referred to in section 1029.8.36.0.3.21, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.19 for that particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a preceding year under this section in respect of an amount of such government assistance or non-government assistance that was repaid.

~~1029.8.36.0.3.23~~ For the purposes of section 1029.8.36.0.3.22, an amount of assistance is deemed to be paid by a corporation as repayment of assistance in a particular taxation year, pursuant to a legal obligation to do so, if that amount

(a) reduced, because of section 1029.8.36.0.3.21, the qualified labour expenditure of the corporation for a taxation year for the purpose of computing the amount it is deemed to have paid to the Minister under section 1029.8.36.0.3.19;

(b) was not received by the corporation; and

(c) ceased in the particular taxation year to be an amount that the corporation may reasonably expect to receive.

“1029.8.36.0.3.21. Where, in respect of a contract entered into in connection with the carrying out of eligible production work relating to eligible multimedia titles, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the carrying out of the eligible production work, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, or a person or a partnership is deemed to have obtained or to be entitled to obtain such a benefit or advantage upon a determination by the Minister to that effect, the amount of the qualified labour expenditure of a qualified corporation for a taxation year shall be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, or is deemed to have obtained or to be entitled to obtain, on or before the qualified corporation’s filing-due date for that taxation year.

“1029.8.36.0.3.22. Notwithstanding section 1029.8.36.0.3.19, where a qualified corporation, under the terms of a contract, causes eligible production work to be carried out on its behalf in relation to eligible multimedia titles, and the consideration payable or paid by the corporation for such work does not consist in whole of currency, the corporation shall not be deemed to have paid to the Minister an amount under that section in respect of all or any part of the consideration that cannot reasonably be considered to be payable or paid in currency.

“1029.8.36.0.3.23. For the purposes of this division, a qualified labour expenditure of a qualified corporation shall be reduced by the amount of the consideration payable or paid, under the terms of a contract entered into for the carrying out of eligible production work, in relation to the disposition of property or the providing of a service to the corporation or to a person with whom the corporation is not dealing at arm’s length, except to the extent that the consideration may reasonably be considered to relate to property resulting from the eligible production work or to services relating to the property, or to property or part of a property consumed in connection with the work or the services.

“1029.8.36.0.3.24. A qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.0.3.19 or 1029.8.36.0.3.22 only if it files with the Minister the prescribed information in prescribed form and, where applicable, a copy of the final certificate referred to in section 1029.8.36.0.3.19, on or before the day that is 12 months after the qualified corporation’s filing-due date for the particular year.

**“DIVISION II.6.0.1.4****“CREDIT FOR CORPORATIONS ESTABLISHED IN THE MULTIMEDIA COMPLEX**

“§1. — *Interpretation and general*

“1029.8.36.0.3.2~~8~~. this division,

“eligible activity” of a corporation for a taxation year means an activity in connection with production or services and that relates to the multimedia sector, or an activity in connection with information technologies, that the corporation carries out in the year and in respect of which a final validation certificate is issued to the corporation for the year by the Minister of Finance for the purposes of this division;

“eligible employee” of a corporation for all or part of a taxation year means an individual in respect of whom a final validation certificate or a transitional validation certificate is issued to the corporation for the year by the Minister of Finance for the purposes of this division, certifying that the individual is an eligible employee for all or part of the year;

“eligible transition activity” of a corporation for a taxation year means an activity in connection with production or services and that relates to the multimedia sector, or an activity in connection with information technologies, that the corporation carries out in the year and in respect of which a transitional validation certificate is issued to the corporation for the year by the Minister of Finance for the purposes of this division;

“government assistance” means 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, other than

(a) an amount deemed to have been paid to the Minister for a taxation year under this division; or

(b) any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph w of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof, other than

(a) an amount deemed to have been paid to the Minister for a taxation year under this division; or

(b) any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act;

“qualified corporation” for a taxation year means a corporation all or substantially all of whose gross revenue for the year is derived from the carrying on of a qualified business, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII; or

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”;

“qualified wages” incurred by a qualified corporation in a taxation year in respect of an eligible employee means the lesser of

(a) the amount determined for the year pursuant to section 1029.8.36.0.3.29 in relation to the eligible employee; and

(b) the amount by which the amount of the wages incurred by the corporation, after 15 June 1998 and before 1 January 2009, in the year in respect of the employee while the employee qualified as an eligible employee of the corporation, to the extent that that amount is paid and that it may reasonably be considered to relate to the carrying out in the year of an eligible activity or an eligible transition activity, exceeds

i. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such wages, that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the taxation year, and

ii. the aggregate of all amounts each of which is the amount of a benefit or advantage in respect of such wages, other than a benefit or advantage that may reasonably be attributed to work carried out by the eligible employee in connection with the carrying out of the eligible activity or the eligible transition activity of the corporation for the year, as the case may be, that a person or partnership has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for that taxation year, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner;

“wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

“1029.8.36.0.3.28. The amount to which paragraph *a* of the definition of “qualified wages” in section 1029.8.36.0.3.28 refers, for a taxation year of a corporation, in relation to an eligible employee means an amount equal,

(*a*) where the taxation year of the corporation begins before 16 June 1998 and ends before 16 June 1999, to the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year after 15 June 1998 during which the employee qualifies as an eligible employee is of 365;

(*b*) where the taxation year of the corporation begins after 15 June 1998 and ends before 16 June 1999, to the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee is of 365;

(*c*) where the taxation year of the corporation begins before 16 June 1998 and ends after 15 June 1999, to the aggregate of

i. the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year after 15 June 1998 and before 16 June 1999 during which the employee qualifies as an eligible employee is of 365, and

ii. the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year after 15 June 1999 during which the employee qualifies as an eligible employee is of 365;

(*d*) where the taxation year of the corporation begins after 15 June 1998 and ends after 15 June 1999, to the aggregate of

i. the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year before 16 June 1999 during which the employee qualifies as an eligible employee is of 365, and

ii. the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year after 15 June 1999 during which the employee qualifies as an eligible employee is of 365;

(*e*) where the taxation year of the corporation includes 31 December 2008, to the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year before 1 January 2009 during which the employee qualifies as an eligible employee is of 365; and

(*f*) in any other case, to the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee is of 365.

“§2. — *Credit*

“1029.8.36.0.3.30. corporation that holds a valid final validation certificate issued by the Minister of Finance for the purposes of this division,

certifying that the corporation carries on principally an eligible activity for a taxation year, and that encloses with its fiscal return it is required to file for the year under section 1000 a copy of the validation certificate as well as the documents referred to in the third paragraph is deemed, subject to the second paragraph and to section 1029.8.36.0.3.32, to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for the year under this Part, an amount equal to the amount by which

(a) 40% of the qualified wages incurred by the corporation in the year in respect of an eligible employee; exceeds

(b) the amount determined for the year under section 1029.8.36.0.3.33 in relation to the qualified wages.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where the latter sections refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if that first paragraph applied only to the period covered by the payment.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of the valid final validation certificate issued to the corporation for the year by the Minister of Finance in respect of the eligible activity for the purposes of this division; and

(c) a copy of the valid final validation certificate issued to the corporation for the year by the Minister of Finance in respect of the eligible employee for the purposes of this division.

For the purposes of this section, where a corporation becomes a bankrupt before the Minister of Finance issues a final validation certificate to it for the purposes of this division, the following rules apply:

(a) the corporation is deemed to hold a final validation certificate, for the purposes of this division, issued by the Minister of Finance, which certifies that the corporation carries on principally an eligible activity for its taxation year ending on the day immediately before the date of the bankruptcy;

(b) the valid transitional validation certificates issued to the corporation for the taxation year referred to in subparagraph *a* by the Minister of Finance in respect of the eligible activity and the eligible employee for the purposes of this division, are deemed to be valid final validation certificates issued in that

respect for that year by the Minister of Finance for the purposes of this division; and

(c) for the purpose of determining the amount that the corporation is deemed to have paid to the Minister under this section, on account of its tax payable for its taxation year ending on the day immediately before the date of the bankruptcy, the portion of the first paragraph before subparagraph *a* shall be read without reference to “a copy of the validation certificate as well as”.

“1029.8.36.0.3.3~~W~~here, for a taxation year, a corporation holds a valid final validation certificate issued by the Minister of Finance for the purposes of this division certifying that the corporation carries on principally an eligible activity for the year and that the year is the first for which such a validation certificate is issued, and the corporation encloses with its fiscal return it is required to file for the year under section 1000 a copy of the validation certificate as well as the documents referred to in the second paragraph, the corporation is deemed, subject to section 1029.8.36.0.3.32, to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, an amount equal to the amount by which

(a) the aggregate of all amounts each of which is 40% of the qualified wages incurred by the corporation in a preceding taxation year in respect of an eligible employee; exceeds

(b) the aggregate of all amounts each of which is an amount determined under section 1029.8.36.0.3.33 in respect of qualified wages referred to in subparagraph *a*.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information;

(b) a copy of the valid transitional validation certificate issued by the Minister of Finance to the corporation, for the preceding taxation year referred to in subparagraph *a* of the first paragraph, in respect of an eligible transition activity, for the purposes of this division; and

(c) a copy of the valid transitional validation certificate issued by the Minister of Finance to the corporation, for the preceding taxation year referred to in subparagraph *a* of the first paragraph, in respect of the eligible employee, for the purposes of this division.

For the purposes of this section, where a corporation becomes a bankrupt before the Minister of Finance issues a final validation certificate to it for the purposes of this division, the following rules apply:

(a) the corporation is deemed to hold a final validation certificate, for the purposes of this division, issued by the Minister of Finance, which certifies



that the corporation carries on principally an eligible activity for its taxation year ending on the day immediately before the date of the bankruptcy; and

(b) for the purpose of determining the amount that the corporation is deemed to have paid to the Minister under this section, on account of its tax payable for its taxation year ending on the day immediately before the date of the bankruptcy, the portion of the first paragraph before subparagraph *a* shall be read without reference to “a copy of the validation certificate as well as”.

“1029.8.36.0.3.30 Where a taxation year of a corporation is, in whole or in part, within a particular period that is between 15 June 1998 and 16 June 1999, for the purpose of determining the amount that the corporation is deemed to have paid to the Minister pursuant to section 1029.8.36.0.3.30 or 1029.8.36.0.3.31, in relation to qualified wages incurred in that taxation year in respect of an eligible employee, the following rules apply :

(a) where the amount determined under paragraph *b* of the definition of “qualified wages” in section 1029.8.36.0.3.28 is the qualified wages for that taxation year, the rate of 40% referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.3.30 or 1029.8.36.0.3.31 shall be replaced by a rate of 60% applicable in respect of the portion of qualified wages that may reasonably be considered to be attributable to the wages incurred by the corporation in respect of the eligible employee, while the employee qualifies as an eligible employee for the portion of the year within the particular period;

(b) where the amount determined under paragraph *a* or *b* of section 1029.8.36.0.3.29 is, by virtue of paragraph *a* of the definition of “qualified wages” in section 1029.8.36.0.3.28, the qualified wages for that taxation year, the rate of 40% referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.3.30 or 1029.8.36.0.3.31 shall be replaced by a rate of 60% applicable in respect of the qualified wages; and

(c) where the amount determined under paragraph *c* or *d* of section 1029.8.36.0.3.29 is, by virtue of paragraph *a* of the definition of “qualified wages” in section 1029.8.36.0.3.28, the qualified wages for that taxation year, the following rules apply :

i. subparagraph *a* of the first paragraph of section 1029.8.36.0.3.30 shall be read as follows :

“(a) the aggregate of 60% of the amount determined under subparagraph *i* of paragraph *c* or *d* of section 1029.8.36.0.3.29 and 40% of the amount determined under subparagraph *ii* of paragraph *c* or *d* of that section, in respect of the qualified wages incurred by the corporation in the year in respect of an eligible employee; exceeds”, and

ii. subparagraph *a* of the first paragraph of section 1029.8.36.0.3.31 shall be read as follows :

“(a) the aggregate of 60% of the amount determined under subparagraph i of paragraph *c* or *d* of section 1029.8.36.0.3.29 and 40% of the amount determined under subparagraph ii of paragraph *c* or *d* of that section, in respect of the qualified wages incurred by the corporation in a preceding taxation year in respect of an eligible employee; exceeds”.

“1029.8.36.0.3.31 The amount to which subparagraph *b* of the first paragraph of section 1029.8.36.0.3.30 and of section 1029.8.36.0.3.31 refers in relation to qualified wages incurred in a taxation year by a corporation in respect of an eligible employee, is equal to the amount by which the aggregate of the following amounts exceeds the amount determined pursuant to the second paragraph in respect of the wages :

(a) the amount determined in relation to the eligible employee for the year under subparagraph *a* of the first paragraph of section 1029.8.36.0.3.30 or 1029.8.36.0.3.31, as the case may be; and

(b) the aggregate of all amounts each of which is an amount of government assistance in the form of a grant or deduction from tax relating to such qualified wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for the taxation year.

The amount to which the first paragraph refers in relation to wages incurred in a taxation year by a corporation in respect of an eligible employee is equal to the lesser of

(a) 60% of the amount of the wages incurred by the corporation, after 15 June 1998 and before 1 January 2009, in the year in respect of the employee while the employee qualifies as an eligible employee of the corporation, to the extent that the amount is paid and that it may reasonably be considered to relate to the carrying out in the year of an eligible activity or an eligible transition activity; and

(b) the amount obtained by multiplying \$25,000 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee of the corporation is of 365.

“1029.8.36.0.3.34 For the purposes of this division, where the Minister of Finance replaces or revokes a final validation certificate or a transitional validation certificate issued by the Minister of Finance to a corporation for a taxation year, the following rules apply :

(a) a replaced validation certificate is null and void from the time it was issued or deemed issued and the new validation certificate is deemed to have been issued at that time for that taxation year; and

(b) a revoked validation certificate is null and void from the time it was issued or deemed issued.

~~“1029.8.36.0.3.35”~~ Where, in a taxation year that begins before 1 January 2009, a qualified corporation pays, pursuant to a legal obligation to do so, an amount that may reasonably be considered to be repayment of government assistance or non-government assistance that was taken into account for the purpose of computing, for a particular taxation year, qualified wages incurred by the corporation in respect of an eligible employee and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.30 or 1029.8.36.0.3.31, the corporation is deemed to have paid to the Minister for that taxation year, if it encloses the prescribed form with its fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for a taxation year, in respect of the qualified wages, under section 1029.8.36.0.3.30 or 1029.8.36.0.3.31, as the case may be, if any amount of such assistance the corporation so repaid in the year or in a preceding year had reduced, for the particular year, the amount determined under subparagraph i of paragraph b of the definition of “qualified wages” in section 1029.8.36.0.3.28, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.3.30 or 1029.8.36.0.3.31, as the case may be, in respect of the qualified wages; and

(b) any amount that the corporation is deemed to have paid to the Minister for a preceding year under this section in respect of an amount of repayment of that assistance.

~~“1029.8.36.0.3.36”~~ For the purposes of section 1029.8.36.0.3.35, an amount of assistance is deemed to be paid by a corporation as repayment of assistance in a taxation year, pursuant to a legal obligation to do so, if that amount

(a) reduced, because of subparagraph i of paragraph b of the definition of “qualified wages” in section 1029.8.36.0.3.28, the amount of the wages referred to in that paragraph b, for the purpose of computing qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.30 or 1029.8.36.0.3.31;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

~~“1029.8.36.0.3.37”~~ A corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a taxation year under any of sections 1029.8.36.0.3.30, 1029.8.36.0.3.31 and 1029.8.36.0.3.35 only if it files with the Minister the prescribed information in prescribed form and, where applicable, the copy of the certificate referred to in section 1029.8.36.0.3.30 or 1029.8.36.0.3.31, on or before the day that is 12 months after the corporation’s filing-due date for the year.”

(2) Subsection 1, where it enacts section 1029.8.36.0.3.1 and Divisions II.6.0.1.1 to II.6.0.1.3 of Chapter III.1 of Title III of Book IX of Part I of the said Act, applies to taxation years that end after 9 May 1996. However,

(1) where the definition of “qualified corporation” in the first paragraph of each of sections 1029.8.36.0.3.3 and 1029.8.36.0.3.8 of the said Act, enacted by subsection 1, applies to taxation years that end before 1 April 1998, it shall be read with the following paragraph added thereto :

“(e) a corporation all or substantially all of whose gross income for the year is derived from the operations of an international financial centre ;”;

(2) where the definition of “qualified corporation” in the first paragraph of section 1029.8.36.0.3.18 of the said Act, enacted by subsection 1, applies to taxation years that end before 1 April 1998, it shall be read with the following paragraph added thereto :

“(d) a corporation all or substantially all of whose gross income for the year is derived from the operations of an international financial centre ;”;

(3) where sections 1029.8.36.0.3.1 and 1029.8.36.0.3.6 of the said Act, enacted by subsection 1, apply to taxation years that end before 20 December 1999, they shall be read as if “on or before the day that is 12 months after the corporation’s filing-due date for the particular year” were replaced by “on the corporation’s filing-due date for its taxation year that includes 20 December 1999”;

(4) where section 1029.8.36.0.3.27 of the said Act, enacted by subsection 1, applies to taxation years that end before 20 December 1999, it shall be read as follows :

“1029.8.36.0.3.27. qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.0.3.19 or 1029.8.36.0.3.22 only if it files with the Minister the prescribed information in prescribed form and, where applicable, a copy of the final certificate referred to in section 1029.8.36.0.3.19, on or before 21 June 2001.”

(3) Subsection 1, where it enacts Division II.6.0.1.4 of Chapter III.1 of Title III of Book IX of Part I of the said Act, applies in respect of wages incurred after 15 June 1998.

199. (1) Section 1029.8.36.0.4 of the said Act is amended

(1) by replacing the definition of “government assistance” and of “non-government assistance” in the first paragraph by the following :

““government assistance” means 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, other than

(a) an amount deemed to have been paid to the Minister for a taxation year under this division; or

(b) any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement);

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than

(a) an amount deemed to have been paid to the Minister for a taxation year under this division; or

(b) any amount deducted or deductible under subsection 5 or 6 of section 127 of the Income Tax Act;”;

(2) by replacing, in the definition of “qualified property” in the first paragraph, the portion before paragraph *c* by the following:

“qualified property” of a corporation means depreciable property that the corporation acquires or property that is leased by the corporation and

(a) that, before being acquired or leased by the corporation, has not been used for any purpose whatever nor acquired for use for a purpose other than lease to an exempt corporation;

(a.1) where the property is leased by the corporation, the lease began during one of the first three years of the eligibility period of the corporation determined for the purpose of establishing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.6 in relation to rental expenses paid in respect of the qualified property;

(b) that the corporation begins to use within a reasonable time after its acquisition or lease;”;

(3) by replacing paragraph *d* of the definition of “qualified property” in the first paragraph by the following:

“(d) in respect of which the Minister of Finance has issued a certificate, on or before the corporation’s filing-due date for the later of the taxation year during which the corporation acquired the property and the taxation year during which the corporation filed an application in order to obtain a certificate referred to in paragraph *a* of section 771.12;”;

(4) by replacing the definition of “eligible employee” in the first paragraph by the following:

““eligible employee” of a corporation for part or all of a particular taxation year means an employee in respect of whom the corporation has obtained, on or before the corporation’s filing-due date for the later of the particular taxation year and the taxation year during which the corporation filed an application in order to obtain a certificate referred to in paragraph *a* of section 771.12, a certificate issued by the Minister of Finance certifying that the employee is an eligible employee for part or all of the particular taxation year;”;

(5) by inserting, in the first paragraph, the following definition in alphabetical order :

““rental expenses” paid by a corporation in respect of qualified property means the aggregate of the expenses paid by the corporation for the lease of the property to the extent that they are deductible in computing the income of the corporation under this Part;”;

(6) by replacing the definitions of “contract payment” and “eligibility period” in the first paragraph by the following :

““contract payment” means an amount payable by the Government of Canada or of a province, by a municipality or other Canadian public authority or by a person exempt from tax under this Part by reason of Book VIII, to the extent that it may reasonably be considered that the amount payable relates to the acquisition or lease of qualified property or to the payment of qualified wages by a corporation up to the amount incurred in respect of that property or those wages by that corporation ;

““eligibility period” of a corporation means the period that begins at the later of the time the corporation’s first taxation year begins and 26 March 1997 and ends, as the case may be,

(a) for the purpose of determining the amount of qualified wages paid by a corporation in a taxation year, where the corporation’s first taxation year begins before 1 January 2006, on 31 December 2008 ;

(b) for the purpose of determining the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.6 in relation to rental expenses paid in respect of qualified property, on the last day of the period of five years that begins at that time or on that date, as the case may be ; and

(c) in other cases, on the last day of a period of three years that begins at that time or on that date, as the case may be ;”;

(7) by replacing the definition of “exempt corporation” and of “qualified wages” in the first paragraph by the following :

““exempt corporation” has,

(a) for the purposes of section 1029.8.36.0.5, the meaning that would be assigned by sections 771.12 and 771.13 if section 771.12 were read without reference to paragraph *d* thereof; and

(b) in other cases, the meaning assigned by sections 771.12 and 771.13;

““qualified wages” paid by a corporation in a taxation year to an eligible employee means the lesser of

(a) the amount determined in accordance with the second paragraph in relation to the eligible employee for the year; and

(b) the aggregate of all amounts each of which is the amount by which the wages paid by the corporation to the employee, while the employee qualifies as an eligible employee of the corporation, for a pay period ending in the eligibility period of the corporation that is comprised in whole or in part within the taxation year and that may reasonably be considered as having been paid by the corporation in connection with the carrying on of a business in a building housing an information technologies development centre, exceeds the amount of any contract payment, government assistance and non-government assistance, attributable to such wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year;”;

(8) by replacing the second paragraph by the following :

“The amount to which paragraph *a* of the definition of “qualified wages” in the first paragraph refers for a taxation year of a corporation in relation to an eligible employee is equal,

(a) where the taxation year of the corporation begins before 16 June 1998 and ends before 16 June 1999, to the aggregate of

i. the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year before 16 June 1998 during which the employee qualifies as an eligible employee is of 365, and

ii. the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year after 15 June 1998 during which the employee qualifies as an eligible employee is of 365;

(b) where the taxation year of the corporation begins after 15 June 1998 and ends before 16 June 1999, to the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee is of 365;

(c) where the taxation year of the corporation begins before 16 June 1998 and ends after 15 June 1999, to the aggregate of

i. the amount obtained by multiplying \$37,500 by the proportion that the aggregate of the number of days in the taxation year before 16 June 1998 and the number of days in the year after 15 June 1999, during which the employee qualifies as an eligible employee is of 365, and

ii. the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year after 15 June 1998 and before 16 June 1999 during which the employee qualifies as an eligible employee is of 365 ;

(d) where the taxation year of the corporation begins after 15 June 1998 and ends after 15 June 1999, to the aggregate of

i. the amount obtained by multiplying \$41,667 by the proportion that the number of days in the taxation year before 16 June 1999 during which the employee qualifies as an eligible employee is of 365, and

ii. the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year after 15 June 1999 during which the employee qualifies as an eligible employee is of 365 ; and

(e) in any other case, the amount obtained by multiplying \$37,500 by the proportion that the number of days in the taxation year during which the employee qualifies as an eligible employee is of 365.”;

(9) by adding, after the second paragraph, the following paragraphs :

“For the purposes of paragraph *a* of the definition of “qualified property” in the first paragraph, where a corporation acquires depreciable property from a person, the property acquired by the corporation is deemed not to have been used for any purpose whatever before its acquisition by the corporation nor to have been acquired, before that acquisition, for use for a purpose other than lease to an exempt corporation, if the corporation continues the carrying out of a project of the person and

(a) the person acquired the property after 25 March 1997 ;

(b) the property has not been used, or acquired for use or lease, for any purpose whatever before being acquired by the person ; and

(c) the person used the property only in connection with the project the carrying out of which is continued by the corporation.

“For the purposes of paragraph *c* of the definition of “qualified property” in the first paragraph, where, at any time after 25 March 1997, a corporation has acquired or leased property that is used by the corporation in connection with the carrying on of a business and that would be qualified property of the corporation if the definition of “qualified property” were read without reference to paragraph *c* thereof, the corporation is deemed to use the property exclusively in a building housing an information technologies development centre and, exclusively or almost exclusively, to gain income from a business it carries on



in such a building, throughout the period that begins at that time and that ends on the day the Minister of Finance issues a certificate referred to in paragraph *a* of section 771.12.”

(2) Subsection 1 applies in respect of wages or expenses incurred after 25 March 1997.

200. (1) Section 1029.8.36.0.5 of the said Act is replaced by the following :

“1029.8.36.0.5A corporation that is an exempt corporation for a taxation year and that encloses the documents referred to in the second paragraph with its fiscal return it is required to file for the year under section 1000 is deemed to have paid to the Minister on the corporation’s balance-due day for that year, as partial payment of its tax payable for that year under this Part, an amount equal to the amount by which

(a) 40% of the qualified wages paid by it in the year to an eligible employee ; exceeds

(b) the amount determined for the year under section 1029.8.36.0.5.3 in relation to the qualified wages.

The documents to which the first paragraph refers are the following :

(a) the prescribed form containing the prescribed information ; and

(b) a copy of the certificate issued by the Minister of Finance to the corporation for the year in respect of the eligible employee.”

(2) Subsection 1 applies in respect of wages incurred after 25 March 1997. However, where section 1029.8.36.0.5 of the said Act, enacted by subsection 1, applies to a taxation year that begins before 23 December 1998, it shall be read as follows :

“1029.8.36.0.5A corporation that, for a taxation year, is an exempt corporation is deemed to have paid to the Minister on the corporation’s balance-due day for that year, as partial payment of its tax payable for that year under this Part, an amount equal to 40% of the qualified wages paid by it in the year to an eligible employee, if the corporation encloses, with its fiscal return it is required to file for the year under section 1000, the prescribed form containing the prescribed information and a copy of the certificate issued to it for the year by the Minister of Finance in respect of the eligible employee.”

201. (1) The said Act is amended by inserting, after section 1029.8.36.0.5, the following sections :

“1029.8.36.0.5. Where a corporation is an exempt corporation for a taxation year and where that taxation year is the first year during which the corporation so qualifies, that corporation, if it encloses the documents referred to in the second paragraph with its fiscal return it is required to file for the year

under section 1000, is deemed to have paid to the Minister on the corporation's balance-due day for that year, as partial payment of its tax payable for that year under this Part, an amount equal to the amount by which

(a) the aggregate of all amounts each of which is 40% of the qualified wages paid by it in a preceding taxation year to an eligible employee; exceeds

(b) the aggregate of all amounts each of which is an amount determined under section 1029.8.36.0.5.3 in respect of qualified wages referred to in subparagraph *a*.

The documents to which the first paragraph refers are the following:

(a) the prescribed form containing the prescribed information; and

(b) a copy of the certificate issued by the Minister of Finance to the corporation in respect of the eligible employee in relation to a preceding taxation year.

“1029.8.36.0.5. Where a taxation year of a corporation is, entirely or in part, within a particular period that is between 15 June 1998 and 16 June 1999, for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in accordance with section 1029.8.36.0.5 or 1029.8.36.0.5.1, in respect of the qualified wages paid to an eligible employee in that taxation year, the rate of 40% referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.5 or 1029.8.36.0.5.1, as the case may be, shall be replaced by a rate of 60% in respect of the portion of the qualified wages of the eligible employee that may reasonably be considered to be attributable to wages paid to the eligible employee in the portion of that taxation year within the particular period.

Notwithstanding the first paragraph, where any of subparagraphs *a* to *e* of the second paragraph of section 1029.8.36.0.4 applies for the purpose of determining the qualified wages paid by a corporation to an eligible employee, in a taxation year of the corporation all or part of which is within the particular period referred to in the first paragraph, the following rules apply for the purpose of determining the amount that the corporation is deemed to have paid to the Minister, in accordance with section 1029.8.36.0.5 or 1029.8.36.0.5.1, in respect of the qualified wages paid to the eligible employee in the taxation year:

(a) the rate of 40% referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.5 or 1029.8.36.0.5.1, as the case may be, is replaced by a rate of 60% in respect of the lesser of the qualified wages of the eligible employee for the year and the portion of the qualified wages of the eligible employee for the year that may reasonably be attributed to wages paid to the eligible employee in the portion of that taxation year within the particular period, if the definition of “qualified wages” in the first paragraph of section 1029.8.36.0.4 were read without reference to “the lesser of \$37,500 and”; and

(b) the rate of 40% referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.5 or 1029.8.36.0.5.1, as the case may be, applies only in respect of the amount by which the qualified wages paid by the corporation to the eligible employee in the year exceed the amount determined in accordance with subparagraph *a* in respect of the qualified wages paid by the corporation in the year.

“1029.8.36.0.5. The amount to which subparagraph *b* of the first paragraph of sections 1029.8.36.0.5 and 1029.8.36.0.5.1 refers in relation to qualified wages paid in a taxation year by a corporation in respect of an eligible employee, is equal to the amount by which the aggregate of the following amounts exceeds the amount determined pursuant to the second paragraph in respect of the wages :

(a) the amount determined in relation to the eligible employee for the year under subparagraph *a* of the first paragraph of that section 1029.8.36.0.5 or 1029.8.36.0.5.1, as the case may be; and

(b) the aggregate of all amounts each of which is an amount of government assistance in the form of a grant or deduction from tax relating to such qualified wages, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation's filing-due date for that taxation year.

The amount to which the first paragraph refers in relation to qualified wages paid in a taxation year by a corporation in respect of an eligible employee is equal to the lesser of

(a) 60% of the amount paid as wages by the corporation in the year to the employee while the employee qualifies as an eligible employee of the corporation; and

(b) the amount obtained by multiplying \$25,000 by the proportion that the number of days in the taxation year on which the employee qualifies as an eligible employee of the corporation is of 365.”

(2) Subsection 1, where it enacts sections 1029.8.36.0.5.1 and 1029.8.36.0.5.2 of the said Act, has effect from 26 March 1997. However,

(1) where section 1029.8.36.0.5.1 of the said Act applies to a taxation year that begins before 23 December 1998, the first paragraph thereof shall be read as follows:

“1029.8.36.0.5. Where a corporation is an exempt corporation for a taxation year and where that taxation year is the first year during which the corporation so qualifies, that corporation, if it encloses the documents referred to in the second paragraph with its fiscal return it is required to file for the year under section 1000, is deemed to have paid to the Minister on the corporation's balance-due day for that year, as partial payment of its tax payable for that year under this Part, an amount equal to the aggregate of all amounts each of

which is 40% of the qualified wages paid by it in a preceding taxation year to an eligible employee.”;

(2) where section 1029.8.36.0.5.2 of the said Act applies to a taxation year that begins before 23 December 1998, it shall be read as if the reference, in the first paragraph and subparagraphs *a* and *b* of the second paragraph thereof, to “referred to in subparagraph *a* of the first paragraph of section 1029.8.36.0.5 or 1029.8.36.0.5.1” were a reference to “referred to in section 1029.8.36.0.5 or in the first paragraph of section 1029.8.36.0.5.1”.

(3) Subsection 1, where it enacts section 1029.8.36.0.5.3 of the said Act, applies to taxation years that begin after 22 December 1998.

202. (1) Sections 1029.8.36.0.6 to 1029.8.36.0.9 of the said Act are replaced by the following :

“1029.8.36.0.6 A corporation that is an exempt corporation for a taxation year is deemed to have paid to the Minister on the corporation’s balance-due day for that year, as partial payment of its tax payable for that year under this Part, an amount equal to the amount by which the aggregate of all amounts each of which is equal to 40% of the acquisition costs incurred by the corporation in the year or a preceding taxation year in respect of the acquisition of qualified property during the year or a preceding taxation year and during its eligibility period, or of the rental expenses paid by the corporation in the year or a preceding taxation year and during its eligibility period, in respect of qualified property of the corporation, exceeds the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under this section in respect of the qualified property for a preceding taxation year, if the corporation encloses the prescribed form containing the prescribed information and a copy of the certificate issued to it by the Minister of Finance in respect of the qualified property with its fiscal return it is required to file for the year under section 1000.

“1029.8.36.0.7 For the purposes of this division, where the Minister of Finance replaces or revokes a certificate that the Minister had issued to a corporation for a taxation year, the following rules apply :

(a) the replaced certificate is null and void from the time it was issued or deemed issued and the new certificate is deemed to have been issued at that time for that taxation year ; and

(b) the revoked certificate is null and void from the time it was issued or deemed issued.

“1029.8.36.0.8 Notwithstanding any other provision of this chapter, a corporation that is an exempt corporation for a taxation year shall not be deemed to have paid an amount to the Minister under a provision of this chapter, other than this division and Divisions I and II.1, for that year if the year is comprised in whole or in part within its eligibility period.

For the purposes of the first paragraph and notwithstanding the first paragraph of section 1029.8.36.0.4, “eligibility period” means the period that begins on the later of the time the corporation’s first taxation year begins and 26 March 1997 and ends at the end of the period of three years after that time or that date, as the case may be.

“1029.8.36.0.9 For the purpose of computing the amount that is deemed to have been paid to the Minister, for a taxation year, by a corporation under section 1029.8.36.0.6, the amount of the acquisition costs or rental expenses referred to in that section shall be reduced by the amount of any contract payment, government assistance or non-government assistance, attributable to those costs or expenses, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before the corporation’s filing-due date for that year.”

(2) Subsection 1 applies in respect of wages, costs or expenses incurred after 25 March 1997.

203. (1) Section 1029.8.36.0.10 of the said Act is amended

(1) by replacing the portion before paragraph *a* by the following :

“1029.8.36.0.10 Where, in a taxation year, a corporation repays an amount of government assistance or non-government assistance, pursuant to a legal obligation to do so, that reduced the amount of an expenditure incurred as wages for the purpose of computing particular qualified wages in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.0.5 or 1029.8.36.0.5.1 for a particular taxation year, the following rules apply:”;

(2) by replacing the portion of paragraph *b* before subparagraph *i* by the following :

“(b) for the purposes of section 1029.8.36.0.5 or 1029.8.36.0.5.1 in respect of the deemed qualified wages under paragraph *a*,”;

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

“ii. that section 1029.8.36.0.5 or 1029.8.36.0.5.1, as the case may be, shall be read without reference to subparagraph *b* of the second paragraph thereof.”

(2) Subsection 1 has effect from 26 March 1997. However, where paragraph 3 of subsection 1 applies to a taxation year that begins before 23 December 1998, subparagraph *ii* of paragraph *b* of section 1029.8.36.0.10 of the said Act, enacted by that paragraph 3, shall be read as follows :

“ii. section 1029.8.36.0.5 shall be read without reference to “and a copy of the certificate issued to it for the year by the Minister of Finance in respect of

the eligible employee”, and section 1029.8.36.0.5.1 shall be read without reference to subparagraph *b* of the second paragraph thereof.”

204. (1) Section 1029.8.36.0.11 of the said Act is amended

(1) by replacing the portion before paragraph *b* by the following :

“1029.8.36.0.1 Where, in a taxation year, a corporation pays, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be the repayment of government assistance or non-government assistance that reduced, pursuant to section 1029.8.36.0.9, particular acquisition costs to, or particular rental expenses of, the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a preceding taxation year under section 1029.8.36.0.6, the following rules apply :

(a) the particular amount is deemed, for the purposes of that section 1029.8.36.0.6, to be acquisition costs that were incurred by the corporation in the taxation year in respect of qualified property acquired during that year and during the corporation’s eligibility period, or rental expenses that were paid by the corporation in that year and during the corporation’s eligibility period, in respect of qualified property of the corporation ;” ;

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

“(a.1) the amount that the corporation is deemed to have paid to the Minister under that section 1029.8.36.0.6 in respect of the particular amount is deemed

i. to be equal to the amount that, were it not for the assistance, would have been deemed to have been paid to the Minister by the corporation under section 1029.8.36.0.6 in respect of that portion, having been the object of the assistance so repaid, of the particular acquisition costs or particular rental expenses, and

ii. to be paid to the Minister under the same section as that under which, but for the assistance, the corporation would have been deemed to have paid an amount to the Minister in respect of that portion, having been the object of the assistance so repaid, of the corporation’s particular acquisition costs or particular rental expenses ; and”.

(2) Subsection 1 applies in respect of costs or expenses incurred after 25 March 1997.

205. (1) Section 1029.8.36.0.12 of the said Act is amended by replacing paragraph *a* by the following :

“(a) reduced the amount of an expenditure incurred as wages for the purpose of computing qualified wages in respect of which the corporation is

deemed to have paid an amount to the Minister under section 1029.8.36.0.5 or 1029.8.36.0.5.1;”.

(2) Subsection 1 has effect from 26 March 1997.

206. (1) Section 1029.8.36.0.13 of the said Act is amended by replacing paragraph *a* by the following paragraph:

“(a) reduced, because of section 1029.8.36.0.9, the acquisition costs to, or rental expenses of, the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.0.6;”.

(2) Subsection 1 applies in respect of costs or expenses incurred after 25 March 1997.

207. (1) Sections 1029.8.36.0.14 to 1029.8.36.0.16 of the said Act are replaced by the following:

“1029.8.36.0.14 For the purposes of this division, the acquisition costs to, or rental expenses of, a corporation in respect of a qualified property shall be reduced by the amount of the consideration for services supplied to the corporation or to a person with whom the corporation does not deal at arm’s length, or the amount of the consideration for the disposition or lease of other property either to the corporation or to such a person, except if the consideration may reasonably be considered to relate to the acquisition, the lease or the installation of the qualified property or the acquisition of property resulting from work related to the installation of the qualified property or of property consumed in connection with such work.

“1029.8.36.0.15 Where, in respect of the acquisition or lease of qualified property, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the supply or installation of the qualified property, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the amount of a corporation’s acquisition costs or rental expenses in respect of the qualified property for a taxation year shall be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the filing-due date of the corporation for that taxation year.

“1029.8.36.0.16 A taxpayer may be deemed to have paid an amount to the Minister as partial payment of the taxpayer’s tax payable for a particular taxation year under section 1029.8.36.0.5, 1029.8.36.0.5.1 or 1029.8.36.0.6, only if the taxpayer files with the Minister the prescribed information in prescribed form and the certificate referred to therein on or before the day that is 12 months after the taxpayer’s filing-due date for the particular year.”

(2) Subsection 1, where it enacts sections 1029.8.36.0.14 and 1029.8.36.0.15 of the said Act, applies in respect of costs or expenses incurred after 25 March 1997 and, where it enacts section 1029.8.36.0.16 of the said Act, has effect from 26 March 1997.

208. (1) Section 1029.8.36.4 of the said Act is amended, in the first paragraph,

(1) by striking out, in the portion of the definition of “outside consulting contract” before paragraph *a*, “after 31 December 1993”;

(2) by striking out paragraph *c* of the definition of “qualified corporation”.

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 31 July 1995.

(3) Paragraph 2 of subsection 1 applies to taxation years that end after 31 March 1998.

209. Section 1029.8.36.8 of the said Act is amended by replacing paragraphs *a* and *b* by the following:

“(a) 20%, where the contract is entered into before 1 January 2000, in respect of a design activity carried out before 1 January 2001; and

“(b) 10%, where the contract is entered into either before 1 January 2000, in respect of a design activity carried out after 31 December 2000, or after 31 December 1999.”

210. Section 1029.8.36.9 of the said Act is replaced by the following:

“1029.8.36.9 The percentage referred to in the first paragraph of section 1029.8.36.7 is 20% where the qualified wages are incurred before 1 January 2000 and 10% where such wages are incurred after 31 December 1999.”

211. (1) The heading of Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I of the said Act is replaced by the following:

“CREDIT FOR THE CONSTRUCTION OR CONVERSION OF VESSELS”.

(2) Subsection 1 has effect from 26 March 1997.

212. (1) Section 1029.8.36.54 of the said Act, amended by section 20 of chapter 8 of the statutes of 1999, is again amended

(1) by replacing the definition of “eligible contract” in the first paragraph by the following:

““eligible contract” means a contract in respect of which a validation certificate has been issued by the Minister of Industry and Trade, entered into



by a qualified corporation with a person or partnership and under which the qualified corporation entrusts the person or partnership with the carrying out of work in Québec which is related to the construction or conversion of an eligible vessel by the qualified corporation;”;

(2) by replacing, in the definition of “qualified construction expenditure” in the first paragraph, the portion after subparagraph i of paragraph *a* by the following:

“ii. any amount paid by the qualified corporation in the year or in a preceding taxation year, pursuant to a legal obligation to do so, as repayment of assistance to the extent that such assistance, in the year or in a preceding taxation year, reduced, because of subparagraph *a* of the third paragraph, a construction expenditure of the qualified corporation in respect of the eligible vessel; exceeds

(*b*) in the case of an eligible vessel in respect of which the Minister of Industry and Trade has issued a validation certificate certifying that it is a prototype vessel and in respect of which work was carried out before 26 March 1997, the aggregate of

i. 250% of the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55 by the qualified corporation, on account of its tax payable for a preceding taxation year, in respect of the portion of a qualified construction expenditure relating to the eligible vessel that may reasonably be attributed to work carried out before 26 March 1997, and

ii. 200% of the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55 by the qualified corporation, on account of its tax payable for a preceding taxation year, in respect of the portion of a qualified construction expenditure relating to the eligible vessel that may reasonably be attributed to work carried out after 25 March 1997; and

(*c*) in the case of an eligible vessel other than a vessel referred to in paragraph *b*, the product obtained by multiplying the factor specified in respect of the eligible vessel by the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55 by the qualified corporation, on account of its tax payable, in respect of the eligible vessel for a preceding taxation year;”;

(3) by inserting, in the first paragraph, the following definitions in alphabetical order:

““conversion expenditure” of a qualified corporation for a taxation year in respect of an eligible vessel means the aggregate of the following amounts, to the extent that they are reasonable in the circumstances:

(*a*) in respect of plans and specifications relating to the eligible vessel,

i. where the plans and specifications are, in whole or in part, prepared by the qualified corporation, the salaries or wages incurred in the year or in a preceding taxation year by the qualified corporation for the preparation, by its employees of an establishment of the corporation situated in Québec, of the plans and specifications,

ii. where the plans and specifications are, in whole or in part, prepared for the qualified corporation, under the terms of a contract, by a person or partnership with whom or with which the qualified corporation is not dealing at arm's length, the aggregate of all amounts each of which is the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation, under the terms of the contract, that may reasonably be attributed to the salaries or wages incurred by the person or partnership in the year or in a preceding taxation year for the preparation of the plans and specifications by its employees of an establishment situated in Québec, or that could be so attributed if the person or partnership had such employees, and

iii. in any other case, the portion of the cost of a contract, incurred by the qualified corporation in the year or in a preceding taxation year, that may reasonably be attributed to work carried out in Québec for the preparation of the plans and specifications ;

(b) where the conversion of the eligible vessel is carried out in whole or in part by the qualified corporation, the salaries or wages, incurred in the year or in a preceding taxation year, of its employees of an establishment situated in Québec and that are attributable to the conversion of the eligible vessel ;

(c) where, under the terms of an eligible contract, part of the conversion of the eligible vessel is carried out for the qualified corporation by a person or partnership with whom or with which the qualified corporation is not dealing at arm's length at the time the contract is entered into, the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation, under the terms of the contract, that may reasonably be attributed to the salaries or wages that are attributable to the conversion of the eligible vessel and incurred by the person or partnership in the year or in a preceding year in respect of its employees of an establishment situated in Québec, or that could be so attributed if the person or partnership had such employees ; and

(d) where, under the terms of an eligible contract, part of the conversion of the eligible vessel is carried out for the qualified corporation by a person or partnership with whom or with which the qualified corporation is dealing at arm's length at the time the contract is entered into, one-half of the portion of the consideration paid in the year or in a preceding taxation year by the qualified corporation to the person or partnership, under the terms of the contract, that may reasonably be attributed to conversion work provided for in the contract and carried out in the year or in a preceding year by the employees of an establishment of the person or partnership situated in Québec, or that could be so attributed if the person or partnership had such employees ;

““factor specified” in respect of an eligible vessel means,

(a) where the validation certificate issued by the Minister of Industry and Trade certifies that the eligible vessel is a prototype vessel, 2;

(b) where the validation certificate issued by the Minister of Industry and Trade certifies that the eligible vessel is the first vessel constructed or converted as part of a production run, 1000/375;

(c) where the validation certificate issued by the Minister of Industry and Trade certifies that the eligible vessel is the second vessel constructed or converted as part of a production run, 4; and

(d) where the validation certificate issued by the Minister of Industry and Trade certifies that the eligible vessel is the third vessel constructed or converted as part of a production run, 8;

““qualified conversion expenditure” of a qualified corporation for a taxation year in respect of an eligible vessel means the amount by which

(a) the aggregate of

i. the conversion expenditure of the qualified corporation for the year in respect of the eligible vessel, and

ii. any amount paid by the qualified corporation in the year or in a preceding taxation year, pursuant to a legal obligation to do so, as repayment of assistance to the extent that such assistance, in the year or in a preceding taxation year, reduced, because of subparagraph *a* of the third paragraph, a conversion expenditure of the qualified corporation in respect of the eligible vessel; exceeds

(b) the product obtained by multiplying the factor specified in respect of the eligible vessel by the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister under section 1029.8.36.55.1 by the qualified corporation, on account of its tax payable, in respect of an eligible vessel for a preceding taxation year;

““vessel” includes a semi-submergible rig stabilized by submerging pontoons and by anchoring;”;

(4) by replacing, in the first paragraph, the definitions of “apparent payment” and “eligible vessel” by the following:

““apparent payment” means, except in sections 1029.8.36.55 and 1029.8.36.55.1, an amount paid or payable by a person or a partnership who or which, under the terms of a contract, carries out work or prepares plans and specifications for a qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of

services, and that may reasonably be considered to be included in a qualified construction expenditure or a qualified conversion expenditure;

““eligible vessel” of a qualified corporation means a vessel constructed or converted in Québec by the corporation under a project in respect of which the Minister of Industry and Trade has issued a validation certificate attesting that the vessel will be a prototype vessel with a gross tonnage of at least 100 tons, or the first, second or third vessel with a gross tonnage of at least 100 tons, constructed or converted, as the case may be, as part of a production run according to essentially the same plans and specifications as those according to which a vessel in respect of which a validation certificate was issued by the Minister of Industry and Trade attesting that it was a prototype vessel with a gross tonnage of at least 100 tons was constructed or converted;”;

(5) by replacing the second paragraph by the following :

“For the purposes of paragraphs *b* and *c* of the definitions of “construction expenditure” and “conversion expenditure” in the first paragraph, the salaries or wages incurred by a person or a partnership in respect of an employee are attributable to the construction or conversion of an eligible vessel only where the employee works directly on the construction or conversion, as the case may be, of the vessel and only to the extent that the salaries or wages may reasonably be considered to relate to the construction or conversion, as the case may be, of the vessel in view of the time spent thereon by the employee and, in that respect, an employee who spends 90% or more of working time on the construction or conversion, as the case may be, of an eligible vessel is deemed to spend all working time thereon.”;

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

“(a) the amount of salaries or wages incurred, of a portion of the consideration paid or of a portion of the cost of a contract incurred, as the case may be, which relates to a construction expenditure or a conversion expenditure incurred by a qualified corporation for a taxation year in respect of an eligible vessel shall be reduced, where applicable, by the amount of any government assistance and non-government assistance attributable to those salaries or wages, to that portion of the consideration or to that portion of the cost of a contract, as the case may be, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date for that year;”;

(7) by replacing subparagraph *c* of the third paragraph by the following :

“(c) the amount of a qualified construction expenditure or a qualified conversion expenditure of a qualified corporation for a taxation year in respect of an eligible vessel shall be reduced by the amount of any apparent payment attributable to that expenditure, which the qualified corporation or a person with whom the qualified corporation is not dealing at arm’s length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation’s filing-due date for that year.”;

(8) by replacing the portion of the fourth paragraph before subparagraph *b* by the following :

“For the purposes of subparagraph ii of paragraph *a* of the definitions of “qualified construction expenditure” and “qualified conversion expenditure” in the first paragraph, an amount of assistance is deemed to be repaid by a qualified corporation in a taxation year, pursuant to a legal obligation to do so, where that amount

(*a*) reduced, because of subparagraph *a* of the third paragraph, the amount of salaries or wages incurred, a portion of the consideration paid or a portion of the cost of a contract incurred, as the case may be, of a construction expenditure or a conversion expenditure of the qualified corporation for the purpose of computing the amount the qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.55 or 1029.8.36.55.1 ;”.

(2) Paragraphs 1, 2, where it enacts paragraph *c* of the definition of “qualified construction expenditure” in the first paragraph of section 1029.8.36.54 of the said Act, and 3 to 8 of subsection 1 apply in respect of expenditures incurred after 25 March 1997. However, where the definition of “eligible contract” in the first paragraph of section 1029.8.36.54 of the said Act, enacted by paragraph 1 of subsection 1, paragraphs *a* to *d* of the definition of “factor specified” in the first paragraph of that section, enacted by paragraph 3 of subsection 1, and the definition of “eligible vessel” in the first paragraph of that section, enacted by paragraph 4 of subsection 1, apply before 8 June 1999, they shall be read as if the references therein to “Industry and Trade” were references to “Industry, Trade, Science and Technology”.

(3) Paragraph 2 of subsection 1, where it enacts subparagraph ii of paragraph *a* of the definition of “qualified construction expenditure” in the first paragraph of section 1029.8.36.54 of the said Act, applies in respect of expenditures incurred after 9 May 1996.

(4) Paragraph 2 of subsection 1, where it enacts paragraph *b* of the definition of “qualified construction expenditure” in the first paragraph of section 1029.8.36.54 of the said Act, has effect from 26 March 1997. However, where the portion of paragraph *b* of the definition of “qualified construction expenditure” in the first paragraph of section 1029.8.36.54 of the said Act before subparagraph i, enacted by paragraph 2 of subsection 1, applies before 8 June 1999, it shall be read as if the reference therein to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

213. (1) Section 1029.8.36.55 of the said Act, amended by section 20 of chapter 8 of the statutes of 1999, is again amended by replacing the first paragraph by the following :

“1029.8.36.55A qualified corporation that, in a taxation year, constructs in Québec an eligible vessel and encloses with its fiscal return it is required to file for the year under section 1000 a copy of the validation certificate issued to it by the Minister of Industry and Trade, in respect of the eligible vessel, attesting that the eligible vessel is a prototype vessel or is the first, second or third vessel constructed as part of a production run, and the prescribed form containing the prescribed information, is deemed to have paid to the Minister on the corporation’s balance-due day for that year, on account of its tax payable for that year under this Part, the lesser of

(a) an amount equal, in respect of the eligible vessel

i. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is a prototype vessel, to the aggregate of

(1) 40% of the portion of the qualified construction expenditure for the year in respect of the eligible vessel that may reasonably be attributed to work carried out before 26 March 1997, and

(2) 50% of the portion of the qualified construction expenditure for the year in respect of the eligible vessel that may reasonably be attributed to work carried out after 25 March 1997, or

ii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the first, second or third vessel constructed as part of a production run, to an amount that is the product obtained by multiplying the qualified construction expenditure for the year of the qualified corporation in respect of the eligible vessel by

(1) where the eligible vessel is the first vessel constructed as part of a production run, 37.5%,

(2) where the eligible vessel is the second vessel constructed as part of a production run, 25%, and

(3) where the eligible vessel is the third vessel constructed as part of a production run, 12.5% ; and

(b) the amount by which the product obtained by multiplying the cost of construction to the qualified corporation of the eligible vessel at the end of the year by the following percentages exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister, under this section, by the qualified corporation in respect of the eligible vessel for a preceding taxation year :

i. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is a prototype vessel, 20%,

ii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the first vessel constructed as part of a production run, 15%,

iii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the second vessel constructed as part of a production run, 10%, and

iv. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the third vessel constructed as part of a production run, 5%.”

(2) Subsection 1, where it enacts the portion of the first paragraph of section 1029.8.36.55 of the said Act before subparagraph *a*, applies in respect of expenditures incurred after 25 March 1997. However, where that portion of the first paragraph of section 1029.8.36.55, enacted by subsection 1, applies before 8 June 1999, it shall be read as if the reference therein to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

(3) Subsection 1, where it enacts subparagraphs *a* and *b* of the first paragraph of section 1029.8.36.55 of the said Act, applies in respect of expenditures incurred after 9 May 1996. However, where those subparagraphs *a* and *b*, enacted by subsection 1,

(1) have effect before 26 March 1997, they shall be read as follows:

“(a) 40% of its qualified construction expenditure for the year in respect of the eligible vessel; and

“(b) the amount by which 20% of the cost of construction to the qualified corporation of the eligible vessel at the end of the year exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister, under this section, by the qualified corporation in respect of the eligible vessel for a preceding taxation year.”;

(2) apply after 25 March 1997 and before 8 June 1999, they shall be read as if the reference, in the portion of subparagraph *i* of that subparagraph *a* before subparagraph 1, in the portion of subparagraph *ii* of that subparagraph *a* before subparagraph 1 and in subparagraphs *i* to *iv* of that subparagraph *b*, to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

214. (1) The said Act is amended by inserting, after section 1029.8.36.55, the following:

“1029.8.36.55. A qualified corporation that, in a taxation year, converts in Québec an eligible vessel and encloses with its fiscal return it is

required to file for the year under section 1000 a copy of the validation certificate issued to it by the Minister of Industry and Trade, in respect of the eligible vessel, attesting that the eligible vessel is a prototype vessel or is the first, second or third vessel converted as part of a production run, and the prescribed form containing the prescribed information, is deemed to have paid to the Minister on the corporation's balance-due day for that year, on account of its tax payable for that year under this Part, the lesser of

(a) the amount that is the product obtained by multiplying the qualified conversion expenditure for the year of the qualified corporation in respect of the eligible vessel by

i. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is a prototype vessel, 50%,

ii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the first vessel converted as part of a production run, 37.5%,

iii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the second vessel converted as part of a production run, 25%, and

iv. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the third vessel converted as part of a production run, 12.5%; and

(b) the amount by which the product obtained by multiplying the cost of conversion to the qualified corporation of the eligible vessel at the end of the year by the following percentages exceeds the aggregate of all amounts each of which is an amount deemed to have been paid to the Minister, under this section, by the qualified corporation in respect of the eligible vessel for a preceding taxation year :

i. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is a prototype vessel, 20%,

ii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the first vessel converted as part of a production run, 15%,

iii. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the second vessel converted as part of a production run, 10%, and

iv. where the validation certificate issued by the Minister of Industry and Trade certifies that the vessel is the third vessel converted as part of a production run, 5%.



For the purposes of subparagraph *b* of the first paragraph, the cost of conversion, at the end of a taxation year, of an eligible vessel of a qualified corporation is equal to the aggregate of

(*a*) the amount by which the portion of the cost of conversion to the qualified corporation of the eligible vessel incurred at the end of the year exceeds the aggregate of all amounts each of which is government assistance, non-government assistance or an apparent payment, attributable to the cost of conversion, that the qualified corporation or, in the case of an apparent payment, a person with whom the qualified corporation is not dealing at arm's length has received, is entitled to receive or may reasonably expect to receive on or before the qualified corporation's filing-due date for that year; and

(*b*) any repayment made by the corporation in the year or in a preceding taxation year, pursuant to a legal obligation to do so, of assistance referred to in subparagraph *a* in respect of the eligible vessel.

For the purposes of subparagraph *a* of the second paragraph, "apparent payment" means an amount paid or payable by a person who, for the conversion of an eligible vessel of a qualified corporation, carries out work or prepares plans and specifications for the qualified corporation, where the amount is paid or payable for the use of premises, facilities or equipment, or for the provision of services, and that may reasonably be considered to be included in the cost of conversion of the eligible vessel."

(2) Subsection 1 applies in respect of expenditures incurred after 25 March 1997. However, where the first paragraph of section 1029.8.36.55.1 of the said Act, enacted by subsection 1, applies before 8 June 1999, it shall be read as if the reference, in the portion before subparagraph *a*, in subparagraphs *i* to *iv* of subparagraph *a* and in subparagraphs *i* to *iv* of subparagraph *b*, to "Industry and Trade" were a reference to "Industry, Trade, Science and Technology".

215. (1) Section 1029.8.36.56 of the said Act, amended by section 20 of chapter 8 of the statutes of 1999, is again amended

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

"(*a*) a validation certificate revoked by the Minister of Industry and Trade is null from the time the revocation becomes effective;";

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

"(*c*) no amount may be deemed to have been paid to the Minister by a qualified corporation under section 1029.8.36.55.1 in respect of an expenditure that would, but for this paragraph, be a conversion expenditure included in a qualified conversion expenditure of the qualified corporation in respect of an eligible vessel of the corporation in respect of which a validation certificate was issued by the Minister of Industry and Trade if,

i. where the expenditure is referred to in any of paragraphs *b* to *d* of the definition of “conversion expenditure” in the first paragraph of section 1029.8.36.54, the expenditure was incurred before the date indicated to that effect on the validation certificate,

ii. where the expenditure was incurred after the date of issue of the validation certificate and is referred to in subparagraph i or ii of paragraph *a* of the definition of “conversion expenditure” in the first paragraph of section 1029.8.36.54 or in paragraph *b* or *c* of that definition, the certificate was not valid at the time the salaries or wages were incurred, or

iii. where the expenditure was incurred after the date of issue of the validation certificate and is referred to in subparagraph iii of paragraph *a* of the definition of “conversion expenditure” in the first paragraph of section 1029.8.36.54 or in paragraph *d* of that definition, the certificate was not valid at the time the work was carried out.”

(2) Paragraph 1 of subsection 1 applies in respect of expenditures incurred after 9 May 1996. However, where paragraph *a* of section 1029.8.36.56 of the said Act, enacted by paragraph 1 of subsection 1, applies before 8 June 1999, it shall be read as if the reference therein to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

(3) Paragraph 2 of subsection 1 applies in respect of expenditures incurred after 25 March 1997. However, where the portion of paragraph *c* of section 1029.8.36.56 of the said Act before subparagraph i, enacted by paragraph 2 of subsection 1, applies before 8 June 1999, it shall be read as if the reference therein to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

216. (1) Sections 1029.8.36.57 to 1029.8.36.59 of the said Act are replaced by the following :

~~“1029.8.36.57~~For the purposes of this division, the qualified construction expenditure or qualified conversion expenditure of a qualified corporation in respect of an eligible vessel and the cost of construction or cost of conversion, as the case may be, to the corporation of that vessel shall be reduced by the amount of the consideration for the disposition of property, or for the provision of a service, to the qualified corporation or a person with whom the qualified corporation does not deal at arm’s length, except to the extent that the consideration may reasonably be considered to relate to property resulting from work, or to services, related to the construction or conversion, as the case may be, of the eligible vessel or to property or part of a property consumed in connection with such work or services.

~~“1029.8.36.58~~Where, in respect of a contract entered into for the construction or conversion of an eligible vessel, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or

advantage, other than a benefit or advantage that may reasonably be attributed to the preparation of the plans and specifications relating to the vessel or to construction work or conversion work in respect of the vessel, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the amount of qualified construction expenditure or qualified conversion expenditure, as the case may be, of a qualified corporation for a taxation year, in respect of the eligible vessel, and the cost of construction or cost of conversion, as the case may be, to the corporation of that eligible vessel for that year, shall be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the filing-due date of the qualified corporation for that taxation year.

“1029.8.36.59 For the purposes of this Part and the regulations, the amount that a qualified corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.55 or 1029.8.36.55.1 is deemed not to be assistance or an inducement received by the corporation from a government.”

(2) Subsection 1 applies in respect of expenditures incurred after 25 March 1997.

217. (1) Division II.6.6 of Chapter III.1 of Title III of Book IX of Part I of the said Act is repealed.

(2) Subsection 1, where it repeals sections 1029.8.36.70 and 1029.8.36.71 of the said Act, has effect from 1 January 1997 and, where it repeals Division II.6.6 of Chapter III.1 of Title III of Book IX of Part I of the said Act, except those sections 1029.8.36.70 and 1029.8.36.71, applies to calendar years after the calendar year 1999. However, where that Division II.6.6 applies in respect of the calendar year 1999, the following rules apply :

(1) it shall be read without reference to sections 1029.8.36.63 to 1029.8.36.69 thereof and with the following sections inserted after section 1029.8.36.66 :

“1029.8.36.66. An eligible taxpayer for the calendar year 1999 who encloses a prescribed form containing the prescribed information with the fiscal return the eligible taxpayer is required to file under section 1000 for the eligible taxpayer’s taxation year in which the calendar year 1999 ends is deemed, subject to the third paragraph, to have paid to the Minister on the eligible taxpayer’s balance-due day for that taxation year, on account of the eligible taxpayer’s tax payable for that taxation year under this Part, the amount determined by the formula

A – B.

In the formula provided for in the first paragraph,

(a) A is the amount that the eligible taxpayer would be deemed to have so paid to the Minister under this division in respect of the calendar year 1998 if each employee of the eligible taxpayer or of any member of a group of associated employers of which the eligible taxpayer is a member, as the case may be, in respect of whom a period of 40 weeks, referred to in paragraphs *a* to *c* of the definition of “eligible employee” in the first paragraph of section 1029.8.36.60, during which the employee was holding employment with the eligible taxpayer or the member, began in the calendar year 1998 and ended in the calendar year 1999 and who, by reason thereof, became an eligible employee of the eligible taxpayer or of the member in that calendar year 1999, were included in calculating the maximum number of eligible employees of the eligible taxpayer or of the member, as the case may be, at any time in the calendar year 1998; and

(b) B is the amount that the eligible taxpayer is deemed to have paid to the Minister under this division in respect of the calendar year 1998.

For the purpose of computing the payments that a qualified corporation to which the first paragraph applies is required to make under subparagraph *a* of the first paragraph of section 1027, or under any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for its taxation year referred to in the first paragraph, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the first date following the end of the calendar year 1999 and on or before which it is required to make such a payment, the amount determined for the taxation year in its respect under the first paragraph.

Subject to the fifth paragraph, where a qualified corporation to which the first paragraph applies, whose taxation year in which the calendar year 1999 ends ends on or after 1 March following the end of that calendar year, estimates, on the prescribed form containing the prescribed information that it files with the Minister, the amount that it is deemed to have paid to the Minister under the first paragraph on account of its tax payable for the taxation year, the following rules apply:

(a) the Minister may, from that date, pay the estimated amount to the qualified corporation, to the extent that the amount does not exceed \$36,000;

(b) the amount paid under subparagraph *a* is deemed to be tax payable by the qualified corporation under this Part and is added to the qualified corporation’s tax otherwise payable for the taxation year under this Part;

(c) where the amount paid for the taxation year under subparagraph *a* exceeds the amount that the qualified corporation is deemed to have paid to the Minister under the first paragraph on account of its tax payable for the taxation year, the qualified corporation shall pay interest at the rate fixed by section 28 of the Act respecting the Ministère du Revenu (R.S.Q., chapter

M-31) on the difference between the two amounts, for the period running from the day on which the amount is so paid to the earlier of the day on which the excess amount is paid and the day on which the qualified corporation becomes liable for interest under section 1037; and

(d) for the purposes of the first paragraph, the qualified corporation is deemed to have enclosed, with the fiscal return it is required to file for the taxation year referred to in that paragraph, the prescribed form containing the prescribed information as required under the first paragraph.

The fourth paragraph does not apply to a corporation

(a) that is liable to the Government for an amount under a fiscal law, within the meaning of section 1 of the Act respecting the Ministère du Revenu ;

(b) that has failed to file a fiscal return under section 1000 for a preceding taxation year ;

(c) that is a bankrupt at any time during the taxation year ; or

(d) that reduces, in accordance with the third paragraph, the payments it is required to make for a period in the taxation year.

“1029.8.36.66. ~~A~~n eligible taxpayer for the calendar year 1999 who is a member of a qualified partnership for that year and who encloses a prescribed form containing the prescribed information with the fiscal return the eligible taxpayer is required to file under section 1000, for the eligible taxpayer’s taxation year in which the calendar year 1999 ends if the partnership’s fiscal period that includes the end of the calendar year 1998 ended in the taxation year 1999 of the eligible taxpayer or, in any other case, for the eligible taxpayer’s taxation year following the taxation year in which the calendar year 1999 ends, is deemed, subject to the third paragraph, to have paid to the Minister on the eligible taxpayer’s balance-due day for that taxation year, on account of the eligible taxpayer’s tax payable for that taxation year under this Part, an amount equal to the lesser of the amount by which \$36,000 exceeds the aggregate of the amount that the eligible taxpayer is deemed to have paid to the Minister under this division in respect of the calendar year 1998 and the amount that the eligible taxpayer is deemed to have paid to the Minister under section 1029.8.36.66.1, and the amount determined by the formula

A – B.

In the formula provided for in the first paragraph,

(a) A is the amount that the eligible taxpayer would be deemed to have so paid to the Minister under this division in respect of the calendar year 1998 if each employee of the qualified partnership or of any member of a group of associated employers of which the qualified partnership is a member, as the

case may be, in respect of whom a period of 40 weeks, referred to in paragraphs *a* to *c* of the definition of “eligible employee” in the first paragraph of section 1029.8.36.60, during which the employee was holding employment with the qualified partnership or the member, began in the calendar year 1998 and ended in the calendar year 1999 and who, by reason thereof, became an eligible employee of the qualified partnership or of the member in that calendar year 1999, were included in calculating the maximum number of eligible employees of the qualified partnership or of the member, as the case may be, at any time in the calendar year 1998; and

(*b*) B is the amount that the eligible taxpayer is deemed to have paid to the Minister under this division in respect of the calendar year 1998.

For the purpose of computing the payments that a qualified corporation to which the first paragraph applies is required to make under subparagraph *a* of the first paragraph of section 1027, or under any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, for its taxation year referred to in the first paragraph, the qualified corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for that taxation year under this Part and its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the first date following the end of the calendar year 1999 and on or before which it is required to make such a payment, the amount determined for the taxation year in its respect under the first paragraph.”;

(2) section 1029.8.36.72 of the said Act, repealed by subsection 1, shall be read with “any of sections 1029.8.36.63 to 1029.8.36.66” replaced by “section 1029.8.36.66.1 or 1029.8.36.66.2”.

(3) In addition, where section 1029.8.36.60 of the said Act, repealed by subsection 1, applies to the calendar years 1997 and 1998 and

(1) the definition of “tax-exempt individual” in the first paragraph of that section 1029.8.36.60 applies

(*a*) in respect of a taxation year of a taxpayer that ends before 1 April 1998, that definition shall be read with “any of paragraphs *a* to *d*” replaced by “any of paragraphs *a* to *c*”;

(*b*) in respect of a taxation year of a taxpayer that ends after 31 March 1998, that definition shall be read with “any of paragraphs *a* to *d*” replaced by “paragraph *a* or *b*”;

(2) the definition of “qualified corporation” in the first paragraph of that section 1029.8.36.60 applies to a taxation year of a taxpayer that ends after 31 March 1998, that definition shall be read without reference to paragraph *c* thereof.

218. (1) The said Act is amended by inserting, after section 1029.8.36.72, the following :

**“DIVISION II.6.7**

**“CREDIT FOR JOB CREATION IN THE CLOTHING AND FOOTWEAR INDUSTRY**

“§1. — *Definitions and general*

“1029.8.36.73 In this division,

“clothing” does not include jewellery or any other similar items used for adornment ;

“eligible employee” during a period within a calendar year means an employee, other than an excluded employee at any time in that period, who, during that period, reports for work at an establishment of the employer situated in Québec and who spends at least 90% of time at work throughout that period in directly undertaking, supervising or supporting the making or manufacture of clothing or footwear and, in that respect, an employee who holds a position as a marker, assorter, sewer, cutter, assembler, presser, garment maker, stacker, inspector, tacker, trimmer, operator, turner or general labourer or who uses a spreader or a separator in the course of the employee’s duties is deemed to directly undertake or support the making or manufacture of clothing or footwear ;

“eligible employer”, in relation to an eligible employee, means an eligible taxpayer or qualified partnership from whom or from which the eligible employee receives remuneration ;

“eligible taxpayer” for a calendar year means a taxpayer who, in the year, carries on a business in Québec and has an establishment in Québec and who, for the year, is an individual, other than a tax-exempt individual, or a qualified corporation ;

“excluded employee” at a particular time means an employee of a qualified partnership who, at that time, does not deal at arm’s length with a member of the partnership or an employee of a qualified corporation who, at that time, is a specified shareholder of that corporation or, where the qualified corporation is a cooperative, a specified member of that corporation ;

“government assistance” means 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 ;

“group of associated employers”, at the end of a calendar year, has the meaning assigned by section 1029.8.36.74 ;

“initial calendar year” of a taxpayer or partnership in relation to a business that makes or manufactures clothing or footwear means the first calendar year after the calendar year 1996 for which the taxpayer or partnership is an eligible taxpayer or qualified partnership, whose gross revenue for the taxation year or fiscal period, as the case may be, in which that calendar year ends is derived mainly from the carrying on of that business;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87, if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof;

“qualified corporation” for a calendar year means a corporation all or substantially all the gross revenue of which is derived from the carrying on of a qualified business, for the taxation year of the corporation in which the calendar year ends, but does not include

(*a*) a corporation that is exempt from tax for the taxation year under Book VIII; or

(*b*) a corporation that would be exempt from tax for the taxation year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”;

“qualified partnership” for a calendar year means a partnership that carries on a business in Québec and has an establishment in Québec in that year and that, if it were a corporation, would be a qualified corporation for that calendar year;

“repayment of eligible assistance”, for a particular taxation year or a particular fiscal period, by an eligible taxpayer or a qualified partnership, as the case may be, means

(*a*) in the case of an eligible taxpayer, the aggregate of

i. where, during the particular taxation year, pursuant to a legal obligation to do so, the eligible taxpayer pays an amount that may reasonably be considered to be repayment of assistance referred to in subparagraph *i* of subparagraph *a* of the first paragraph of section 1029.8.36.83 that reduced the amount of the salaries or wages paid by the eligible taxpayer to an eligible employee, in the course of carrying on a business of making or manufacturing clothing or footwear, for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.76 determined in respect of the eligible taxpayer in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the salaries or wages paid by the eligible taxpayer during the eligible taxpayer’s initial calendar year in relation



to that business, the amount by which the excess amount that would be determined under paragraph *a* of section 1029.8.36.76 in respect of the eligible taxpayer in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salaries or wages referred to therein were reduced by any amount paid by the eligible taxpayer, in respect of such an amount of assistance, as repayment during the particular taxation year or a preceding taxation year, exceeds the aggregate of

(1) the excess amount determined under paragraph *a* of section 1029.8.36.76 in respect of the eligible taxpayer in relation to the preceding calendar year, and

(2) the aggregate of all the amounts determined for a taxation year preceding the particular taxation year under this paragraph i, and

ii. where, during a particular calendar year ending in the particular taxation year, pursuant to a legal obligation to do so, a person or a partnership pays an amount that may reasonably be considered to be repayment of assistance referred to in subparagraph i of subparagraph *c* of the first paragraph of section 1029.8.36.83 that reduced the amount of the salaries or wages paid by the person or partnership, as the case may be, to an eligible employee, in the course of carrying on a business of making or manufacturing clothing or footwear, for the purpose of computing the excess amount referred to in section 1029.8.36.80 determined in respect of a calendar year preceding the particular calendar year in relation to a group of associated employers of which the person or partnership was a member at the end of that preceding calendar year, other than the salaries or wages paid by the person or partnership during the initial calendar year of the person or partnership in relation to that business, such proportion, as the amount attributed to the eligible taxpayer pursuant to the agreement filed by the eligible taxpayer pursuant to section 1029.8.36.78 as a member of the group of associated employers in respect of the preceding calendar year is of the aggregate of all the amounts attributed pursuant to the agreement or, in the absence of such an agreement, as the amount of the salaries or wages paid by the eligible taxpayer for the purpose of computing the excess amount in respect of the preceding calendar year is of the amount of the salaries or wages paid by all the members of the group of associated employers for the purpose of computing the excess amount in respect of that preceding calendar year, of the amount by which the excess amount that would be determined under section 1029.8.36.80 in respect of the group of associated employers in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salaries or wages referred to therein were reduced by any amount paid, in respect of such an amount of assistance, by a member of the group as repayment during the particular calendar year or a preceding calendar year, exceeds the aggregate of

(1) the excess amount determined under section 1029.8.36.80 in respect of the group of associated employers in relation to the preceding calendar year, and

(2) the aggregate of all the amounts determined for a calendar year preceding the particular calendar year under this paragraph ii; and

(b) in the case of a qualified partnership, the aggregate of

i. where, during the particular fiscal period, pursuant to a legal obligation to do so, the qualified partnership pays an amount that may reasonably be considered to be repayment of assistance referred to in subparagraph i of subparagraph *b* of the first paragraph of section 1029.8.36.83 that reduced the amount of the salaries or wages paid by the qualified partnership to an eligible employee, in the course of carrying on a business of making or manufacturing clothing or footwear, for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.77 determined in respect of the qualified partnership in relation to a calendar year preceding the calendar year ending in the particular fiscal period, other than the salaries or wages paid by the qualified partnership during its initial calendar year in relation to that business, the amount by which the excess amount that would be computed under subparagraph *a* of the first paragraph of section 1029.8.36.77 in respect of the qualified partnership in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salaries or wages referred to therein were reduced by any amount paid by the qualified partnership, in respect of such an amount of assistance, as repayment during the particular fiscal period or a preceding fiscal period, exceeds the aggregate of

(1) the excess amount determined under subparagraph *a* of the first paragraph of section 1029.8.36.77 in respect of the qualified partnership in relation to the preceding calendar year, and

(2) the aggregate of all the amounts determined for a fiscal period preceding the particular fiscal period under this paragraph i, and

ii. where, during a particular calendar year ending in the particular fiscal period, pursuant to a legal obligation to do so, a person or a partnership pays an amount that may reasonably be considered to be repayment of assistance referred to in subparagraph i of subparagraph *c* of the first paragraph of section 1029.8.36.83 that reduced the amount of the salaries or wages paid by the person or partnership, as the case may be, to an eligible employee, in the course of carrying on a business of making or manufacturing clothing or footwear, for the purpose of computing the excess amount referred to in section 1029.8.36.80 determined in respect of a calendar year preceding the particular calendar year in relation to a group of associated employers of which the person or partnership was a member at the end of that preceding calendar year, other than the salaries or wages paid by the person or partnership during the initial calendar year of the person or partnership in relation to that business, such proportion, as the amount attributed to the qualified partnership pursuant to the agreement filed by the qualified partnership pursuant to section 1029.8.36.79 as a member of the group of associated employers in respect of the preceding calendar year is of the aggregate of all the amounts attributed pursuant to the agreement or, in the absence of such an agreement,

as the amount of the salaries or wages paid by the qualified partnership for the purpose of computing the excess amount in respect of the preceding calendar year is of the amount of the salaries or wages paid by all the members of the group of associated employers for the purpose of computing the excess amount in respect of that preceding calendar year, of the amount by which the excess amount that would be determined under section 1029.8.36.80 in respect of the group of associated employers in relation to the preceding calendar year if each of the amounts of assistance paid in respect of the salaries or wages referred to therein were reduced by any amount paid, in respect of such an amount of assistance, by a member of the group as repayment during the particular calendar year or a preceding calendar year, exceeds the aggregate of

(1) the excess amount determined under section 1029.8.36.80 in respect of the group of associated employers in relation to the preceding calendar year, and

(2) the aggregate of all the amounts determined for a calendar year preceding the particular calendar year under this paragraph ii ;

“salary or wages” means the income computed pursuant to Chapters I and II of Title II of Book III but does not include directors’ fees, premiums, incentive bonuses, overtime compensation for hours done in addition to normal working hours, commissions or benefits referred to in Division II of Chapter II of Title II of Book III ;

“specified member” of a corporation that is a cooperative, in a taxation year, means a member having, directly or indirectly, at any time in the year, at least 10% of the votes at a meeting of the members of the cooperative ;

“tax-exempt individual”, for a calendar year, means a trust one of the capital or income beneficiaries of which is a corporation described in paragraph *a* or *b* of the definition of “qualified corporation” for the year, or a person exempt from tax under Book VIII for the taxation year of the person in which the calendar year ends.

For the purposes of the definition of “eligible employee” in the first paragraph,

(*a*) where, during a period within a calendar year, the employee reports for work at an establishment of the employer situated in Québec and at an establishment of the employer situated outside Québec, the employee is, for that period, deemed

i. except if subparagraph ii applies, to report for work only at the establishment situated in Québec, and

ii. to report for work only at the establishment situated outside Québec if, during that period, the employee reports for work mainly at an establishment of the employer situated outside Québec ; and

(b) where, during a period within a calendar year, the employee is not required to report for work at an establishment of the employer and the employee's salary or wages in relation to that period are paid from such an establishment situated in Québec, the employee is deemed to report for work at that establishment if the duties performed by the employee during that period are performed mainly in Québec.

For the purposes of the definition of "repayment of eligible assistance" in the first paragraph, the repayment at any particular time, by a taxpayer who is a member of a partnership, of government assistance or non-government assistance that is attributable to salaries or wages paid by the partnership is deemed to be made by the partnership, at that time, as repayment of government assistance or non-government assistance attributable to such salaries or wages.

For the purposes of this division, a reference to a calendar year ending in a taxation year or fiscal period includes a reference to a calendar year ending coincidentally with that taxation year or fiscal period, as the case may be.

"1029.8.36.74A group of associated employers, at the end of a calendar year, means the group formed by all the eligible employers whose gross revenue for the taxation year in which the calendar year ends is derived mainly from the carrying on of a business of making or manufacturing clothing or footwear and who, at that time, are corporations associated with each other, and, for the purposes of this section, the following rules apply:

(a) the employer that is an individual, other than a trust, is deemed to be a corporation, all of the voting shares in the capital stock of which are owned at that time by the individual;

(b) the employer that is a partnership is deemed to be a corporation, the taxation year of which covers the same period as its fiscal period and all of the voting shares in the capital stock of which are owned at that time by each member of the partnership in a proportion equal to the proportion that

i. the member's share of the income or loss of the partnership for its fiscal period that includes that time, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000, is of

ii. the income or loss of the partnership for its fiscal period that includes that time, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000; and

(c) the employer that is a trust is deemed to be a corporation all of the voting shares in the capital stock of which

i. in the case of a testamentary trust under which one or more beneficiaries are entitled to receive all of the income of the trust that arose before the date of death of one or the last surviving of those beneficiaries, in this paragraph

referred to as the “distribution date”, and under which no other person can, before the distribution date, receive or otherwise obtain the enjoyment of any of the income or capital of the trust,

(1) where any such beneficiary’s share of the income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, any discretionary power, and where that time occurs before the distribution date, are owned at that time by the beneficiary,

(2) where subparagraph 1 does not apply and where that time occurs before the distribution date, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of the beneficial interests in the trust of all the beneficiaries,

ii. where a beneficiary’s share of the accumulating income or capital of the trust depends on the exercise by any person of, or the failure by any person to exercise, any discretionary power, are owned at that time by the beneficiary, except where subparagraph i applies and that time occurs before the distribution date,

iii. in any case where subparagraph ii does not apply, are owned at that time by the beneficiary in a proportion equal to the proportion that the fair market value of the beneficial interest in the trust of the beneficiary is of the fair market value of all beneficial interests in the trust, except where subparagraph i applies and that time occurs before the distribution date, and

iv. in the case of a trust referred to in section 467, are owned at that time by the person referred to therein from whom property of the trust or property for which it was substituted was directly or indirectly received.

“1029.8.36.75 Where it may reasonably be considered that one of the main reasons for the separate existence of two or more eligible employers in a calendar year is to cause an eligible taxpayer to be deemed to have paid an amount to the Minister under this division in respect of that year or to increase an amount that an eligible taxpayer is deemed to have paid to the Minister under this division in respect of that year, those eligible employers are deemed, for the purposes of this division, to be members of a group of associated employers at the end of the year.

“§2. — *Credit*

“1029.8.36.76 An eligible taxpayer for a particular calendar year after the calendar year 1997 and before the calendar year 2002 who is not a member of a group of associated employers at the end of the particular calendar year and who encloses the prescribed form containing the prescribed information with the fiscal return the eligible taxpayer is required to file under section 1000 for the taxation year in which the particular calendar year ends, is deemed to have paid to the Minister on the eligible taxpayer’s balance-due

day for that taxation year, on account of the eligible taxpayer's tax payable for that taxation year under this Part, an amount equal to 20% of the aggregate of

(a) if the gross revenue of the eligible taxpayer for the taxation year is derived mainly from the carrying on of a business of making or manufacturing clothing or footwear, the amount by which the aggregate of all amounts each of which is the salaries or wages paid by the eligible taxpayer to an employee during a period within the particular calendar year for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salaries or wages paid by the eligible taxpayer to an employee during a period within the eligible taxpayer's initial calendar year, in relation to the business, for which the employee is an eligible employee; and

(b) the repayment of eligible assistance by the eligible taxpayer for the taxation year.

~~1029.8.36.77~~ Where a qualified partnership for a particular calendar year after the calendar year 1997 and before the calendar year 2002 is not a member of a group of associated employers at the end of the particular calendar year, each eligible taxpayer for the particular calendar year who is a member of the qualified partnership at the end of the particular fiscal period of the qualified partnership in which the particular calendar year ends and who encloses the prescribed form containing the prescribed information with the fiscal return the eligible taxpayer is required to file under section 1000 for the taxation year in which the particular fiscal period of the qualified partnership ends, is deemed to have paid to the Minister on the eligible taxpayer's balance-due day for that taxation year, on account of the eligible taxpayer's tax payable for that taxation year under this Part, an amount equal to 20% of the eligible taxpayer's share of the aggregate of

(a) if the gross revenue of the qualified partnership for the particular fiscal period is derived mainly from the carrying on of a business of making or manufacturing clothing or footwear, the amount by which the aggregate of all amounts each of which is the salaries or wages paid by the qualified partnership to an employee during a period within the particular calendar year for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salaries or wages paid by the qualified partnership to an employee during a period within the qualified partnership's initial calendar year, in relation to the business, for which the employee is an eligible employee; and

(b) the repayment of eligible assistance by the qualified partnership for the particular fiscal period.

For the purposes of the first paragraph, the share of an eligible taxpayer of an amount is equal to the proportion of that amount that the share of the eligible taxpayer of the income or loss of the qualified partnership for the fiscal period of the qualified partnership ending in the eligible taxpayer's taxation year is of the income or loss of the qualified partnership for that fiscal period, on the assumption that, if the income and loss of the qualified partnership

for that fiscal period are nil, the qualified partnership's income for that fiscal period is equal to \$1,000,000.

“1029.8.36.78 An eligible taxpayer for a particular calendar year after the calendar year 1997 and before the calendar year 2002 who is a member of a group of associated employers at the end of the particular calendar year and who encloses the prescribed form containing the prescribed information with the fiscal return the eligible taxpayer is required to file under section 1000 for the taxation year in which the particular calendar year ends, is deemed, if the eligible taxpayer files the agreement referred to in section 1029.8.36.80 in prescribed form with the Minister in respect of the particular calendar year, to have paid to the Minister on the eligible taxpayer's balance-due day for that taxation year, on account of the eligible taxpayer's tax payable for that taxation year under this Part, an amount equal to 20% of the aggregate of

(a) if the gross revenue of the eligible taxpayer for the taxation year is derived mainly from the carrying on of a business of making or manufacturing clothing or footwear, the lesser of

i. the amount attributed to the eligible taxpayer in respect of the particular calendar year pursuant to the agreement, and

ii. the amount by which the aggregate of all amounts each of which is the salaries or wages paid by the eligible taxpayer to an employee during a period within the particular calendar year for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salaries or wages paid by the eligible taxpayer to an employee during a period within the eligible taxpayer's initial calendar year, in relation to the business, for which the employee is an eligible employee; and

(b) the repayment of eligible assistance by the eligible taxpayer for the taxation year.

“1029.8.36.79 Where a qualified partnership for a particular calendar year after the calendar year 1997 and before the calendar year 2002 is a member of a group of associated employers at the end of the particular calendar year, each eligible taxpayer for the particular calendar year who is a member of the qualified partnership at the end of the particular fiscal period of the qualified partnership in which the particular calendar year ends and who encloses the prescribed form containing the prescribed information with the fiscal return the eligible taxpayer is required to file under section 1000 for the taxation year in which the particular fiscal period of the qualified partnership ends, is deemed, if the eligible taxpayer files the agreement referred to in section 1029.8.36.80 in prescribed form with the Minister in respect of the particular calendar year, to have paid to the Minister on the eligible taxpayer's balance-due day for that taxation year, on account of the eligible taxpayer's tax payable for that taxation year under this Part, an amount equal to 20% of the eligible taxpayer's share of the aggregate of

(a) if the gross revenue of the qualified partnership for the particular fiscal period is derived mainly from the carrying on of a business of making or manufacturing clothing or footwear, the lesser of

i. the amount attributed to the qualified partnership in respect of the particular calendar year pursuant to the agreement, and

ii. the amount by which the aggregate of all amounts each of which is the salaries or wages paid by the qualified partnership to an employee during a period within the particular calendar year for which the employee is an eligible employee exceeds the aggregate of all amounts each of which is the salaries or wages paid by the qualified partnership to an employee during a period within the qualified partnership's initial calendar year, in relation to the business, for which the employee is an eligible employee; and

(b) the repayment of eligible assistance by the qualified partnership for the particular fiscal period.

For the purposes of the first paragraph, the share of an eligible taxpayer of an amount is equal to the proportion of that amount that the share of the eligible taxpayer of the income or loss of the qualified partnership for the fiscal period of the qualified partnership ending in the eligible taxpayer's taxation year is of the income or loss of the qualified partnership for that fiscal period, on the assumption that, if the income and loss of the qualified partnership for that fiscal period are nil, the qualified partnership's income for that fiscal period is equal to \$1,000,000.

**1029.8.36.80** The agreement to which sections 1029.8.36.78 and 1029.8.36.79 refer in respect of a particular calendar year means an agreement under which all the members of the group of associated employers referred to in those sections attribute to one or more of their number, for the purposes of this division, one or more amounts the aggregate of which for the particular calendar year does not exceed the amount by which the aggregate of all the amounts each of which is the salaries or wages paid by a member of the group in the course of carrying on a business of making or manufacturing clothing or footwear to an employee during a period within the particular calendar year for which the employee is an eligible employee of the member exceeds the aggregate of all amounts each of which is the salaries or wages paid by a member of the group in the course of carrying on such a business to an employee during a period within the member's initial calendar year, in relation to that business, for which the employee is an eligible employee.

**1029.8.36.81** For the purposes of this division, where the number of days in the initial calendar year of a taxpayer or partnership, in relation to a business of making or manufacturing clothing or footwear, during which the taxpayer or partnership carried on the business, in this section referred to as the "number of qualifying days" of the taxpayer or partnership, as the case may be, is less than 365, the aggregate of all amounts each of which is the salaries or wages paid by the taxpayer or partnership in the course of carrying on the business to an employee during a period within the initial calendar year



of the taxpayer or partnership in relation to the business for which the employee is an eligible employee of the taxpayer or the partnership, as the case may be, less the amount determined in respect of such salaries or wages in accordance with subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.83, is deemed to be equal to the proportion of that aggregate, otherwise determined without taking account of section 1029.8.36.86, that 365 is of the number of qualifying days of the taxpayer or partnership, as the case may be, in relation to the business.

~~“1029.8.36.82~~Where the aggregate of the amounts attributed pursuant to an agreement referred to in section 1029.8.36.78 or 1029.8.36.79 for a calendar year by the members of a group of associated employers at the end of that year exceeds the excess amount determined for the year in respect of the group of associated employers under section 1029.8.36.80, the amount so attributed to each of the members for the year is deemed, for the purposes of section 1029.8.36.78 or 1029.8.36.79, as the case may be, to be equal to the proportion of the amount of the excess that the amount attributed for the year to that member pursuant to the agreement is of the aggregate of all such amounts attributed for the year pursuant to the agreement.

“§3. — *Government assistance, non-government assistance and other*

~~“1029.8.36.83~~For the purpose of computing the amount that is deemed to have been paid to the Minister by a taxpayer, for a taxation year, under any of sections 1029.8.36.76 to 1029.8.36.79, the following rules apply :

(a) the amount of the salaries or wages referred to in paragraph *a* of section 1029.8.36.76 or in subparagraph ii of paragraph *a* of section 1029.8.36.78 paid by the taxpayer shall be reduced, where applicable,

i. by the amount of any government assistance or non-government assistance attributable to the salaries or wages that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the taxpayer's filing-due date for the taxpayer's taxation year, except any amount of government assistance which reduced the amount of salaries or wages under subparagraph ii,

ii. by the part of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which the taxpayer is deemed to have paid an amount to the Minister under this chapter for any taxation year,

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an eligible employee, that a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before the taxpayer's filing-due date for the taxpayer's taxation year, to the extent that

the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages paid by the taxpayer;

(b) the amount of the salaries or wages referred to in subparagraph *a* of the first paragraph of section 1029.8.36.77 or in subparagraph ii of subparagraph *a* of the first paragraph of section 1029.8.36.79 paid during a calendar year by a partnership of which the taxpayer is a member shall be reduced, where applicable,

i. by the amount of any government assistance or non-government assistance attributable to the salaries or wages that the partnership has received, is entitled to receive or may reasonably expect to receive, on or before a date that is six months after the end of the fiscal period of the partnership in which the calendar year ended,

ii. by the part of such salaries or wages that may reasonably be considered to be included in computing an expenditure made by the partnership in respect of which the taxpayer is deemed to have paid an amount to the Minister under this chapter for any taxation year,

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an eligible employee, that a person or another partnership has obtained, is entitled to obtain or may reasonably expect to obtain, on or before a date that is six months after the end of the fiscal period of the partnership in which the calendar year ended, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages paid by the partnership; and

(c) the amount of the salaries or wages paid by a member of a group of associated employers, determined for the purpose of computing the amount that may be attributed, for a calendar year, by the members of the group of associated employers in accordance with section 1029.8.36.80 to one or more of their number, shall be reduced, where applicable,

i. by the amount of any government assistance or non-government assistance attributable to the salaries or wages that the member has received, is entitled to receive or may reasonably expect to receive, on or before the member's filing-due date for the member's taxation year or, in the case of a member that is a partnership, on or before a date that is six months after the end of the fiscal period of the partnership in which the calendar year ended, except any amount of government assistance that reduced the amount of salaries or wages under subparagraph ii,

ii. by the part of such salaries or wages that may reasonably be considered to be included in computing an expenditure in respect of which

(1) where the member of the group of associated employers is a taxpayer, the taxpayer is deemed to have paid an amount to the Minister under this chapter for any taxation year;

(2) where the member of the group of associated employers is a partnership, a taxpayer who is a member of the partnership is deemed to have paid an amount to the Minister under this chapter for any taxation year,

iii. by the amount of any benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, other than a benefit or advantage derived from the performance of the duties of an eligible employee, that a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain, where the member is a taxpayer, on or before the taxpayer's filing-due date for the taxpayer's taxation year or, where the member is a partnership, on or before a date that is six months after the end of the fiscal period of the partnership in which the calendar year ended, to the extent that the benefit or advantage may reasonably be considered to be attributable, directly or indirectly, to part or all of the amount of the salaries or wages paid by the member.

For the purposes of this section, where, at a particular time, a taxpayer who is a member of a partnership has received, is entitled to receive or may reasonably expect to receive government assistance or non-government assistance, the amount of the assistance that is attributable to salaries or wages paid by the partnership is deemed to be received by the partnership at that time as government assistance or non-government assistance, as the case may be, attributable to such salaries or wages.

“1029.8.36.84 For the purposes of this division, an amount is deemed to be a repayment of assistance made during a calendar year by a taxpayer or by a partnership, as the case may be, where the amount

(a) reduced an amount of salaries or wages,

i. in the case of assistance referred to in subparagraph *a* or *b* of the first paragraph of section 1029.8.36.83, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under paragraph *a* of section 1029.8.36.76 or that an eligible taxpayer who is a member of the qualified partnership is deemed to have paid to the Minister for a taxation year under subparagraph *a* of the first paragraph of section 1029.8.36.77;

ii. in the case of assistance referred to in subparagraph *c* of the first paragraph of section 1029.8.36.83, for the purpose of computing the excess amount referred to in section 1029.8.36.80, determined for a calendar year in relation to a group of associated employers of which the taxpayer or partnership is a member;

(b) was not received by the taxpayer or partnership; and

(c) ceased during the calendar year to be an amount that the taxpayer or partnership may reasonably expect to receive.

“1029.8.36.85 For the purposes of this division, where a taxpayer or a partnership has received, is entitled to receive or may reasonably expect to receive non-government assistance, or where a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, in respect of a taxation year or fiscal period in which the initial calendar year of the taxpayer or partnership, as the case may be, ends, in relation to a business of making or manufacturing clothing or footwear, and where it may reasonably be considered that the main reason for the assistance or the benefit or advantage is to reduce, in accordance with subparagraph i or iii of any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.83, as the case may be, the amount of the salaries or wages paid by the taxpayer or partnership during the initial calendar year of the person or partnership, in relation to the business, so as to cause the taxpayer to be deemed to have paid an amount to the Minister under this division for a taxation year or to increase an amount that a taxpayer is deemed to have paid to the Minister under this division for a taxation year, the amount of the assistance or of the benefit or advantage is deemed to be zero.

“1029.8.36.86 Where, at a particular time during a particular calendar year, the activities pursued by a person or partnership, in this section referred to as the “vendor”, during the vendor’s initial calendar year in relation to a business of making or manufacturing clothing or footwear, diminish or cease in whole or in part, and where it may reasonably be considered that, because of that fact, another person or partnership, in this section referred to as the “purchaser”, begins, after the particular time, to pursue similar activities in the course of carrying on such a business, or increases, after the particular time, the scope of similar activities pursued in the course of carrying on such a business, the following rules apply, except where the first paragraph of section 549 or section 564 apply, for the purpose of determining the amount that a taxpayer is deemed to have paid to the Minister under this division in respect of the particular calendar year or a subsequent calendar year and for the purpose of applying this section from the particular time:

(a) the particular amount of the vendor is deemed to be equal, from the particular time, to the amount by which the vendor’s particular amount, determined under this section, immediately before the particular time, exceeds the amount determined by the formula

$$A \times B \times C; \text{ and}$$

(b) the purchaser is deemed, for the purpose of applying this section from the particular time, to have pursued, during the purchaser’s initial calendar year, the portion of the vendor’s activities that diminished or ceased at the particular time, and the particular amount of the purchaser is deemed, from the particular time, to be equal to the total of the particular amount of the

purchaser, determined under this section, immediately before the particular time and the amount determined by the formula

$$A \times B \times D.$$

In the formulas provided for in subparagraphs *a* and *b* of the first paragraph,

(*a*) *A* is the portion of the particular amount of the vendor, determined under this section, immediately before the particular time, that may reasonably be attributed to the activities pursued by the vendor during the initial calendar year of the vendor that diminished or ceased at the particular time ;

(*b*) *B* is the proportion that the number of the vendor's eligible employees assigned to the portion of the activities that diminished or ceased at the particular time is of the number of the vendor's eligible employees assigned to those activities immediately before the particular time ;

(*c*) *C*, where this section applies for the purpose of determining the amount that a taxpayer is deemed to have paid to the Minister under this division in respect of the particular calendar year, is the proportion that the number of days in the particular calendar year following the particular time is of 365 ; and

(*d*) *D*, where the first paragraph applies for the purpose of determining the amount that a taxpayer is deemed to have paid to the Minister under this division in respect of the particular calendar year, is the proportion that the number of days in the particular calendar year during which the purchaser pursues the activities the pursuit of which by the vendor diminished or ceased at the particular time is of 365.

For the purposes of this section, the particular amount of the vendor or of the purchaser is equal to the aggregate of all amounts each of which is the amount of salaries or wages paid by the vendor or the purchaser, as the case may be, to an employee during a period within the initial calendar year of the vendor or purchaser in relation to the business referred to in the first paragraph, for which the employee is an eligible employee, reduced by the amount determined, in respect of such salaries or wages, pursuant to any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.83.

~~“1029.8.36.87~~An eligible taxpayer may be deemed to have paid an amount to the Minister on account of the eligible taxpayer's tax payable for a taxation year under any of sections 1029.8.36.76 to 1029.8.36.79 only if the eligible taxpayer files with the Minister the prescribed information in prescribed form on or before the day that is 12 months after the eligible taxpayer's filing-due date for the year.

~~“1029.8.36.88~~For the purposes of this division, government assistance or non-government assistance does not include an amount that a taxpayer is deemed to have paid to the Minister for a taxation year under this division.

**“DIVISION II.6.8****“CREDIT FOR INVESTMENT FUND CREATION****“§1. — Interpretation and general**

**“1029.8.36.89**n this division,

“deemed start-up expenditure” of a qualified corporation for a taxation year in respect of a qualified investment fund of the qualified corporation means the aggregate of all amounts each of which is an amount paid by the qualified corporation in the year, in this definition referred to as the “particular year”, pursuant to a legal obligation to do so, as repayment of assistance that reduced, for the purpose of computing a qualified start-up expenditure of the qualified corporation in respect of that fund for a preceding taxation year and in respect of which the qualified corporation is deemed to have paid an amount to the Minister under section 1029.8.36.90 for that preceding taxation year or, as the case may be, for a taxation year after that preceding taxation year but before the particular year, the aggregate referred to in paragraph *a* of the definition of “qualified start-up expenditure” and determined in relation to the qualified corporation in respect of that fund for that preceding taxation year;

“excluded investment fund” means

(*a*) a fund exempt from the preparation of a prospectus under the provisions of Division II of Chapter II of Title II of the Securities Act (chapter V-1.1), or a fund that would be so exempt if its securities were not distributed only outside Québec; or

(*b*) a separate fund, within the meaning of the regulations made under the Act respecting insurance (chapter A-32), established as part of a variable contract, within the meaning of those regulations, the issuance of which need not be accompanied by an information folder referred to in section 216 of those regulations by reason of the exception provided for in that section;

“government assistance” means 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, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“qualification certificate” issued to a qualified corporation in respect of a qualified investment fund of the qualified corporation means a certificate

issued to the qualified corporation by the Minister of Finance certifying, on the basis of the information provided by the qualified corporation, that the work relating to the promotion and marketing of the qualified investment fund, and the activities relating to the administration and management of the fund, are wholly or in substantial part carried out in Québec;

“qualified corporation” for a taxation year means a corporation that, in the year, carries on a business in Québec and has an establishment in Québec, all or substantially all the gross revenue of which, for the year, is derived from the carrying on of a qualified business, but does not include

(a) a corporation that is exempt from tax for the year under Book VIII, other than an insurer referred to in paragraph *k* of section 998 not so exempt from tax on the totality of its taxable income for the year by reason of section 999.0.1;

(b) a corporation that would be exempt from tax for the year under section 985, but for section 192 or for the exception provided in the second paragraph of the said section 985 and if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(c) a corporation governed, in the year, by an Act establishing a labour-sponsored fund;

“qualified investment fund” of a qualified corporation means any of the following funds if it is recognized by the Minister of Finance for the purposes of this division and Title VII.2.1 of Book IV and it is not an excluded investment fund:

(a) an unincorporated mutual fund, within the meaning of the Securities Act, that is established under a collective investment contract entered into by the qualified corporation and in respect of which the net asset value per share is first computed after 31 December 1997 and before 1 April 2000;

(b) a mutual fund, within the meaning of the Securities Act, that is established by the qualified corporation and in respect of which the net asset value per share is first computed after 31 December 1997 and before 1 April 2000; or

(c) where the qualified corporation is a life insurance corporation, a separate fund, within the meaning of the regulations under the Act respecting insurance, that is established by the qualified corporation and in respect of which the net asset value per security is first computed after 31 December 1997 and before 1 April 2000;

“qualified start-up expenditure” of a qualified corporation for a taxation year in respect of a qualified investment fund of the qualified corporation means the amount by which

(a) the aggregate of all amounts each of which is an amount that is both entered on the certificate issued for the year by the Minister of Finance to the qualified corporation in respect of expenditure relating to the qualified investment fund and the amount of expenditure in respect of which the certificate certifies that

i. it is attributable to the start-up and implementation period of the investment fund, and

ii. it was incurred, after 31 December 1997 and before the 731<sup>st</sup> day following the reference date applicable to the investment fund, by the qualified corporation during the year; exceeds

(b) the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to an expenditure referred to in paragraph *a*, that the qualified corporation has received, is entitled to receive or may reasonably expect to receive on or before the filing-due date of the qualified corporation for the particular year referred to in section 1029.8.36.90;

“reference date” applicable to a qualified investment fund of a qualified corporation means the date entered on the qualification certificate or temporary certificate, as the case may be, that is issued to the qualified corporation in respect of the qualified investment fund and that is

(a) where the fund is an unincorporated mutual fund referred to in paragraph *a* of the definition of “qualified investment fund”, the date on which the net asset value per share is first computed;

(b) where the fund is a mutual fund referred to in paragraph *b* of the definition of “qualified investment fund”, the date on which the net asset value per share is first computed;

(c) where the fund is a separate fund referred to in paragraph *c* of the definition of “qualified investment fund”, the date on which the net asset value per security is first computed;

“temporary certificate” issued to a qualified corporation in respect of a qualified investment fund of the qualified corporation means a certificate issued to the qualified corporation by the Minister of Finance certifying, on the basis of the information provided by the qualified corporation, that the work relating to the promotion and marketing of the qualified investment fund, and the activities relating to the administration of the fund, are wholly or in substantial part carried out in Québec, that at least 75% of the activities relating to the management of the fund are carried out in Québec, and that the qualified corporation has undertaken to ensure that the activities relating to



the management of the fund will, on or before the last day of the three-year period that begins on the reference date applicable to the fund, be carried out wholly or in substantial part in Québec.

For the purposes of the definition of “deemed start-up expenditure” in the first paragraph, an amount of assistance is deemed to be repaid by a qualified corporation in a taxation year pursuant to a legal obligation to do so where that amount

(a) reduced, because of paragraph *b* of the definition of “qualified start-up expenditure” in the first paragraph, the aggregate referred to in paragraph *a* of that definition, for the purpose of computing a qualified start-up expenditure in respect of which the qualified corporation is deemed to have paid an amount to the Minister under section 1029.8.36.90;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

“§2. — *Credit*

“1029.8.36.90A qualified corporation that, for a particular taxation year, encloses a copy of the valid qualification certificate issued to it in respect of a qualified investment fund of the qualified corporation and dated not later than the qualified corporation’s filing-due date for the particular year, and the prescribed form containing the prescribed information with the fiscal return the qualified corporation is required to file under section 1000 for the particular year, is deemed, subject to the second paragraph, to have paid to the Minister on the qualified corporation’s balance-due day for the particular year, on account of its tax payable for the particular year under this Part, an amount equal to the lesser of

(a) 50% of the aggregate of

i. the qualified start-up expenditure of the qualified corporation in respect of that fund for the particular year,

ii. the deemed start-up expenditure of the qualified corporation in respect of that fund for the particular year, and

iii. where a temporary certificate has, before the issue of the qualification certificate to the qualified corporation in respect of the qualified investment fund, been issued to the qualified corporation in respect of that fund, and the date of the qualification certificate is later than the qualified corporation’s filing-due date for the taxation year preceding the particular year, the aggregate of all amounts each of which is the qualified start-up expenditure of the qualified corporation, in respect of that fund, for a taxation year preceding the particular year; and

(b) the amount by which \$250,000 exceeds the aggregate of all amounts each of which is an amount that the qualified corporation is deemed to have paid to the Minister, under this section, in respect of that fund for a preceding taxation year.

A qualified corporation may be deemed to have paid an amount to the Minister under the first paragraph for a particular taxation year in relation to a qualified investment fund of the qualified corporation in respect of its qualified start-up expenditure in respect of that fund for the particular year or, as the case may be, for a taxation year preceding the particular year, only if it encloses with the fiscal return it is required to file for the particular year under section 1000

(a) a copy of the valid certificate issued to the qualified corporation by the Minister of Finance in respect of that fund; and

(b) a copy of the valid certificate issued to the qualified corporation for the particular year or, as the case may be, for that preceding taxation year, in respect of that expenditure, that is referred to in the definition of “qualified start-up expenditure” in the first paragraph of section 1029.8.36.89.

“1029.8.36.9 Where the Minister of Finance revokes a qualification certificate issued by the Minister of Finance to a qualified corporation in respect of a qualified investment fund of the qualified corporation, or a certificate issued by the Minister of Finance for a taxation year to a qualified corporation in respect of such a fund, that is referred to in subparagraph *a* of the second paragraph of section 1029.8.36.90, and where that revocation occurs at a particular time within eight years or, where the corporation is not a Canadian-controlled private corporation, nine years after the reference date in respect of the fund, the following rules apply :

(a) every certificate issued by the Minister of Finance to the corporation in respect of that fund for a taxation year, and the qualification certificate issued by the Minister of Finance to the corporation in respect of that fund are, for the purposes of this division, null and void from the time they were issued;

(b) the corporation shall, for any taxation year that ends before the particular time, where the corporation has filed a fiscal return under section 1000 for that preceding year for which it is deemed to have paid to the Minister, under section 1029.8.36.90, an amount on account of its tax payable under this Part in respect of the qualified investment fund, file with the Minister, on or before its filing-due date for the taxation year that includes the particular time, an amended fiscal return in which the corporation shall take into account the tax consequences of the revocation in respect of that amount.

Notwithstanding section 1007 and the expiration of the time limits provided for in section 1010,

(a) the Minister may, within one year after the filing-due date referred to in subparagraph *b* of the first paragraph, but for the amended fiscal return that

the corporation is required to file under that subparagraph *b*, redetermine, for any taxation year for which the revocation referred to in the first paragraph entails tax consequences under this Part, the amount that the corporation is deemed to have paid under section 1029.8.36.90 in respect of the qualified investment fund and assess or reassess the interest and penalties payable under this Part by the corporation; and

(*b*) the Minister may also redetermine the amount that the corporation is deemed to have paid under section 1029.8.36.90 in respect of the qualified investment fund, and the interest and penalties under this Part and make any redetermination, reassessment or additional assessment, as the case may be,

i. within three years after the later of the day of mailing, pursuant to subparagraph *a*, of a notice of determination for a taxation year and the day on which an amended fiscal return for the taxation year is filed pursuant to subparagraph *b* of the first paragraph, or

ii. within four years after the day referred to in subparagraph *i* if, at the end of the taxation year concerned, the corporation is not a Canadian-controlled private corporation.

However, the Minister may, in respect of a taxation year for which the revocation referred to in the first paragraph entails tax consequences under this Part, make a determination, redetermination, assessment, reassessment or additional assessment beyond the periods referred to in paragraph *a* or *a.0.1* of subsection 2 of section 1010 only to the extent that the determination, redetermination, assessment, reassessment or additional assessment may reasonably be considered to relate to a tax consequence referred to in subparagraph *b* of the first paragraph.

~~“1029.8.36.92~~ For the purposes of this division, where the Minister of Finance replaces or revokes a certificate issued by the Minister for a taxation year to a qualified corporation in respect of its qualified start-up expenditure for that taxation year in relation to a qualified investment fund of the qualified corporation, the following rules apply:

(*a*) the replaced certificate is null and void from the time it was issued or deemed issued and the new certificate is deemed to have been issued at that time for that taxation year;

(*b*) the revoked certificate is null and void from the time it was issued or deemed issued.

~~“1029.8.36.93~~ Where, in respect of a qualified start-up expenditure of a qualified corporation for a taxation year in respect of a qualified investment fund of the qualified corporation, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the start-up and establishment of that fund, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property

which exceed the fair market value of the property, or in any other form or manner, the amount of that qualified start-up expenditure shall be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the filing-due date of the qualified corporation for a taxation year for which section 1029.8.36.90 may apply to the qualified corporation in respect of that expenditure.

“1029.8.36.94A qualified corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.90 only if it files with the Minister the prescribed information in prescribed form, the copy of the qualification certificate referred to therein and, where applicable, the copy of the certificates referred to in that section, on or before the day that is 12 months after the qualified corporation’s filing-due date for the particular year.

## “DIVISION II.6.9

### “CREDIT RELATING TO FUND MANAGERS

“§1. — *Interpretation and general*

“1029.8.36.95In this division,

“eligibility period” applicable to an individual for a taxation year in relation to a corporation means the part of the year within the period for which the qualification certificate issued to the corporation in respect of the individual is valid;

“eligible fund manager” of a corporation for a taxation year means an individual in respect of whom a certificate is issued to the corporation for the year by the Minister of Finance certifying that, for the entire eligibility period applicable to the individual for the year in relation to the corporation, the individual devotes all or substantially all time at work in relation to the individual’s employment with the corporation to fund management activities in an establishment of the corporation situated in Québec;

“government assistance” means 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, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph w of section 87 if that paragraph were read without reference to subparagraphs ii and iii thereof, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“qualification certificate” in respect of an individual means a certificate issued to a corporation, after 31 March 1998 and before 1 January 2002, by the Minister of Finance certifying that the individual qualifies as a fund manager for the purposes of this division;

“qualified corporation” means any of the following corporations :

(a) a corporation registered with the Commission des valeurs mobilières du Québec in accordance with the Securities Act (chapter V-1.1) as an adviser with an unrestricted practice ;

(b) a portfolio management corporation whose customers are solely sophisticated purchasers, within the meaning of the Securities Act, and are exempt from registration as advisers under section 157 of that Act;

“qualified wages” paid by a corporation for a taxation year to an individual means the lesser of

(a) the amount obtained by multiplying \$62,500 by the proportion that the number of weeks ending in the eligibility period applicable to the individual for the year in relation to the corporation and for which the corporation paid the individual an amount as wages is of 52 ; and

(b) the amount by which

i. the aggregate of all amounts each of which is an amount of wages paid by the corporation to the individual for a week ending in the eligibility period applicable to the individual for the year in relation to the corporation, exceeds

ii. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such wages, that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before the corporation’s filing-due date for the year ;

“wages” means the income computed pursuant to Chapters I and II of Title II of Book III.

For the purposes of the definition of “qualified wages” in the first paragraph, a week ending in the eligibility period applicable to the individual for the year in relation to the corporation is deemed not to be such a week where

(a) the corporation is not a qualified corporation at any time during that week ;

(b) the individual is a specified shareholder of the corporation at any time during that week ; or

(c) the amount paid to the individual by the corporation as wages for that week represents less than 26 hours of work.

“§2. — *Credit*

“1029.8.36.96A corporation that, in a taxation year, employs an individual as an eligible fund manager is deemed, subject to the second paragraph, to have paid to the Minister on the corporation’s balance-due day for that year, on account of the corporation’s tax payable for that taxation year under this Part, an amount equal to 40% of the qualified wages that the corporation pays for the year to the individual, if the corporation encloses with the fiscal return the corporation is required to file under section 1000 for the year

(a) the prescribed form containing the prescribed information ;

(b) a copy of the qualification certificate issued to the corporation in respect of the individual ; and

(c) a copy of the certificate referred to in the definition of “eligible fund manager” in the first paragraph of section 1029.8.36.95 that was issued to the corporation for the year in respect of the individual.

For the purpose of computing the payments that a corporation referred to in the first paragraph is required to make under subparagraph *a* of the first paragraph of section 1027, or any of sections 1145, 1159.7, 1175 and 1175.19 where they refer to that subparagraph *a*, the corporation is deemed to have paid to the Minister, on account of the aggregate of its tax payable for the year under this Part and of its tax payable for the year under Parts IV, IV.1, VI and VI.1, on the date on or before which each payment is required to be made, the amount that would be determined under the first paragraph if it applied only to the period covered by the payment.

“1029.8.36.97For the purposes of this division, where the Minister of Finance revokes a qualification certificate or a certificate issued by the Minister to a corporation in respect of an individual, that certificate is null and void from the time it was issued.

“1029.8.36.98Where, in a taxation year, pursuant to a legal obligation to do so, a corporation pays an amount that may reasonably be considered to be repayment of government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 1029.8.36.95 that was taken into account for the purpose of computing particular qualified wages incurred by the corporation in respect of an individual in a particular taxation year and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.96 for the particular taxation year, the corporation is deemed to have paid to the Minister for that taxation year, if it encloses the prescribed form with its fiscal return it is required to file for the year under section 1000, an amount equal to the amount by which the amount that it would be deemed to have paid to the Minister for that particular year under that section 1029.8.36.96, if any amount so paid as repayment of government assistance or non-government assistance in the year or in a preceding taxation year had

reduced the amount determined under subparagraph ii of that paragraph *b* for the particular year, exceeds the aggregate of

(a) the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.96 for that particular year; and

(b) any amount that the corporation is deemed to have paid to the Minister for a preceding year under this section in respect of an amount paid as repayment of that government assistance or that non-government assistance.

~~“1029.8.36.99~~For the purposes of section 1029.8.36.98, an amount is deemed to be paid as repayment of assistance by a corporation in a taxation year pursuant to a legal obligation to do so where that amount

(a) reduced, because of subparagraph ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 1029.8.36.95, an amount of qualified wages for the purpose of computing an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.96;

(b) was not received by the corporation; and

(c) ceased in the taxation year to be an amount that the corporation may reasonably expect to receive.

~~“1029.8.36.100~~Where, in respect of employment held by an individual in a corporation as an eligible fund manager, a person or a partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the exercise of the employment, the amount of qualified wages paid by the corporation to that individual in respect of that employment for a taxation year shall be reduced by the amount of the benefit or advantage the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the corporation’s filing-due date for that taxation year, to the extent that the amount of the benefit or advantage has not reduced the amount of qualified wages paid by the corporation to that individual in respect of that employment for a preceding taxation year.

~~“1029.8.36.101~~A corporation may be deemed to have paid an amount to the Minister on account of its tax payable for a particular taxation year under section 1029.8.36.96 or 1029.8.36.98 only if it files with the Minister the prescribed information in prescribed form and, where applicable, the copy of the qualification certificate and the copy of the certificate referred to in section 1029.8.36.96 on or before the day that is 12 months after the corporation’s filing-due date for the particular year.”

(2) Subsection 1, where it enacts Divisions II.6.7 and II.6.8 of Chapter III.1 of Title III of Book IX of Part I of the said Act, has effect from 1 January 1998. However, where the first paragraph of section 1029.8.36.73 of the said Act, enacted by subsection 1, applies to a taxation year that ends before 1 April 1998, it shall be read

(1) as if the reference, in the definition of “tax-exempt individual”, to “paragraph *a* or *b*” were a reference to “any of paragraphs *a* to *c*”;

(2) with the following paragraph added to the definition of “qualified corporation”:

“(c) a corporation all or substantially all of the gross revenue of which, for the taxation year, is derived from operations of an international financial centre;”.

(3) Subsection 1, where it enacts Division II.6.9 of Chapter III.1 of Title III of Book IX of Part I of the said Act, applies in respect of wages paid after 31 March 1998.

219. (1) The said Act is amended by inserting, after section 1029.8.50, the following:

#### **“DIVISION II.8.1**

##### **“CREDIT FOR EMPLOYMENT INCOME REIMBURSEMENT**

“1029.8.50.1 Where an individual is required to reimburse all or part of an amount included by the individual in computing the individual’s income from an office or employment for one or more preceding taxation years, pursuant to an agreement under which the individual is required to reimburse any amount paid to the individual for a period throughout which the individual did not perform the duties of the office or employment, the individual is deemed to have paid to the Minister on the individual’s balance-due day for a particular taxation year in which such an amount is reimbursed by the individual or on behalf of the individual, if the individual is resident in Québec on the last day of that particular taxation year, on account of the individual’s tax payable for the particular year under this Part, an amount equal to the product obtained by multiplying by such proportion as the amount reimbursed by the individual or on the individual’s behalf in the particular year is of the total amount to be reimbursed by the individual, the aggregate of all amounts each of which is the amount by which

(a) the tax payable by the individual, for a preceding taxation year to which the amount to be reimbursed by the individual relates, under this Part and, where that taxation year is before the taxation year 1998, under Part I.1; exceeds

(b) the tax that would have been payable by the individual, for the preceding year referred to in subparagraph *a*, under this Part and, where that year is before the taxation year 1998, under Part I.1, if the part of the total amount to be reimbursed by the individual that may reasonably be considered to relate to that preceding year had been deducted in computing the individual’s taxable income for that preceding year.



However, in the case of an individual to whom the second paragraph of section 22 applies, the individual is deemed to have so paid to the Minister for the year only such proportion as is determined in the individual's respect under the second paragraph of section 22 of the amount determined in the individual's respect under the first paragraph.

For the purposes of the first paragraph, where an individual dies or ceases to be resident in Canada in a taxation year, the last day of the individual's taxation year is deemed to be the day of the individual's death or the last day on which the individual was resident in Canada, as the case may be.

Furthermore, for the purpose of determining the excess amount under the first paragraph in respect of any particular preceding taxation year, the following rules apply:

(a) the proportion determined under the second paragraph of section 22 for the particular preceding year is deemed to be equal to 1; and

(b) where an individual was resident in Canada outside Québec on the last day of the particular preceding year, the individual is deemed to have been resident in Québec on the last day of that preceding year."

(2) Subsection 1 applies in respect of reimbursement payments made from the taxation year 1998.

220. (1) The said Act is amended by inserting, after section 1029.8.109, the following:

#### **“DIVISION II.17**

#### **“CREDIT FOR INDIVIDUALS LIVING IN THE TERRITORY OF A NORTHERN VILLAGE**

#### **“§1. — Interpretation**

“1029.8.110 In this division,

“eligible spouse” of an individual for a taxation year means the person who is the individual's spouse at the end of 31 December of the year and who, at that time, is not living separate and apart from the individual;

“family income” of an individual for a taxation year means the amount by which \$26,000 is exceeded by the aggregate of

(a) the income of the individual for the year, computed with reference to the rules in Title II of Book V.2.1; and

(b) the income, for the year, of the individual's eligible spouse for the year, computed with reference to the rules in Title II of Book V.2.1;

“month” means a calendar month, being the period extending from the first to the last day of a month;

“month specified” for a taxation year means the month of August and the month of December of the following taxation year;

“northern village” means a municipality constituted in accordance with the Act respecting Northern villages and the Kativik Regional Government (chapter V-6.1).

“1029.8.111 For the purposes of the definition of “eligible spouse” in section 1029.8.110, a person shall not be considered to be living separate and apart from an individual at the end of 31 December of a taxation year unless the person was living separate and apart from the individual at that time, because of a breakdown of their marriage, for a period of at least 90 days that includes that time.

“1029.8.112 For the purposes of the definition of “family income” in section 1029.8.110, where an individual was resident in Canada for only part of a taxation year, the individual’s income for the year is deemed to be equal to the income that would be determined in respect of the individual for the year under this Part if that income were computed with reference to the rules in Title II of Book V.2.1 and if the individual had been resident in Canada throughout the year.

“1029.8.113 For the purposes of section 1029.8.114, a person is a dependant of an individual during a taxation year if, during the year, the person is, in respect of the individual, a person who would be described in paragraph *b* of section 752.0.1 but for subparagraph *v* of that paragraph.

“§2. — *Credit*

“1029.8.114 An individual, other than a trust, who is resident in Québec at the end of 31 December of a taxation year and, throughout the year, is not a dependant of another individual, is deemed, provided that the individual makes an application therefor in the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable under this Part by the individual for the year, to have paid to the Minister, in each of the months specified for that year, on account of the individual’s tax payable under this Part for the year, an amount equal to half of the amount by which the amount obtained by multiplying the total of the following amounts by the number of months in the year during which the individual lives in the territory of a northern village exceeds 15% of the individual’s family income for the year :

(a) \$35 in respect of the individual;

(b) \$35 in respect of the individual’s eligible spouse for the year, where applicable; and

(c) \$15 in respect of each dependant of the individual for the year.

“1029.8.115 For the purposes of section 1029.8.114, the following rules apply:

(a) where, for a taxation year, an individual is the eligible spouse of another individual, only one of them may make the application referred to in that section for the year;

(b) where, for a taxation year, the aggregate of the amounts deemed under that section to be paid by an individual during the months specified for the year is equal to or less than \$50, the individual is deemed to have paid that aggregate during the first month specified for the year and no other amount is deemed to be paid under that section by the individual for the year; and

(c) no amount is deemed to be paid under that section by an individual for a taxation year during a month specified for that year if the individual was not resident in Québec at the beginning of that month.

“1029.8.116 Where, before the beginning of a month specified for a taxation year, an individual dies, the individual shall not be deemed to have paid to the Minister, during that month, an amount under section 1029.8.114 for the year.

However, the amount that, but for the first paragraph, would be deemed to have been paid to the Minister by a deceased individual during a month specified for a taxation year is deemed, subject to paragraph c of section 1029.8.115, to have been paid to the Minister by the individual's eligible spouse for the year, during the month specified, on account of the individual's tax payable under this Part for the year, if the individual's eligible spouse for the year did not die before the beginning of that month and provided the eligible spouse makes an application therefor in writing to the Minister, on or before the day on which the legal representative of the individual is required to file with the Minister under section 1000 the individual's fiscal return for the year of the individual's death, or would be required to file if tax were payable under this Part by the individual for that year.”

(2) Subsection 1 applies from the taxation year 1998.

221. (1) Section 1034.5 of the said Act is replaced by the following:

“1034.5. For the purposes of section 1034.4 and of section 1035 where that section applies in respect of an eligible spouse of an individual in relation to an amount payable under section 1034.4, “eligible spouse” of an individual for a taxation year has the meaning assigned by section 1029.8.101.”

(2) Subsection 1 applies from the taxation year 1998.

222. (1) The said Act is amended by inserting, after section 1034.5, the following sections :

“1034.6. Where, for a taxation year, the Minister has refunded an amount to an individual or has applied an amount to another of the individual’s liabilities, and that amount is greater than the amount that should have been refunded or applied, the individual and the person who, for the year, is the individual’s eligible spouse are solidarily liable for payment of that excess amount, to the extent that the excess amount may reasonably be considered to relate to the application of section 1029.8.114.

However, nothing in this section limits the liability of the individual or the individual’s eligible spouse for the year, where applicable, under any other provision of this Act.

“1034.7. For the purposes of section 1034.6 and of section 1035 where that section applies in respect of an eligible spouse of an individual in relation to an amount payable under section 1034.6, “eligible spouse” of an individual for a taxation year has the meaning assigned by section 1029.8.110.”

(2) Subsection 1 applies from the taxation year 1998.

223. (1) Section 1035 of the said Act is amended by replacing “section 1034.4” by “section 1034.4 or 1034.6”.

(2) Subsection 1 applies from the taxation year 1998.

224. (1) Section 1036 of the said Act is amended by replacing, in the portion before paragraph *a* and in paragraph *b*, “1034 and 1034.1 to 1034.4” by “1034, 1034.1 to 1034.4 and 1034.6”.

(2) Subsection 1 applies from the taxation year 1998.

225. (1) Section 1038 of the said Act is amended by replacing, in subparagraph *a* of the second and third paragraphs, “except Divisions II to II.4.1, II.5.1, II.5.2 and II.6.6” by “except Divisions II to II.4.1, II.5.1, II.5.2 and II.6.0.1.4”.

(2) Subsection 1 has effect from 1 January 1998. However, where subparagraph *a* of the second and third paragraphs of section 1038, enacted by subsection 1, has effect before 1 January 1999, it shall be read with “except Divisions II to II.4.1, II.5.1, II.5.2 and II.6.6” replaced by “except Divisions II to II.4.1, II.5.1, II.5.2, II.6.0.1.4 and II.6.6”.

226. (1) Section 1049.0.2 of the said Act is amended by replacing “3%” by “25%”.

(2) Subsection 1 has effect from 2 December 1994.

227. (1) The said Act is amended by inserting, after section 1049.1.4, the following section :

“1049.1.4.1 Notwithstanding section 1049.1.1, where a corporation referred to in section 965.11.7.1 makes a public issue of qualifying shares referred to in paragraph *a* of section 965.9.1.0.4.2, in section 965.9.1.0.4.3, in paragraph *a* of section 965.9.1.0.5 or in section 965.9.1.0.6 in respect of which the corporation gave the undertaking under section 965.24.1.2.1.1 and where those shares are not listed on a stock exchange in Canada within 60 days after the date on which the corporation demonstrates that the shares are sufficiently distributed among holders, or where the corporation fails to make that demonstration with dispatch, that corporation is liable to a penalty equal to 25% of the adjusted cost, determined under section 965.6, of each share distributed in Québec to an individual other than a trust, to an investment group or to an investment fund.”

(2) Subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997. However, where section 1049.1.4.1 of the said Act, enacted by subsection 1, applies before 26 November 1999, it shall be read with the words “a stock exchange in Canada” replaced by “the Montréal Stock Exchange”.

228. (1) Section 1049.2.2.5.1 of the said Act is amended by replacing subparagraphs i and ii of subparagraph *a* of the third paragraph by the following :

“i. 12%, where the reference security is referred to in section 965.6.0.5, other than a security to which subparagraph ii applies, or in paragraph *a* of that section as that paragraph read before being struck out, or where the accepted security would be referred to therein had it been issued by the particular corporation referred to in the first paragraph at the same time as the reference security, and in its place, as the case may be, or

“ii. 6%, where the reference security is referred to in paragraph *b* of section 965.6.0.5, as that paragraph read before being struck out, or where the accepted security would be referred to therein had it been issued by the particular corporation referred to in the first paragraph at the same time as the reference security, and in its place, as the case may be;”.

(2) Subsection 1 applies in respect of non-guaranteed convertible securities acquired as part of a non-guaranteed convertible security issue in respect of which the receipt for the final prospectus or, where applicable, the exemption from filing a prospectus is granted after 31 March 1998.

229. (1) Section 1049.11.1.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

230. (1) Section 1049.11.2 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

231. Section 1051 of the said Act is amended, in the English text, by replacing the portion before subparagraph *b* of the second paragraph by the following :

“1051. Where a taxpayer has filed a fiscal return for a taxation year and has paid as tax, interest or a penalty for that year an amount greater than the amount that was exigible, the Minister may refund the overpayment to the taxpayer on mailing the notice of assessment for that year.

However, the Minister shall make the refund referred to in the first paragraph, if application is made for it by the taxpayer

(*a*) within three years following the end of the taxation year concerned;”.

232. (1) Section 1052 of the said Act is amended

(1) by replacing the portion before paragraph *a* by the following :

“1052. Where the amount of an overpayment by a taxpayer, otherwise than as a consequence of the application of Division II.16 or II.17 of Chapter III.1 of Title III, is refunded to, or applied to another liability of, the taxpayer, interest thereon shall be paid to the taxpayer for the period ending on the day the overpayment is refunded or applied, and beginning on the day that is the latest of”;

(2) by replacing, in the English text, paragraphs *a* and *b* by the following :

“(a) the day on which the overpayment was made following a notice of assessment ;

“(b) the forty-sixth day following the day on which the overpayment was made otherwise than following a notice of assessment ;”;

(3) by replacing, in the English text, paragraph *e* by the following :

“(e) where an overpayment is determined for a taxation year pursuant to an application to amend the fiscal return filed under sections 1000 to 1003 for that year, the forty-sixth day following the day on which the Minister receives the application in writing.”

(2) Paragraph 1 of subsection 1 applies from the taxation year 1998.

233. Section 1053 of the said Act is amended, in the English text, by replacing the portion before paragraph *a* by the following :

“1053. For the purposes of section 1052, the portion of any overpayment of the tax payable by a taxpayer for a taxation year that arose as a consequence of the exclusion of an amount from the taxpayer’s income by virtue of sections 294 to 298 in respect of the exercise of an option in a subsequent taxation year, as a consequence of the exclusion of an amount from the taxpayer’s income, or of the deduction of an amount, by reason of the disposition, in a subsequent taxation year, of a work of art referred to in section 714.1 or 752.0.10.11.1 by a donee referred to in either of those sections, as a consequence of the deduction of an amount relating to a subsequent taxation year and referred to in any of paragraphs *b*, *b.1* and *c* to *f* of section 1012.1, or as a consequence of the deduction of an amount relating to a preceding taxation year and referred to in any of sections 727 to 737 where that deduction is claimed after the expiry of the period provided for in section 1000 applicable to the taxation year, is deemed to have been paid to the Minister on the latest of”.

234. (1) Section 1053.0.2 of the said Act is replaced by the following:

“1053.0.2. Where the amount of an overpayment by an individual for a taxation year as a consequence of the application, for the year, of Division II.16 or II.17 of Chapter III.1 of Title III, otherwise than as a consequence of the application of the second paragraph of section 1029.8.109 or 1029.8.116, is refunded to, or applied to another liability of, the individual, interest thereon shall be paid to the individual for the period ending on the day the overpayment is refunded or applied, and beginning on the day that is the latest of

(a) the last day of the month specified for the year, within the meaning of section 1029.8.101 or 1029.8.110, as the case may be, to which the overpayment relates;

(b) the forty-sixth day following the day on which the individual’s fiscal return, referred to in section 1029.8.105 or 1029.8.114, as the case may be, was filed for the year; and

(c) where an overpayment is determined for the year pursuant to an application to amend the fiscal return referred to in section 1029.8.105 or 1029.8.114, as the case may be, for that year, the forty-sixth day following the day on which the Minister receives the application in writing.”

(2) Subsection 1 applies from the taxation year 1998.

235. (1) Section 1053.0.3 of the said Act is amended by replacing the portion before paragraph *b* by the following :

“1053.0.3. Where the amount of an overpayment for a taxation year by an individual as a consequence of the application, for the year, of the second paragraph of section 1029.8.109 or 1029.8.116, is refunded to, or applied to another liability of, the individual, interest thereon shall be paid to

the individual for the period ending on the day the overpayment is refunded or applied, and beginning on the day that is the later of

(a) the last day of the month specified for the year, within the meaning of section 1029.8.101 or 1029.8.110, as the case may be, to which the overpayment relates; and”.

(2) Subsection 1 applies from the taxation year 1998.

236. Section 1053.2 of the said Act is replaced, in the English text, by the following:

“1053.2. Where, as a consequence of the application of section 771.5.1, the amount of an overpayment for a taxation year by a qualified corporation within the meaning of sections 771.5 to 771.7 is refunded to, or applied to another liability of, the qualified corporation, the qualified corporation’s tax payable under this Part for the taxation year is, for the purpose of computing interest to be paid pursuant to section 1052 in respect of that part of the period referred to therein preceding the time the corporation filed the return referred to therein in accordance with section 771.5.1, deemed to be equal to the tax that the corporation would have been required to pay had it not been a qualified corporation within the meaning of sections 771.5 to 771.7.”

237. (1) Section 1089 of the said Act is amended, in the first paragraph,

(1) by replacing subparagraph *a* by the following:

“(a) the amount by which the income from the duties of offices or employments performed by the individual in Québec exceeds the amount that, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of paragraph *a* of section 737.19, a foreign researcher on a post-doctoral internship within the meaning of section 737.22.0.0.1 or a foreign instructor within the meaning of section 737.22.0.1, would be deductible in computing the individual’s taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3 and 737.22.0.3 if the individual’s taxable income were determined under Part I;”;

(2) by replacing subparagraph *g* by the following:

“(g) the amount by which the income determined under paragraphs *b* and *c* of section 1092 in respect of the individual exceeds the amount that, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of paragraph *a* of section 737.19, a foreign researcher on a post-doctoral internship within the meaning of section 737.22.0.0.1 or a foreign instructor within the meaning of section 737.22.0.1, would be deductible in computing the individual’s taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3 and 737.22.0.3 if the individual’s taxable income were determined under Part I;”.

(2) Subsection 1 applies from the taxation year 1998.



238. (1) Section 1090 of the said Act is amended, in the first paragraph,

(1) by replacing subparagraph *a* by the following:

“(a) the amount by which the income from the duties of offices or employments performed by the individual in Canada exceeds the amount that, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of paragraph *a* of section 737.19, a foreign researcher on a post-doctoral internship within the meaning of section 737.22.0.0.1 or a foreign instructor within the meaning of section 737.22.0.1, would be deductible in computing the individual’s taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3 and 737.22.0.3 if the individual’s taxable income were determined under Part I;”;

(2) by replacing subparagraph *g* by the following:

“(g) the amount by which the income that would be determined under paragraphs *b* and *c* of section 1092 in respect of the individual if the word “Québec”, in sections 1092 and 1093, were replaced wherever it appears by the word “Canada”, exceeds the amount which, if the individual is an individual referred to in section 737.16.1, a foreign researcher within the meaning of paragraph *a* of section 737.19, a foreign researcher on a post-doctoral internship within the meaning of section 737.22.0.0.1 or a foreign instructor within the meaning of section 737.22.0.1, would be deductible in computing the individual’s taxable income for the year under any of sections 737.16.1, 737.21, 737.22.0.0.3 and 737.22.0.3 if the individual’s taxable income were determined under Part I;”.

(2) Subsection 1 applies from the taxation year 1998.

239. (1) Section 1091 of the said Act is amended by replacing, in paragraph *c*, “737.21 and 737.22.0.3” by “737.21, 737.22.0.0.3 and 737.22.0.3”.

(2) Subsection 1 applies from the taxation year 1998.

240. (1) The said Act is amended by inserting, after section 1129, the following:

#### **“PART III.0.1**

#### **“SPECIAL TAX RELATING TO VARIOUS SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDITS**

“1129.0.1 In this Part,

“consideration” has the meaning assigned by Division II of Chapter III.1 of Title III of Book IX of Part I;

“eligible fee” has the meaning assigned by section 1029.8.9.0.2;

“fiscal period” has the meaning assigned by Part I;

“Minister” means the Minister of Revenue;

“qualified expenditure” has the meaning assigned by paragraph *d.1* of section 1029.8.1 or section 1029.8.9.1, as the case may be;

“scientific research and experimental development” has the meaning assigned by section 1;

“taxpayer” has the meaning assigned by section 1;

“taxation year” has the meaning assigned by Part I;

“wages” has the meaning assigned by Division II of Chapter III.1 of Title III of Book IX of Part I.

“1129.0.2. Every taxpayer who is deemed to have paid an amount to the Minister, under Division II of Chapter III.1 of Title III of Book IX of Part I, on account of the taxpayer’s tax payable under that Part for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to wages or to a part of a consideration paid, or to the taxpayer’s share of such wages or part of a consideration paid, in respect of which the taxpayer is so deemed to have paid an amount, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay, for that subsequent year, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under that Division II exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that division, for that particular year, if every amount that was so refunded, paid or allocated at or before the end of the subsequent taxation year had been refunded, paid or allocated in the particular taxation year; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.3. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8, on account of the taxpayer’s tax payable under Part I for a particular taxation year in respect of the taxpayer’s share of an amount of wages or of a part of a consideration paid by the partnership in a particular fiscal period of the partnership ending in the particular year shall, where, during a subsequent fiscal period of the partnership, an amount relating to such wages or to such a part of a consideration paid is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, a tax equal to the amount by which the amount that the taxpayer is deemed to have

paid to the Minister for that particular year under section 1029.8 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that section, for that particular year, if the taxpayer's share of every amount that was so refunded, paid or allocated at or before the end of the subsequent fiscal period had been refunded, paid or allocated in the particular fiscal period; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.4. Every taxpayer who is deemed to have paid an amount to the Minister, under Division II.1 of Chapter III.1 of Title III of Book IX of Part I, on account of the taxpayer's tax payable under that Part for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to a qualified expenditure or to the taxpayer's share of such expenditure, in respect of which the taxpayer is so deemed to have paid an amount, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay, for that subsequent year, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under that Division II.1 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that division, for that particular year, if every amount that was so refunded, paid or allocated at or before the end of the subsequent taxation year had been refunded, paid or allocated in the particular taxation year; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.5. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.7, on account of the taxpayer's tax payable under Part I for a particular taxation year in respect of the taxpayer's share of a qualified expenditure paid by the partnership in a particular fiscal period of the partnership ending in the particular year shall, where, during a subsequent fiscal period of the partnership, an amount relating to such expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under section 1029.8.7 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that section, for that particular year, if the taxpayer's share of every amount that was so refunded, paid or allocated at or before the end of

the subsequent fiscal period had been refunded, paid or allocated in the particular fiscal period; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.6. Every taxpayer who is deemed to have paid an amount to the Minister, under Division II.2.1 of Chapter III.1 of Title III of Book IX of Part I, on account of the taxpayer’s tax payable under that Part for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to an eligible fee or to the taxpayer’s share of such fee, in respect of which the taxpayer is so deemed to have paid an amount is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay, for that subsequent year, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under that Division II.2.1 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that division, for that particular year, if every amount that was so refunded, paid or allocated at or before the end of the subsequent taxation year had been refunded, paid or allocated in the particular taxation year; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.7. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.9.0.4, on account of the taxpayer’s tax payable under Part I for a particular taxation year in respect of the taxpayer’s share of an eligible fee paid by the partnership in a particular fiscal period of the partnership ending in the particular year shall, where, during a subsequent fiscal period of the partnership, an amount relating to such fee is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under section 1029.8.9.0.4 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that section, for that particular year, if every amount that was so refunded, paid or allocated at or before the end of the subsequent fiscal period had been refunded, paid or allocated in the particular fiscal period; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.8. Every taxpayer who is deemed to have paid an amount to the Minister, under Division II.3 of Chapter III.1 of Title III of Book IX of Part I, on account of the taxpayer’s tax payable under that Part for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to a qualified expenditure or the taxpayer’s share of a qualified expenditure, that may reasonably be attributed to scientific research and experimental development carried out during the particular year in respect of which the taxpayer is so deemed to have paid an amount, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, pay, for that subsequent year, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under that Division II.3 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that division, for that particular year, if every amount that was so refunded, paid or allocated at or before the end of the subsequent taxation year had been refunded, paid or allocated in the particular taxation year; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.9. Every taxpayer who is a member of a partnership and who is deemed to have paid an amount to the Minister, under section 1029.8.11, on account of the taxpayer’s tax payable under Part I for a particular taxation year in respect of the taxpayer’s share of the amount of a qualified expenditure made by the partnership in a particular fiscal period of the partnership ending in the particular year shall, where, during a subsequent fiscal period of the partnership, an amount relating to that expenditure is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, pay, for the taxation year in which that subsequent fiscal period ends, a tax equal to the amount by which the amount that the taxpayer is deemed to have paid to the Minister for that particular year under that section 1029.8.11 exceeds the aggregate of

(a) any amount that the taxpayer would be deemed to have paid to the Minister under that section, for that particular year, if every amount that was so refunded, paid or allocated at or before the end of the subsequent fiscal period had been refunded, paid or allocated in the particular fiscal period; and

(b) any amount of tax that the taxpayer has paid to the Minister under this section for a preceding taxation year in respect of the amount that the taxpayer is deemed to have paid to the Minister for the particular year.

“1129.0.10 Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1 applies in respect of amounts refunded, otherwise paid or allocated to a payment after 31 March 1998.

241. (1) Section 1129.1 of the said Act is amended

(1) by inserting the following definitions in alphabetical order:

“government assistance” has the meaning assigned by the first paragraph of section 1029.8.34;

“non-government assistance” has the meaning assigned by the first paragraph of section 1029.8.34;”;

(2) by inserting the following definitions in alphabetical order:

“qualified computer-aided special effects and animation expenditure” has the meaning assigned by the first paragraph of section 1029.8.34;

“qualified labour expenditure” has the meaning assigned by the first paragraph of section 1029.8.34;”.

(2) Subsection 1 has effect from 1 April 1998.

242. (1) Section 1129.2 of the said Act is amended

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

“ii. the particular year is the first year for which subparagraph *b* of the third paragraph of section 1029.8.35 applies in respect of the property or, where applicable, would have been such first year had the qualified computer-aided special effects and animation expenditure or qualified labour expenditure of the corporation for the particular year in respect of the property not been nil;”;

(2) by replacing subparagraph *c* of the first paragraph by the following:

“(c) where the situations described in subparagraphs i and ii of subparagraph *a* are not encountered in the particular year in respect of the property nor have been in any preceding taxation year, the amount determined in respect of the corporation under the second paragraph in cases where

i. any government assistance or non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date, within the meaning of section 1, for the particular year must be taken into account, for or from the particular year and in respect of the property, in computing the amount determined under subparagraph ii of paragraph *a* or subparagraph i of paragraph *b* of the definition of “qualified computer-aided special effects and animation

expenditure” and of “qualified labour expenditure” in the first paragraph of section 1029.8.34, and the expenditure to which the assistance is attributable has been incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified computer-aided special effects and animation expenditure or qualified labour expenditure in respect of the property, other than the amount of an assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation;”;

(3) by replacing, in the English text of subparagraph i of subparagraph *d* of the first paragraph, the word “manpower” by the word “labour”;

(4) by inserting, after the first paragraph, the following paragraph:

“The amount to which subparagraph *c* of the first paragraph refers, in respect of a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.35, in respect of the property, for the particular year or for a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.35, in respect of the property for the particular year or for a preceding taxation year, if

i. where subparagraph i of subparagraph *c* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation in the year during which the expenditure to which the assistance is attributable was incurred, and

ii. where subparagraph ii of subparagraph *c* of the first paragraph applies, any amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure to which that amount is attributable was incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in respect of the property, for a taxation year preceding the particular year.”

(2) Subsection 1 has effect from 1 April 1998.

243. (1) The said Act is amended by inserting, after section 1129.4, the following:

**“PART III.1.0.1****“SPECIAL TAX RELATING TO THE CREDIT FOR FILM DUBBING**

“1129.4.0.1 In this Part,

“filing-due date” has the meaning assigned by section 1;

“government assistance” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.1;

“Minister” has the meaning assigned by section 1;

“non-government assistance” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.1;

“qualified film dubbing expenditure” of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.0.1;

“qualified production” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.1;

“taxation year” has the meaning assigned by Part I.

“1129.4.0.2 Every corporation that, in relation to the production of a property that is a qualified production, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.2, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts each of which is tax that the corporation is deemed to have so paid to the Minister, under that section 1029.8.36.0.0.2, in respect of the production of the property for a taxation year preceding the particular year, exceeds the aggregate of all amounts each of which is tax that the corporation is required to pay under this Part in respect of the production of the property for a year preceding the particular year, where the Société de développement des entreprises culturelles revokes in the particular year a certificate issued by it to the corporation in respect of the property; or

(b) where subparagraph *a* does not apply in the particular year or in any preceding taxation year, in relation to the production of the property, the amount determined in respect of the corporation under the second paragraph where

i. in computing the amount determined under subparagraph ii of paragraph *a* of the definition of “qualified film dubbing expenditure” in the first paragraph of section 1029.8.36.0.0.1, government assistance or non-government assistance that the corporation has received, is entitled to receive or may reasonably



expect to receive, on or before the corporation's filing-due date for the particular year, must be taken into account for the particular year or from that year in respect of the production of the property, and the expenditure to which the assistance is attributable was incurred by the corporation in a taxation year preceding the particular year, or

ii. an amount relating to an expenditure included in a qualified film dubbing expenditure in respect of the property, other than the amount of an assistance to which subparagraph i applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The amount to which subparagraph *b* of the first paragraph refers, in relation to a property, is equal, for the corporation, to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.2, in respect of the production of the property for the particular year or for a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.2, in respect of the property for the particular year or for a preceding taxation year, if

i. where subparagraph i of subparagraph *b* of the first paragraph applies, the assistance referred to in that subparagraph i had been received by the corporation in the year during which the expenditure to which the assistance is attributable was incurred, and

ii. where subparagraph ii of subparagraph *b* of the first paragraph applies, every amount referred to in that subparagraph ii had been refunded, paid or allocated in the year during which the expenditure to which that amount is attributable was incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part, in respect of the property, for a taxation year preceding the particular year.

Furthermore, where applicable, a corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

“1129.4.0.3The tax paid to the Minister by a corporation at any time in a taxation year under this Part in relation to the production of a property that is a qualified production is deemed, for the purposes of Part I, except section 1029.8.36.0.0.1, to be an amount of assistance repaid by the corporation at that time in respect of the production of the property pursuant to a legal obligation to repay all or any part of that amount of assistance.

“1129.4.0.4 Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

#### “PART III.1.0.2

#### “SPECIAL TAX RELATING TO THE FILM PRODUCTION SERVICES CREDIT

“1129.4.0.5 In this Part,

“filing-due date” has the meaning assigned by section 1;

“government assistance” has the meaning assigned by section 1029.8.36.0.0.4;

“Minister” has the meaning assigned by section 1;

“non-government assistance” has the meaning assigned by section 1029.8.36.0.0.4;

“qualified computer-aided special effects and animation expenditure” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.4;

“qualified labour expenditure” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.4;

“qualified low-budget production” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.4;

“qualified production” has the meaning assigned by the first paragraph of section 1029.8.36.0.0.4;

“taxation year” has the meaning assigned by Part I.

“1129.4.0.6 Every corporation that, in relation to a property that is a qualified production or a qualified low-budget production, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.0.5, on account of its tax payable under Part I for any taxation year shall pay, for a particular taxation year, a tax equal to the amount determined under the second paragraph where

(a) in computing the amount determined under paragraph *b* of the definition of “qualified computer-aided special effects and animation expenditure” in the first paragraph of section 1029.8.36.0.0.4 or subparagraph *i* of paragraph *b* of the definition of “qualified labour expenditure” in that first paragraph, government assistance or non-government assistance that the corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for the particular year, must be taken into account for the particular year or from that year in respect of the property, and the

expenditure to which the assistance is attributable was incurred by the corporation in a taxation year preceding the particular year; or

(b) an amount relating to an expenditure included in a qualified computer-aided special effects and animation expenditure or a qualified labour expenditure in respect of the property, other than the amount of an assistance to which paragraph *a* applies, is, during the particular taxation year, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation.

The tax payable by a corporation referred to in the first paragraph for a particular taxation year is equal to the amount by which the aggregate of all amounts each of which is an amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.0.0.5 in respect of the property referred to in the first paragraph for the particular year or a preceding taxation year, exceeds the aggregate of

(a) the aggregate of all amounts each of which is an amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.0.0.5 in respect of the property for the particular year or for a preceding taxation year if

i. where subparagraph *a* of the first paragraph applies, the assistance referred to in that subparagraph *a* had been received in the year during which the expenditure to which the assistance is attributable was incurred, and

ii. where subparagraph *b* of the first paragraph applies, any amount referred to in that subparagraph *b* had been refunded, paid or allocated in the year during which the expenditure to which the amount is attributable was incurred; and

(b) the aggregate of all amounts each of which is a tax that the corporation is required to pay under this Part in respect of the property for a taxation year preceding the particular year.

Furthermore, where applicable, the corporation that controls, directly or indirectly in any manner whatever, the corporation referred to in the first paragraph is liable, solidarily with that corporation, for payment of the tax under the first paragraph.

“1129.4.0.7 The tax paid to the Minister by a corporation at any time in a taxation year under this Part in relation to a property that is a qualified production or a qualified low-budget production is deemed, for the purposes of Part I, except section 1029.8.36.0.0.4, to be an amount of assistance repaid by the corporation at that time in respect of the property pursuant to a legal obligation to repay all or any part of the amount of assistance.

“1129.4.0.8 Except where inconsistent with this Part, section 21.25, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first

paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1, where it enacts Part III.1.0.1 of the said Act, has effect from 19 December 1997 and, where it enacts Part III.1.0.2 of the said Act, has effect from 1 April 1998.

244. (1) The heading of Part III.1.1 of the said Act is replaced by the following :

“SPECIAL TAX RELATING TO THE CREDIT FOR MULTIMEDIA TITLES (PART 1)”.

(2) Subsection 1 has effect from 9 May 1996.

245. (1) Section 1129.4.1 of the said Act is amended, in the English text of the first paragraph, by replacing the definition of “manpower expenditure” and of “qualified manpower expenditure” by the following :

““labour expenditure” of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.1 ;

““qualified labour expenditure” of a corporation for a taxation year has the meaning assigned by section 1029.8.36.0.1 ;”.

(2) Subsection 1 applies to taxation years that end after 17 April 1997.

246. (1) Section 1129.4.2 of the said Act is amended, in the first paragraph,

(1) by replacing, in the English text of the portion of subparagraph *f* before subparagraph *i*, the word “manpower” by the word “labour” ;

(2) by replacing subparagraph 1 of subparagraph *i* of subparagraph *f* by the following :

“(1) 20% of that excess amount, where the assistance is attributable to a labour expenditure of the corporation for a taxation year ending before 18 April 1997 in relation to the property, or 25% of that excess amount, where the amount of assistance is attributable to a labour expenditure of the corporation for a taxation year ending after 17 April 1997 in relation to the property, and” ;

(3) by replacing subparagraph 1 of subparagraph *ii* of subparagraph *f* by the following :

“(1) 20% of the excess amount referred to in the portion of this subparagraph before subparagraph *i*, and” ;

(4) by replacing the word “manpower”, wherever it appears in the English text of subparagraph *g*, by the word “labour”.

(2) Subsection 1 applies to taxation years that end after 17 April 1997.

247. (1) The said Act is amended by inserting, after section 1129.4.2, the following section :

“1129.4.2.1 For the purposes of Part I, except Division II.6.0.1 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a corporation at any time, under section 1129.4.2, in relation to property, is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property, pursuant to a legal obligation to do so.”

(2) Subsection 1 has effect from 10 May 1996.

248. (1) The said Act is amended by inserting, after section 1129.4.3, the following :

#### **“PART III.1.1.1**

#### **“SPECIAL TAX RELATING TO THE CREDIT FOR MULTIMEDIA TITLES (PART 2)**

“1129.4.3.1 In this Part,

“Minister” means the Minister of Revenue ;

“multimedia title” has the meaning assigned by the first paragraph of section 1029.8.36.0.3.3 ;

“qualified labour expenditure” has the meaning assigned by section 1029.8.36.0.3.3 ;

“taxation year” has the meaning assigned by Part I.

“1129.4.3.2 Every corporation that, in relation to a property that is a multimedia title, is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.4 on account of its tax payable under Part I for a taxation year shall, where, during a particular taxation year, an amount in relation to an expenditure that is included in a qualified labour expenditure of the corporation in respect of the property is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay for that particular year a tax equal to the amount by which the aggregate of the amounts it is deemed to have paid to the Minister under that section 1029.8.36.0.3.4 in respect of the property exceeds the aggregate of

(a) any amount that the corporation would be deemed to have paid to the Minister under that section 1029.8.36.0.3.4 in respect of the property, if every amount that was so refunded, paid or allocated, at or before the end of the particular taxation year, had been so refunded, paid or allocated in the taxation year during which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates ; and

(b) any amount of tax that the corporation is required to pay to the Minister, in respect of the property, under this section for a preceding taxation year.

“1129.4.3.3 For the purposes of Part I, other than Division II.6.0.1.1 of Chapter III.1 of Title III of Book IX, the tax that a corporation pays to the Minister at any time under section 1129.4.3.2 in relation to a property is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property pursuant to a legal obligation to do so.

“1129.4.3.4 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

### **“PART III.1.1.2**

#### **“SPECIAL TAX RELATING TO THE CREDIT FOR MULTIMEDIA TITLES (GENERAL)**

“1129.4.3.5 In this Part,

“Minister” means the Minister of Revenue;

“multimedia title” has the meaning assigned by the first paragraph of section 1029.8.36.0.3.8;

“qualified labour expenditure” has the meaning assigned by section 1029.8.36.0.3.8;

“taxation year” has the meaning assigned by Part I.

“1129.4.3.6 Every corporation that, in relation to a property that is a multimedia title, is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.9 on account of its tax payable under Part I for a particular taxation year shall, where, during a subsequent taxation year, an amount in relation to an expenditure that is included in a qualified labour expenditure of the corporation in respect of which the corporation is so deemed to have paid an amount in respect of the property, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay for that subsequent year a tax equal to the amount by which the aggregate of the amounts it is deemed to have paid to the Minister under that section 1029.8.36.0.3.9 for the particular taxation year in respect of the property exceeds the aggregate of

(a) any amount that the corporation would be deemed to have paid to the Minister under that section 1029.8.36.0.3.9 in respect of the property for the particular year if every amount that was so refunded, paid or allocated, at or before the end of the subsequent taxation year, had been so refunded, paid or allocated in the particular taxation year; and

(b) any amount of tax that the corporation is required to pay to the Minister under this section for a preceding taxation year in respect of an amount the corporation is deemed to have paid to the Minister for the particular year in respect of the property.

“1129.4.3.7 For the purposes of Part I, other than Division II.6.0.1.2 of Chapter III.1 of Title III of Book IX, the tax that a corporation pays to the Minister at any time under section 1129.4.3.6 in relation to a property is deemed to be an amount of assistance repaid by the corporation at that time in respect of the property pursuant to a legal obligation to do so.

“1129.4.3.8 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

### “PART III.1.1.3

#### “SPECIAL TAX RELATING TO THE CREDIT FOR CORPORATIONS SPECIALIZED IN THE PRODUCTION OF MULTIMEDIA TITLES

“1129.4.3.9 In this Part,

“Minister” means the Minister of Revenue;

“qualified labour expenditure” has the meaning assigned by section 1029.8.36.0.3.18;

“taxation year” has the meaning assigned by Part I.

“1129.4.3.10 Every corporation that is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.19 on account of its tax payable under Part I for a particular taxation year shall, where, during a subsequent taxation year, an amount in relation to an expenditure that is included in a qualified labour expenditure of the corporation in respect of which the corporation is so deemed to have paid an amount, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay for that subsequent year a tax equal to the amount by which the amount it is deemed to have paid to the Minister for the particular taxation year under that section 1029.8.36.0.3.19 exceeds the aggregate of

(a) any amount that the corporation would be deemed to have paid to the Minister under that section for the particular year if every amount that was so refunded, paid or allocated, at or before the end of the subsequent taxation year, had been so refunded, paid or allocated in the particular year; and

(b) any amount of tax that the corporation is required to pay to the Minister under this section for a preceding taxation year in respect of an amount the corporation is deemed to have paid to the Minister for the particular year.

“1129.4.3.11 For the purposes of Part I, other than Division II.6.0.1.3 of Chapter III.1 of Title III of Book IX, the tax that a corporation pays to the Minister at any time under section 1129.4.3.10 in relation to an expenditure included in a qualified labour expenditure of the corporation is deemed to be an amount of assistance repaid by the corporation at that time in respect of the expenditure pursuant to a legal obligation to do so.

“1129.4.3.12 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

#### **“PART III.1.1.4**

##### **“SPECIAL TAX RELATING TO THE CREDIT FOR CORPORATIONS ESTABLISHED IN THE MULTIMEDIA COMPLEX**

“1129.4.3.13 In this Part,

“eligible employee” has the meaning assigned by section 1029.8.36.0.3.28;

“government assistance” has the meaning assigned by section 1029.8.36.0.3.28;

“Minister” means the Minister of Revenue;

“non-government assistance” has the meaning assigned by section 1029.8.36.0.3.28;

“qualified wages” has the meaning assigned by section 1029.8.36.0.3.28;

“taxation year” has the meaning assigned by Part I;

“wages” has the meaning assigned by section 1029.8.36.0.3.28.

“1129.4.3.14 Every corporation that, in relation to qualified wages incurred in respect of an eligible employee, is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.30 on account of its tax payable under Part I for a taxation year shall, where, during a particular subsequent taxation year, an amount in relation to wages incurred by the corporation in respect of the eligible employee for the taxation year is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay for the particular taxation year a tax equal to the amount by which the amount that the corporation is deemed to have paid to the Minister under that section 1029.8.36.0.3.30 in relation to the qualified wages incurred in respect of the eligible employee for the taxation year exceeds the aggregate of



(a) the amount that the corporation would be deemed to have paid to the Minister under that section 1029.8.36.0.3.30 in relation to the qualified wages incurred in respect of the eligible employee for the taxation year if every amount that was so refunded, paid or allocated in relation to the wages, at or before the end of the particular taxation year, were government assistance or non-government assistance received by the corporation in the taxation year and attributable to such wages ; and

(b) the aggregate of all amounts each of which is tax that the corporation is required to pay under this section, for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated in relation to the wages.

“1129.4.3.15 Every corporation that is deemed to have paid an amount to the Minister under section 1029.8.36.0.3.31 on account of its tax payable under Part I for a taxation year, in relation to qualified wages incurred in respect of an eligible employee in a preceding taxation year shall, where, during a particular taxation year subsequent to the taxation year, an amount in relation to wages incurred by the corporation in respect of the eligible employee for the preceding year is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay for the particular taxation year a tax equal to the amount by which the amount that the corporation is deemed to have paid to the Minister under that section 1029.8.36.0.3.31 in relation to the qualified wages incurred in respect of the eligible employee in the preceding year exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under that section 1029.8.36.0.3.31 in relation to the qualified wages incurred in respect of the eligible employee in the preceding year if every amount that was so refunded, paid or allocated in relation to the wages, at or before the end of the particular taxation year, were government assistance or non-government assistance received by the corporation in the preceding year and attributable to such wages ; and

(b) the aggregate of all amounts each of which is tax that the corporation is required to pay under this section, for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated in relation to the wages.

“1129.4.3.16 For the purposes of Part I, other than Division II.6.0.1.4 of Chapter III.1 of Title III of Book IX, the tax that a corporation pays to the Minister, at any time, under section 1129.4.3.14 or 1129.4.3.15 in relation to qualified wages is deemed to be an amount of assistance repaid by the corporation at that time in respect of the wages pursuant to a legal obligation to do so.

“1129.4.3.17 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of

section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1, where it enacts Parts III.1.1.1 to III.1.1.3 of the said Act, has effect from 10 May 1996.

(3) Subsection 1, where it enacts Part III.1.1.4 of the said Act, has effect from 16 June 1998.

249. (1) Section 1129.4.4 of the said Act is replaced by the following:

“1129.4.4. Every corporation that, in relation to qualified wages paid to an eligible employee, is deemed to have paid an amount to the Minister, under section 1029.8.36.0.5 or 1029.8.36.0.5.1, on account of its tax payable under Part I for any taxation year shall, where, during a particular subsequent taxation year, an amount relating to wages paid to the eligible employee by the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay, for the particular taxation year, a tax equal to the amount by which the amount that the corporation is deemed to have paid to the Minister under that section 1029.8.36.0.5 or 1029.8.36.0.5.1, as the case may be, for the taxation year in relation to the qualified wages paid to the eligible employee, exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister, under that section 1029.8.36.0.5 or 1029.8.36.0.5.1, for the taxation year in relation to the qualified wages paid to the eligible employee if every amount that has been, on or before the end of the particular taxation year, so refunded, paid or allocated in relation to those wages, had been refunded, paid or allocated in the taxation year during which the corporation incurred the wages to which the amount refunded, paid or allocated relates; and

(b) the aggregate of all amounts each of which is tax under this paragraph that the corporation is required to pay for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated in relation to those wages.

Every corporation that is deemed to have paid an amount to the Minister, under section 1029.8.36.0.6, in relation to acquisition costs incurred in respect of a qualified property, on account of its tax payable under Part I for a taxation year shall pay, for a particular subsequent taxation year, a tax equal to

(a) the amount by which the aggregate of all amounts that the corporation is deemed to have paid to the Minister, under section 1029.8.36.0.6, in respect of the acquisition costs of the property, where, at any time between the corporation’s filing-due date for the taxation year during which it has acquired the property and the day after the earlier of the day that is the end of the period of 1,095 days following the beginning of the use of the property by the corporation and the corporation’s filing-due date for the particular year, the property ceases, otherwise than by reason of the loss or involuntary destruction

of the property by fire, theft or water or of a major breakdown of the property, to be used by the corporation exclusively in a building housing an information technologies development centre, exceeds the aggregate of all amounts each of which is an amount that the corporation is required to pay under subparagraph *b* in respect of that property, for a taxation year preceding the particular year;

(*b*) where subparagraph *a* does not apply to the particular year nor has been applied to a preceding taxation year in relation to the property and where, during the particular year, an amount relating to the acquisition costs of the property is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, the amount by which the aggregate of all amounts that the corporation is deemed to have paid to the Minister, under that section 1029.8.36.0.6, in respect of those acquisition costs, exceeds the aggregate of

i. the aggregate of all amounts that the corporation would be deemed to have paid to the Minister, under that section 1029.8.36.0.6 in respect of the acquisition costs, if every amount that was, on or before the end of the particular year, so refunded, paid or allocated in relation to the acquisition costs had been refunded, paid or allocated in the taxation year during which the corporation incurred the acquisition costs to which the amount refunded, paid or allocated relates, and

ii. the aggregate of all amounts each of which is tax under this subparagraph that the corporation is required to pay for a taxation year preceding the particular year, in respect of an amount so refunded, paid or allocated in relation to the acquisition costs.

Every corporation that, in relation to rental expenses paid in respect of qualified property, is deemed to have paid to the Minister, under section 1029.8.36.0.6, an amount on account of its tax payable for a taxation year under Part I shall, where, during a particular taxation year, an amount relating to those rental expenses is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay, for the particular year, a tax equal to the amount by which the amount that the corporation is deemed to have paid to the Minister, under that section 1029.8.36.0.6, in relation to the rental expenses, exceed the aggregate of

(*a*) the amount that the corporation would be deemed to have paid to the Minister under that section 1029.8.36.0.6, in respect of those rental expenses if every amount that was, on or before the end of the particular taxation year, so refunded, paid or allocated in relation to those rental expenses, had been refunded, paid or allocated in the taxation year during which the corporation incurred the rental expenses to which the amount refunded, paid or allocated relates; and

(*b*) the aggregate of all amounts each of which is tax under this paragraph that the corporation is required to pay for a taxation year preceding the particular taxation year, in respect of an amount so refunded, paid or allocated in relation to the rental expenses.”

(2) Subsection 1 has effect from 26 March 1997.

250. (1) The said Act is amended by inserting, after section 1129.4.4, the following section:

“1129.4.4.1 In this Part,

“acquisition costs” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“eligible employee” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“filing-due date” has the meaning assigned by section 1;

“government assistance” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“information technologies development centre” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“Minister” means the Minister of Revenue;

“non-government assistance” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“qualified property” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“qualified wages” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“rental expenses” has the meaning assigned by the first paragraph of section 1029.8.36.0.4;

“taxation year” has the meaning assigned by Part I;

“wages” has the meaning assigned by the first paragraph of section 1029.8.36.0.4.

(2) Subsection 1 has effect from 26 March 1997.

251. (1) The heading of Part III.10.1 of the said Act is replaced by the following:

“SPECIAL TAX RELATING TO THE CONSTRUCTION OR CONVERSION OF VESSELS”.

(2) Subsection 1 has effect from 26 March 1997.

252. (1) Section 1129.45.1 of the said Act is amended

(1) by striking out the definition of “construction expenditure”;

(2) by inserting the following definition in alphabetical order:

““qualified conversion expenditure” has the meaning assigned by Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I;”.

(2) Subsection 1 applies in respect of expenditures incurred after 25 March 1997.

253. (1) Section 1129.45.2 of the said Act is replaced by the following:

“1129.45.2 Every corporation that, in respect of an eligible vessel, is deemed to have paid an amount to the Minister, under Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under that Part for a taxation year shall, where, during a particular taxation year, an amount in relation to an expenditure included in a qualified construction expenditure or a qualified conversion expenditure in respect of the eligible vessel or in the cost of construction or the cost of conversion, as the case may be, of the eligible vessel is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay, for that particular year, a tax equal to the amount by which the aggregate of all amounts it is deemed to have paid to the Minister under that Division II.6.5 in respect of the eligible vessel exceeds the aggregate of

(a) any amount that the corporation would be deemed to have paid to the Minister under that division, in respect of the eligible vessel, if every amount that was so refunded, paid or allocated at or before the end of the particular taxation year had been refunded, paid or allocated in the taxation year in which the corporation incurred the expenditure to which the amount refunded, paid or allocated relates; and

(b) any amount of tax that the corporation has paid to the Minister, in respect of the eligible vessel, under this section for a preceding taxation year.”

(2) Subsection 1 applies in respect of expenditures incurred after 9 May 1996. However, where section 1129.45.2 of the said Act, enacted by subsection 1, applies in respect of expenditures incurred before 26 March 1997, the portion of that section before paragraph *a* shall be read as follows:

“1129.45.2 Every corporation that, in respect of an eligible vessel, is deemed to have paid an amount to the Minister, under Division II.6.5 of Chapter III.1 of Title III of Book IX of Part I, on account of its tax payable under that Part for a taxation year shall, where, during a particular taxation year, an amount relating to an expenditure included in a qualified construction expenditure in respect of the eligible vessel or in the cost of the construction of the eligible vessel is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay,

for that particular year, a tax equal to the amount by which the aggregate of all amounts it is deemed to have paid to the Minister under that Division II.6.5 in respect of the eligible vessel exceeds the aggregate of”.

254. (1) The said Act is amended by inserting, after section 1129.45.3, the following :

**“PART III.10.2**

**“SPECIAL TAX RELATING TO THE CREDIT FOR JOB CREATION  
IN THE CLOTHING AND FOOTWEAR INDUSTRY**

“1129.45.4 In this Part,

“clothing” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“eligible employee” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“fiscal period” has the meaning assigned by Part I;

“government assistance” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“group of associated employers” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“initial calendar year” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“Minister” means the Minister of Revenue;

“non-government assistance” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“salary or wages” has the meaning assigned by the first paragraph of section 1029.8.36.73;

“taxation year” has the meaning assigned by Part I;

“taxpayer” has the meaning assigned by section 1.

For the purposes of this Part, a reference to a calendar year ending in a taxation year or fiscal period includes a reference to a calendar year ending coincidentally with that taxation year or fiscal period, as the case may be.

“1129.45.5 Every taxpayer who, in relation to salaries or wages paid in the course of carrying on a business of making or manufacturing

clothing or footwear, is deemed to have paid an amount to the Minister, under section 1029.8.36.76 or 1029.8.36.78, on account of the taxpayer's tax payable under Part I, for any taxation year, shall pay, for a particular taxation year, a tax equal to 20% of the aggregate of

(a) where the taxpayer, during the particular taxation year, pays an amount, pursuant to a legal obligation to do so, that may reasonably be considered to be repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid by the taxpayer to an eligible employee during the taxpayer's initial calendar year in relation to the business for the purpose of computing the excess amount referred to in paragraph *a* of section 1029.8.36.76 determined in respect of a calendar year preceding the particular calendar year ending in the particular taxation year, the aggregate of all amounts each of which is equal to the amount by which the excess amount referred to in paragraph *a* of section 1029.8.36.76 determined in respect of the taxpayer for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in paragraph *a* of that section 1029.8.36.76 determined in respect of the taxpayer for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by the taxpayer as repayment of such assistance on or before the end of the particular taxation year had reduced the amount of government assistance or non-government assistance received by the taxpayer during the taxpayer's initial calendar year in relation to that business and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount paid by the taxpayer during a taxation year preceding the particular taxation year and that is a repayment to which this subparagraph has applied in relation to that business;

(b) where a person or partnership, during the particular calendar year ending in the particular taxation year, pays an amount, pursuant to a legal obligation to do so, that may reasonably be considered to be repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid to an eligible employee in the course of carrying on a business of making or manufacturing clothing or footwear, for the initial calendar year of the person or partnership in relation to the business, for the purpose of computing the excess amount referred to in section 1029.8.36.80 determined in respect of a group of associated employers of which the person or partnership was a member at the end of a calendar year preceding the particular calendar year, the aggregate of all amounts, to which the proportion determined in respect of the taxpayer, as a member of the group of associated employers, in accordance with the second paragraph for the preceding calendar year is applied, each of which is equal to the amount by which the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by a person or partnership as repayment of such assistance on or before the end of the particular taxation year had reduced the amount of government assistance or non-government assistance received by the person or partnership and attributable to such salaries or wages paid to an eligible employee during the initial calendar year of the person or partnership in relation to the business of making or manufacturing clothing or footwear, and

ii. the aggregate of all amounts each of which is an amount paid during a calendar year preceding the particular calendar year by a person or partnership as a member of the group of associated employers and that is a repayment of assistance relating to such salaries or wages to which the first paragraph has applied;

(c) where, during the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by the taxpayer in the course of carrying on the business, that are included in computing the particular excess amount referred to in paragraph *a* of section 1029.8.36.76 determined in respect of the taxpayer in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the taxpayer's initial calendar year, is, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment to be made by the taxpayer, the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under paragraph *a* of section 1029.8.36.76 in respect of the taxpayer in relation to that preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular taxation year in relation to the salaries or wages were government assistance or non-government assistance received by the taxpayer in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a preceding taxation year, in relation to the salaries or wages, to which this subparagraph has applied; and

(d) where, during the particular calendar year ending in the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by a person or partnership in the course of carrying on a business of making or manufacturing clothing or footwear, that are included in computing the particular excess amount referred to in section 1029.8.36.80 determined, in respect of a group of associated employers, in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the initial calendar year of the person or partnership, is, directly or indirectly, refunded or otherwise paid to the person or partnership or allocated to a payment to be made by the person or partnership, the proportion determined, in respect of the taxpayer as a member of the group of associated employers,



in accordance with the second paragraph, for the preceding calendar year, of the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under section 1029.8.36.80, in respect of the group of associated employers, in relation to the preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular taxation year in relation to the salaries or wages, were government assistance or non-government assistance received by the person or partnership in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a preceding taxation year in relation to the salaries or wages, to which this subparagraph has applied.

The proportion to which subparagraphs *b* and *d* of the first paragraph refer, determined in respect of a taxpayer for a calendar year, is the proportion that the amount attributed to the taxpayer pursuant to the agreement filed in accordance with section 1029.8.36.78 by the taxpayer, as a member of the group of associated employers referred to in that section, at the end of the calendar year, is of the aggregate of all the amounts attributed pursuant to the agreement.

“1129.45.6 Every taxpayer who is a member of a particular partnership and who, in relation to salaries or wages paid by the particular partnership in the course of carrying on a business of making or manufacturing clothing or footwear, is deemed to have paid an amount to the Minister, under section 1029.8.36.77 or 1029.8.36.79, on account of the taxpayer’s tax payable under Part I, for a taxation year, shall pay, for any particular taxation year, a tax equal to 20% of the aggregate of

(*a*) where the particular partnership, during the particular fiscal period of the partnership ending in the particular taxation year, pays an amount, pursuant to a legal obligation to do so, that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid by the partnership to an eligible employee during the partnership’s initial calendar year in relation to the business for the purpose of computing the excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.77 determined in respect of a calendar year preceding the particular calendar year ending in the particular fiscal period, the taxpayer’s share of the aggregate of all amounts each of which is equal to the amount by which the excess amount referred to in that subparagraph *a* determined in respect of the taxpayer for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in subparagraph *a* of the first paragraph of that section 1029.8.36.77 determined in respect of the particular partnership for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by the partnership as repayment of such assistance on or before the end of the particular fiscal

period had reduced the amount of government assistance or non-government assistance received by the partnership during the partnership's initial calendar year in relation to that business and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount paid by the partnership during a fiscal period preceding the particular fiscal period and that is a repayment to which this subparagraph has applied in relation to that business; and

(b) where a person or partnership, during the particular calendar year ending in the particular taxation year, pays an amount, pursuant to a legal obligation to do so, that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced the amount of the salaries or wages paid to an eligible employee in the course of carrying on a business of making or manufacturing clothing or footwear, for the initial calendar year of the person or partnership in relation to the business, for the purpose of computing the excess amount referred to in section 1029.8.36.80 determined in respect of a group of associated employers of which the person or partnership was a member at the end of a calendar year preceding the particular calendar year, the taxpayer's share of the aggregate of all amounts, to which the proportion determined in respect of the taxpayer, as a member of the group of associated employers, in accordance with the second paragraph for the preceding calendar year is applied, each of which is equal to the amount by which the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for a calendar year preceding the particular calendar year exceeds the aggregate of

i. the amount that would have been the excess amount referred to in section 1029.8.36.80 determined in respect of the group of associated employers for that preceding calendar year if the aggregate of all amounts each of which is an amount paid by a person or partnership as repayment of such assistance on or before the end of the particular taxation year had reduced the amount of government assistance or non-government assistance received by the person or partnership and attributable to such salaries or wages paid to an eligible employee during the initial calendar year of the person or partnership in relation to the business of making or manufacturing clothing or footwear, and

ii. the aggregate of all amounts each of which is an amount paid during a calendar year preceding the particular calendar year by a person or partnership as a member of the group of associated employers and that is a repayment of assistance relating to such salaries or wages to which this paragraph has applied;

(c) where, during the particular fiscal period of the particular partnership ending in the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by the particular partnership in the course of carrying on the business, that are included in computing the particular excess amount referred to in subparagraph *a* of the first paragraph of section 1029.8.36.77 determined in respect of the particular partnership in

relation to a calendar year preceding the calendar year ending in the particular fiscal period, other than the particular partnership's initial calendar year, is, directly or indirectly, refunded or otherwise paid to the particular partnership or allocated to a payment to be made by the particular partnership, the taxpayer's share of the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under subparagraph *a* of the first paragraph of section 1029.8.36.77 in respect of the particular partnership in relation to that preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular fiscal period in relation to the salaries or wages were government assistance or non-government assistance received by the particular partnership in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a fiscal period preceding the particular fiscal period, in relation to the salaries or wages, to which this subparagraph has applied; and

(*d*) where, during the particular calendar year ending in the particular taxation year, an amount in relation to salaries or wages paid to an eligible employee by a person or partnership in the course of carrying on a business of making or manufacturing clothing or footwear, that are included in computing the particular excess amount referred to in section 1029.8.36.80 determined, in respect of a group of associated employers, in relation to a calendar year preceding the calendar year ending in the particular taxation year, other than the initial calendar year of the person or partnership, is, directly or indirectly, refunded or otherwise paid to the person or partnership or allocated to a payment to be made by the person or partnership, the taxpayer's share of the proportion determined, in respect of the particular partnership as a member of the group of associated employers, in accordance with the second paragraph, for the preceding calendar year, of the amount by which the particular excess amount exceeds the aggregate of

i. the excess amount that would be determined under section 1029.8.36.80, in respect of the group of associated employers, in relation to the preceding calendar year if any amount that was so refunded, paid or allocated on or before the end of the particular taxation year in relation to the salaries or wages, were government assistance or non-government assistance received by the person or partnership in the preceding calendar year and attributable to such salaries or wages, and

ii. the aggregate of all amounts each of which is an amount so refunded, paid or allocated during a preceding taxation year in relation to the salaries or wages, to which this subparagraph has applied.

The proportion to which subparagraphs *b* and *d* of the first paragraph refer, determined in respect of a partnership for a calendar year, is equal to the proportion that the amount attributed to the partnership pursuant to the

agreement filed in accordance with section 1029.8.36.79 by the partnership as a member of the group of associated employers referred to in that section, at the end of the calendar year, is of the aggregate of all the amounts attributed pursuant to the agreement.

For the purposes of the first paragraph, the taxpayer's share of an amount is equal to the proportion of the amount that the share of the taxpayer of the income or loss of the particular partnership for the fiscal period of the particular partnership ending in the particular taxation year is of the income or loss of the particular partnership for that fiscal period, on the assumption that, if the income and loss of the particular partnership for that fiscal period are nil, the particular partnership's income for that fiscal period is equal to \$1,000,000.

“1129.45.7 For the purposes of this Part, the following rules apply:

(a) where, at a particular time, a taxpayer who is a member of a partnership has received, is entitled to receive or may reasonably expect to receive assistance referred to in subparagraph i of any of subparagraphs *a* to *c* of the first paragraph of section 1029.8.36.83, the amount of the assistance that is attributable to salaries or wages paid by the partnership is deemed to be such assistance attributable to the salaries or wages received by the partnership at that time; and

(b) the repayment, at a particular time, of assistance referred to in paragraph *a* by a taxpayer who is a member of a partnership, that is attributable to salaries or wages paid by the partnership is deemed to be made by the partnership at that time as a repayment of such assistance attributable to the salaries or wages.

“1129.45.7.1 For the purposes of Part I, except for Division II.6.7 of Chapter III.1 of Title III of Book IX, tax paid to the Minister by a taxpayer at any time, under this Part, in relation to salaries or wages paid in the course of carrying on a business of making or manufacturing clothing or footwear is deemed to be an amount of assistance repaid by the taxpayer at that time in respect of such salaries or wages, pursuant to a legal obligation to do so.

“1129.45.8 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024 and 1026.0.1, subparagraph *b* of the first paragraph of section 1027, section 1029.8.36.84 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

### “PART III.10.3

#### “SPECIAL TAX RELATING TO THE CREATION OF INVESTMENT FUNDS

“1129.45.9 In this Part,

“Minister” means the Minister of Revenue ;

“qualified investment fund” has the meaning assigned by the first paragraph of section 1029.8.36.89 ;

“qualified start-up expenditure” has the meaning assigned by the first paragraph of section 1029.8.36.89 ;

“taxation year” has the meaning assigned by Part I.

“1129.45.10 Every corporation that, in respect of a qualified investment fund, is deemed to have paid an amount to the Minister, under section 1029.8.36.90, on account of its tax payable under Part I for a particular taxation year shall, where, during a subsequent taxation year, an amount relating to an expenditure included in a qualified start-up expenditure in respect of the qualified investment fund in relation to which the corporation is so deemed to have paid an amount is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay, for that subsequent year, a tax equal to the amount by which the amount it is deemed to have paid to the Minister for that particular year under that section 1029.8.36.90 in respect of the qualified investment fund exceeds the aggregate of

(a) the amount that the corporation would be deemed to have paid to the Minister under that section, for that particular year in respect of that qualified investment fund, if every amount that was so refunded, paid or allocated at or before the end of the subsequent year had been refunded, paid or allocated in the particular year ; and

(b) any amount of tax that the corporation is required to pay to the Minister under this section for a preceding taxation year in respect of the amount that it is deemed to have paid to the Minister for the particular year in relation to the qualified investment fund.

“1129.45.11 For the purposes of Part I, except Division II.6.8 of Chapter III.1 of Title III of Book IX, the tax paid to the Minister by a corporation at any time, under this Part, in relation to an expenditure in respect of a qualified investment fund, is deemed to be an amount of assistance repaid by the corporation at that time in respect of that expenditure, pursuant to a legal obligation to do so.

“1129.45.12 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.

**“PART III.10.4****“SPECIAL TAX RELATING TO FUND MANAGERS**

“1129.45.13 In this Part,

“individual” has the meaning assigned by section 1;

“Minister” means the Minister of Revenue;

“qualified wages” has the meaning assigned by section 1029.8.36.95;

“taxation year” has the meaning assigned by Part I;

“wages” has the meaning assigned by the first paragraph of section 1029.8.36.95.

“1129.45.14 Every corporation that, in relation to qualified wages paid to an individual, is deemed to have paid an amount to the Minister, under section 1029.8.36.96, on account of its tax payable for a particular taxation year under Part I, shall, where, during a subsequent taxation year, an amount in relation to wages included in the aggregate that is referred to in subparagraph *i* of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 1029.8.36.95 and that is determined in relation to the individual for the particular year, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, pay, for that subsequent year, a tax equal to the amount by which the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.96 in respect of that individual for the particular year, exceeds the aggregate of

(*a*) the amount that the corporation would be deemed to have paid to the Minister under that section 1029.8.36.96 in respect of the individual for the particular year, if any amount that was, on or before the end of the subsequent year, so refunded, paid or allocated in relation to wages included in that aggregate determined for the particular year, had been government assistance or non-government assistance received by the corporation in the particular year and attributable to such wages; and

(*b*) the aggregate of all amounts each of which is tax that the corporation is required to pay under this section for a preceding taxation year in respect of an amount so refunded, paid or allocated in relation to wages included in that aggregate determined for the particular year.

“1129.45.15 For the purposes of Part I, except Division II.6.9 of Chapter III.1 of Title III of Book IX, the tax paid, at any time, by a corporation to the Minister under this Part in relation to qualified wages is deemed to be an amount of assistance repaid by the corporation at that time in respect of those wages, pursuant to a legal obligation to do so.

“1129.45.16 Except where inconsistent with this Part, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1, where it enacts Parts III.10.2 and III.10.3 of the said Act, has effect from 1 January 1998.

(3) Subsection 1, where it enacts Part III.10.4 of the said Act, has effect from 1 April 1998.

255. (1) Section 1130 of the said Act, amended by section 20 of chapter 8 of the statutes of 1999, is again amended

(1) by inserting the following definition in alphabetical order:

““eligible contract” means a written contract in respect of which a validation certificate has been issued by the Minister of Industry and Trade, entered into by a corporation with a person or partnership and under which the corporation entrusts the person or partnership with the carrying out of work in Québec which is related to the conversion of an eligible vessel;”;

(2) by replacing the definition of “eligible acquisition costs” by the following:

““eligible acquisition costs” incurred by a corporation, for a taxation year, in respect of an eligible vessel of the corporation means an amount that is related to a business operated in the year in Québec by the corporation and that is,

(a) where the eligible vessel is constructed on behalf of the corporation pursuant to a written contract, the taxation year is a year, other than a year referred to in paragraph *b*, during which construction work provided for in the contract was carried out in respect of the eligible vessel, and the construction work may reasonably be considered to have been carried out without undue delay since it was undertaken, the portion of the consideration provided for in the written contract for the construction of the eligible vessel that was paid by the corporation to its contracting partner in the year or a preceding taxation year and that may reasonably be attributed to the construction work carried out in respect of the vessel before the end of that year;

(a.1) where the corporation constructs the eligible vessel for the corporation, the taxation year is a year, other than a year referred to in paragraph *b*, during which construction work was carried out by the corporation in respect of the eligible vessel, and the construction work may reasonably be considered to have been carried out without undue delay since it was undertaken, the aggregate of the costs incurred by the corporation at or before the end of the year for the construction of the vessel, to the extent that they are reasonable in

the circumstances and included, at the end of that year, in the capital cost of the vessel, that may reasonably be attributed to the construction work carried out in respect of the vessel before the end of that year ; or

(b) where the taxation year is the year during which the corporation completes the construction of the vessel or, where the eligible vessel is constructed on behalf of the corporation, the year during which the corporation takes delivery, under the terms of the contract, of the eligible vessel, or is any of the four taxation years subsequent to that year, the cost of the vessel to the corporation as shown in its financial statements;” ;

(3) by inserting the following definition in alphabetical order :

““eligible conversion costs” incurred by a corporation, for a taxation year, in respect of an eligible vessel of the corporation means an amount that is related to a business operated in the year in Québec by the corporation and that is,

(a) where the eligible vessel is converted on behalf of the corporation pursuant to an eligible contract, the taxation year is a year, other than a year referred to in paragraph c, during which conversion work provided for in the contract was carried out in respect of the eligible vessel, and the conversion work may reasonably be considered to have been carried out without undue delay since it was undertaken, the portion of the consideration provided for in the eligible contract that was paid by the corporation to its contracting partner in the year or a preceding taxation year and that may reasonably be attributed to the conversion work carried out in respect of the vessel before the end of that year ;

(b) where the corporation converts the eligible vessel for the corporation, the taxation year is a year, other than a year referred to in paragraph c, during which conversion work was carried out by the corporation in respect of the eligible vessel, and the conversion work may reasonably be considered to have been carried out without undue delay since it was undertaken, the aggregate of the costs incurred by the corporation at or before the end of the year for the conversion of the vessel, to the extent that they are reasonable in the circumstances and included, at the end of that year, in the capital cost of the vessel, that may reasonably be attributed to the conversion work carried out in respect of the vessel before the end of that year ; or

(c) where the taxation year is the year during which the corporation completes the conversion of the vessel or, where the eligible vessel is converted on behalf of the corporation, the year during which the corporation takes delivery, under the terms of the contract, of the eligible vessel, or is any of the four taxation years subsequent to that year,

i. where the corporation converted the eligible vessel for the corporation, the aggregate of the costs incurred by the corporation for the conversion of the vessel, to the extent that they are reasonable in the circumstances, that are included in the capital cost of the vessel, or



ii. where the corporation caused the eligible vessel to be converted on behalf of the corporation under the terms of an eligible contract, the portion of the total consideration paid by the corporation to its contracting partner pursuant to the contract that may reasonably be attributed to the conversion work carried out in respect of the eligible vessel ;”;

(4) by replacing the definition of “eligible vessel” by the following :

““eligible vessel” of a corporation means a vessel that is constructed or converted by the corporation for the corporation or that the corporation causes to be constructed or converted on behalf of the corporation, and in respect of which a validation certificate is issued by the Minister of Industry and Trade attesting that the vessel is constructed or converted, as the case may be, in Québec and, where the vessel is constructed on behalf of the corporation, that the corporation is the first acquirer thereof;”;

(5) by inserting the following definition in alphabetical order :

““deduction period” of a corporation in respect of an eligible vessel means

(a) where the corporation constructs or converts the eligible vessel for the corporation, the period that begins at the beginning of the taxation year of the corporation during which it undertakes the construction work or conversion work in respect of the eligible vessel and that ends at the end of the fourth taxation year following the taxation year during which it completes the construction or conversion, as the case may be, of the eligible vessel ; and

(b) where the eligible vessel is constructed or converted on behalf of the corporation, the period that begins at the beginning of the taxation year of the corporation during which the construction work or conversion work provided for in the contract for the construction or conversion, as the case may be, of the eligible vessel is undertaken in respect of the eligible vessel and that ends at the end of the fourth taxation year following the taxation year during which the corporation takes delivery, under the terms of the contract, of the eligible vessel ;”;

(6) by inserting the following definition in alphabetical order :

““mineral resource” means a mineral resource within the meaning of section 1, but does not include a bituminous sands deposit, an oil sands deposit or an oil shale deposit;”;

(7) by striking out, in the French text of the portion of the definition of “société de prêts” before paragraph *a*, the word “désigne”.

(2) Paragraphs 1 to 5 of subsection 1 apply in respect of expenditures incurred after 25 March 1997. However, where the definition of “eligible contract” in section 1130 of the said Act, enacted by paragraph 1 of subsection 1, and the definition of “eligible vessel” in that section 1130, enacted by paragraph 4 of subsection 1, apply before 8 June 1999, they shall be read as if

the reference therein to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

(3) Paragraph 6 of subsection 1 applies to taxation years that end after 31 March 1998.

256. Section 1132 of the said Act is amended by replacing subparagraph *c* of the first paragraph by the following :

“(c) in the case of any other corporation, except a corporation that is an insurer within the meaning assigned by the Act respecting insurance (chapter A-32) or a cooperative, to 0.64% of its paid-up capital.”

257. (1) Section 1137 of the said Act, amended by section 20 of chapter 8 of the statutes of 1999, is again amended

(1) by replacing the portion of paragraph *b.2* before subparagraph *i* by the following :

“(b.2) where it holds, at the end of the taxation year, in respect of an eligible vessel, a valid certificate issued by the Minister of Industry and Trade, where the taxation year is included in its deduction period and where it encloses with its fiscal return it is required to file for the year under section 1000, by reason of section 1145, a copy of that certificate, the aggregate of” ;

(2) by inserting, after paragraph *b.2*, the following paragraph :

“(b.2.1) where it holds, at the end of the taxation year, in respect of an eligible vessel, a valid certificate issued by the Minister of Industry and Trade, where the taxation year is included in its deduction period, where the certificate attests that the eligible vessel is a vessel with a gross tonnage of at least 100 tons and where it encloses with its fiscal return it is required to file for the year under section 1000, by reason of section 1145, a copy of that certificate, the aggregate of

i. the amount by which its eligible conversion costs for the year in respect of the eligible vessel exceeds the aggregate of all amounts each of which is an amount of government assistance or non-government assistance attributable to such costs, that the corporation has received, is entitled to receive or may reasonably expect to receive on or before its filing-due date for that year, and

ii. the aggregate of all amounts each of which is an amount paid by the corporation in the year, or in a preceding taxation year, as a repayment of assistance referred to in subparagraph *i* ;” ;

(3) by inserting, after paragraph *b.4*, the following paragraph :

“(b.5) a corporation may deduct an amount equal to 33 1/3% of the portion of its paid-up capital that would, but for this paragraph and paragraph *c*, be determined under sections 1136 to 1138, that is the proportion that its gross

revenue for the taxation year from a mineral resource owned or operated by it is of its gross revenue for that year;”.

(2) Paragraphs 1 and 2 of subsection 1 apply in respect of expenditures incurred after 25 March 1997. However, where the portion of paragraph *b.2* of section 1137 of the said Act before subparagraph *i*, enacted by paragraph 1 of subsection 1, and the portion of paragraph *b.2.1* of that section 1137, enacted by paragraph 2 of subsection 1, apply before 8 June 1999, they shall be read as if the reference therein to “Industry and Trade” were a reference to “Industry, Trade, Science and Technology”.

(3) Paragraph 3 of subsection 1 applies to taxation years that end after 31 March 1998.

258. (1) The said Act is amended by inserting, after section 1137, the following section :

“1137.0.1. For the purposes of paragraph *b.5* of section 1137, the following rules apply :

(*a*) the gross revenue of a corporation for a taxation year from a mineral resource owned or operated by it includes its gross revenue for the year attributable to the processing, to any stage that is not beyond the prime metal stage or its equivalent, of ore, metals or minerals from that source, but does not include its gross revenue for the year attributable to processing beyond that stage ; and

(*b*) where a corporation is a member of a partnership, the gross revenue of the partnership from a mineral resource owned or operated by it and its gross revenue are deemed to constitute, respectively, a gross revenue of the corporation from a mineral resource owned or operated by it and a gross revenue of the corporation, in such proportion as the corporation’s share of the income or loss of the partnership for the fiscal year of the partnership ending in the taxation year of the corporation is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to \$1,000,000, and are deemed not to constitute income for the partnership.”

(2) Subsection 1 applies to taxation years that end after 31 March 1998.

259. (1) Section 1137.1 of the said Act, amended by section 20 of chapter 8 of the statutes of 1999, is replaced by the following :

“1137.1. For the purposes of paragraphs *b.2* and *b.2.1* of section 1137,

(*a*) a certificate that is revoked by the Minister of Industry and Trade is null from the time the revocation becomes effective ;

(b) an amount is deemed to be paid by a corporation at a particular time as a repayment of assistance where that amount

i. reduced, because of subparagraph i of paragraph *b.2* of section 1137 or subparagraph i of paragraph *b.2.1* of that section, the amount deductible by a corporation in computing its paid-up capital for a taxation year,

ii. was not received by the corporation, and

iii. ceased at that particular time to be an amount that the corporation may reasonably expect to receive.”

(2) Subsection 1 applies in respect of expenditures incurred after 9 May 1996. However, where section 1137.1 of the said Act, enacted by subsection 1,

(1) applies in respect of expenditures incurred before 26 March 1997,

(a) the portion before paragraph *a* shall be read as follows :

“1137.1. For the purposes of paragraph *b.2* of section 1137,”;

(b) subparagraph i of paragraph *b* shall be read as follows :

“i. reduced, because of subparagraph i of paragraph *b.2* of section 1137, the amount deductible by a corporation in computing its paid-up capital for a taxation year,”;

(2) applies before 8 June 1999, paragraph *a* shall be read as follows :

“(a) a certificate that is revoked by the Minister of Industry, Trade, Science and Technology is null from the time the revocation becomes effective ;”.

260. (1) The said Act is amended by inserting, after section 1137.1, the following section :

“1137.1.1. Where a particular corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for a particular taxation year, government assistance or non-government assistance, attributable to an eligible vessel referred to in paragraph *b.2* or *b.2.1* of section 1137 that is owned by a partnership in which the particular corporation has an interest at the end of the fiscal period of the partnership ending in the particular year, the partnership is deemed, for the purposes of those paragraphs *b.2* and *b.2.1* and for the purpose of determining the amount the particular corporation is required to include in computing its paid-up capital, because of subsection 3 of section 1136, in respect of its interest in the partnership, to have received, to be entitled to receive or to reasonably expect to receive, at the end of that fiscal period, the assistance attributable to the eligible vessel in an amount equal to the product obtained by multiplying the amount of that assistance by the quotient obtained by dividing 1 by the

proportion determined, pursuant to subsection 3 of that section 1136, in respect of the particular corporation, in relation to its interest in the partnership, for that particular year.”

(2) Subsection 1 applies in respect of expenses incurred after 9 May 1996. However, where section 1137.1.1 of the said Act, enacted by subsection 1, applies in respect of expenses incurred before 26 March 1997, it shall be read as follows :

“1137.1.1. Where a particular corporation has received, is entitled to receive or may reasonably expect to receive, on or before its filing-due date for a particular taxation year, government assistance or non-government assistance, attributable to an eligible vessel referred to in paragraph *b.2* of section 1137 that is owned by a partnership in which the particular corporation has an interest at the end of the fiscal period of the partnership ending in the particular year, the partnership is deemed, for the purposes of that paragraph *b.2* and for the purpose of determining the amount the particular corporation is required to include in computing its paid-up capital, because of subsection 3 of section 1136, in respect of its interest in the partnership, to have received, to be entitled to receive or to reasonably expect to receive, at the end of that fiscal period, the assistance attributable to the eligible vessel in an amount equal to the product obtained by multiplying the amount of that assistance by the quotient obtained by dividing 1 by the proportion determined, pursuant to subsection 3 of that section 1136, in respect of the particular corporation, in relation to its interest in the partnership, for that particular year.”

261. (1) Section 1137.3 of the said Act is amended by replacing, in subparagraphs *i* and *ii* of subparagraph *b* of the first paragraph, the words “for the taxation year” by the words “the taxation year”.

(2) Subsection 1 has effect from 26 March 1997.

262. (1) Section 1137.5 of the said Act is amended, in the first paragraph,

(1) by replacing, in the English text, subparagraph *iii* of subparagraph *b* by the following :

“*iii.* is leased in the normal course of carrying on the business of the purchaser to a lessee who may reasonably be considered to be using, or who may reasonably be expected to use, the building or part thereof, directly or indirectly, mainly to manufacture or process items for sale or lease;” ;

(2) by inserting, after subparagraph *b*, the following subparagraph :

“(b.1) a building situated in Québec or part of such a building, in respect of which an amount would be included, but for section 93.6, in computing the undepreciated capital cost of the depreciable property of a prescribed class and that

i. before its acquisition, was not used for any purpose or acquired to be used or leased for any purpose whatever, and

ii. is used, or is intended to be used, directly or indirectly, mainly in the processing of mineral ores recovered from a mineral resource that is located in a country other than Canada, and

iii. is leased in the normal course of carrying on the business of the purchaser to a lessee who may reasonably be considered to be using, or who may reasonably be expected to use, the building or part thereof, directly or indirectly, mainly in the processing of mineral ores recovered from a mineral resource that is located in a country other than Canada ;” ;

(3) by replacing, in the English text, subparagraph iii of subparagraph *c* by the following :

“iii. is leased in the normal course of carrying on the business of the purchaser to a lessee who may reasonably be considered to be using, or who may reasonably be expected to use, the equipment or building or the part of the building, directly or indirectly, mainly as part of an activity described in the second paragraph.”

(2) Subsection 1 has effect from 26 March 1997.

263. (1) Section 1138 of the said Act is amended

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

“(a) the value of its investments in shares and bonds of other corporations ;” ;

(2) by inserting, after paragraph *a* of subsection 1, the following paragraph :

“(a.1) the value of its investments in permanent shares of a savings and credit union and any participating interest in the nature of a permanent share of a savings and credit union ;” ;

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

“(b) the amount of loans and advances to other corporations ;” ;

(4) by striking out subsections 2.0.1 and 2.1 ;

(5) by replacing subsection 2.1.1 by the following :

“(2.1.1) Bankers’ acceptances and other similar securities the drawer of which is a corporation authorized to receive deposits of money are deemed not to be bankers’ acceptances or other similar securities referred to in subsection 1.” ;

(6) by inserting, after subsection 2.1.1, the following subsection :

“(2.1.2) Investments in permanent shares of a savings and credit union and any participating interest in the nature of a permanent share of a savings and credit union, loans and advances to other corporations, loans and advances to a partnership or a joint venture, or bankers’ acceptances and other similar securities accepted by a bank or other person, the property so described other than that held without interruption by the corporation throughout a 120-day period that includes the date of the end of its taxation year, are deemed not to be investments in shares and bonds of other corporations.”

(2) Paragraphs 1 and 3 of subsection 1 apply to taxation years that begin after 25 March 1997.

(3) Paragraph 2 of subsection 1 applies to taxation years that end after 9 May 1996.

(4) Paragraphs 4 to 6 of subsection 1 apply to taxation years that begin after 31 March 1998.

264. (1) Section 1138.0.0.1 of the said Act is repealed.

(2) Subsection 1 applies to taxation years that begin after 25 March 1997.

265. (1) Section 1138.0.0.2 of the said Act is repealed.

(2) Subsection 1 applies to taxation years that begin after 31 March 1998. However, where paragraph *a* of section 1138.0.0.2 of the said Act, repealed by subsection 1, applies to a taxation year that ends after that date, it shall be read as follows:

“(a) a prescribed corporation for the purposes of subparagraph *a* of the first paragraph of section 1143;”.

266. (1) Section 1138.2.1 of the said Act is replaced by the following section:

“1138.2.1. The paid-up capital, for a taxation year, of a corporation that is an exempt corporation for the year, within the meaning of sections 771.12 and 771.13, shall be reduced by an amount equal to the corporation’s paid-up capital for that year, computed before the application of this section.

Notwithstanding the first paragraph, the amount deductible by such a corporation in computing its paid-up capital, for a taxation year that includes 26 March 1997 or the last day of its eligibility period, within the meaning assigned by section 771.1, is equal to such proportion of its paid-up capital for that year computed before the application of this section as the number of days in the year included in that eligibility period is of the number of days in the year.”

(2) Subsection 1 applies to taxation years that end after 25 March 1997.

267. (1) The said Act is amended by inserting, after section 1141.3, the following sections :

“1141.4. A corporation referred to in section 1140 may deduct in computing its paid-up capital for a taxation year an amount of \$500,000,000, if the assets of the corporation shown in its financial statements for its preceding taxation year or, where the corporation is in its first fiscal period, at the beginning of its first fiscal period, are less than \$100,000,000,000.

“1141.5. For the purposes of section 1141.4, in computing the assets of a corporation at the time referred to therein, the amount representing the surplus reassessment of its property and the amount of its intangible assets shall be subtracted, to the extent that the amount indicated in their respect exceeds the expenditure made in their respect.

For the purposes of the first paragraph, where all or part of an expenditure made in respect of intangible assets consists of shares of the capital stock of the corporation, all or the part of the expenditure, as the case may be, is deemed to be nil.

“1141.6. For the purposes of section 1141.4, the assets of a corporation that is associated, within the meaning of Chapter IX of Title II of Book I of Part I, with one or more other corporations in a taxation year is equal to the amount by which the aggregate of the assets of the corporation and of each corporation with which it is associated, determined in accordance with sections 1141.4 and 1141.5, exceeds the aggregate of the amount of investments the corporations own in each other and the balance of accounts between the corporations.

“1141.7. For the purposes of sections 1141.4 to 1141.6, where in a taxation year a corporation referred to therein or a corporation with which it is associated, within the meaning of Chapter IX of Title II of Book I of Part I, reduces its assets by any transaction and, but for that reduction, the corporation would not be contemplated in section 1141.4, the assets are deemed not to have been so reduced unless the Minister decides otherwise.”

(2) Subsection 1 applies to taxation years that end after 31 March 1998. However, where subsection 1 applies to a taxation year that begins before 1 April 1998, section 1141.4 of the said Act, enacted by it, shall be read with “of \$500,000,000” replaced by “equal to the product obtained by multiplying \$500,000,000 by the proportion that the number of days in the taxation year after 31 March 1998 is of the number of days in the taxation year”.

268. (1) Section 1143 of the said Act is amended by replacing the first paragraph by the following :

“1143. A corporation is exempt from capital tax where a corporation is



(a) a corporation, other than a prescribed corporation, that is exempt from tax under sections 980 to 996 or 998 and 998.1 or a corporation that would be so exempt under section 985 if the latter section were read with the following paragraph inserted after the second paragraph thereof:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”; or

(b) a corporation whose property is deemed to be the property of an *inter vivos* trust referred to in section 851.25.”

(2) Subsection 1 applies to taxation years that end after 31 March 1998.

269. (1) Section 1159.3 of the said Act is amended

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

“i. 0.25% of its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to sections 1141.3 and 1141.4, and”;

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

“i. 0.25% of the product obtained by multiplying its paid-up capital as established for the year under Title II of Book III of Part IV, computed without reference to sections 1141.3 and 1141.4, by the proportion that the number of days in its taxation year during which it was a financial institution is of the number of days in its taxation year, and”.

(2) Subsection 1 applies to taxation years that end after 31 March 1998.

270. (1) Section 1175.20 of the said Act is amended

(1) by inserting the following definitions in alphabetical order:

““eligible acquisition costs” has the meaning assigned by Part IV;

““eligible conversion costs” has the meaning assigned by Part IV;”;

(2) by inserting the following definition in alphabetical order:

““eligible vessel” has the meaning assigned by Part IV;”.

(2) Subsection 1 has effect from 26 March 1997.

271. (1) The said Act is amended by inserting, after section 1175.21, the following section:

“1175.21.1 Any corporation that, in relation to an eligible vessel, has deducted for any taxation year, under paragraph *b.2* or *b.2.1* of section 1137 and, where the corporation is a member of a partnership, because of subsection 3 of section 1136, an amount in computing its paid-up capital determined under Part IV for the purpose of computing the tax payable by the corporation for the year under that Part, shall pay, for a particular taxation year, a tax equal to the amount obtained by applying the appropriate rate determined in section 1132 for the purpose of computing the tax payable by the corporation for that taxation year under Part IV to the amount equal

(*a*) where, in the particular year, an amount relating to the eligible acquisition costs or the eligible conversion costs, as the case may be, of the eligible vessel or to its share of such costs, in respect of which the corporation has deducted an amount for a taxation year preceding the particular year, is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment to be made by the corporation, to the amount so refunded, paid or allocated; or

(*b*) where the corporation is a member of a partnership, where it has deducted an amount in computing its paid-up capital for a taxation year, because of subsection 3 of section 1136 and paragraph *b.2* or *b.2.1* of section 1137, in respect of its share of the eligible acquisition costs or the eligible conversion costs, as the case may be, of the eligible vessel of the partnership in a fiscal period of the partnership and where, in a subsequent fiscal period of the partnership ending in the particular year, an amount relating to the costs is, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment to be made by the partnership, to the amount so refunded, paid or allocated.

For the purposes of subparagraph *b* of the first paragraph, the corporation's share of an amount refunded, paid or allocated is equal to such proportion of that amount as the share of the corporation of the income or loss of the partnership for the fiscal period of the partnership ending in the particular taxation year is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.”

(2) Subsection 1 has effect from 26 March 1997.

272. (1) Section 1175.22 of the said Act is replaced by the following:

“1175.22. Except where inconsistent with this Part, sections 17 to 21, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, sections 1000 to 1024, subparagraph *b* of the first

paragraph of section 1027 and sections 1037 to 1079.16 apply, with the necessary modifications, to this Part.”

(2) Subsection 1 has effect from 26 March 1997.

273. (1) The said Act, amended by chapters 8 and 14 of the statutes of 1999, is again amended

(1) by replacing “752.0.18.9” by “752.0.18.14” in the following provisions :

- subparagraph *c* of the second paragraph of section 429 ;
- paragraph *d* of section 681 ;
- paragraph *d* of section 1003 ;

(2) by replacing “paragraph *b.1*” by “subparagraph ii of paragraph *d*” in the following provisions :

- section 710.2 ;
- section 712.0.1 ;

(3) by replacing the words “registered or certified mail” by the words “registered mail” in the following provisions :

- the first paragraph of section 899 ;
- section 945 ;
- section 1010.1 ;

(4) by replacing “section 965.9.1.0.5” by “section 965.9.1.0.4.2 or 965.9.1.0.5” wherever that reference appears in the following provisions :

- section 965.5.1 ;
- section 965.6.0.2.0.1 ;
- subparagraphs i and ii of paragraph *b* of section 965.6.0.3 ;
- the first paragraph of section 965.6.0.4 ;
- paragraph *b* of section 965.6.23 ;
- paragraphs *b* and *c* of section 965.6.23.1 ;
- section 965.9.1.0.7 ;

- section 965.9.1.0.8;
- section 965.24.1.2.1;
- the first paragraph of section 965.24.1.4;
- section 965.26;
- section 1049.1.0.1;
- section 1049.1.0.2;
- section 1049.1.4;
- the first paragraph of section 1049.2.2.5.3;
- subparagraph *b* of the second paragraph of section 1049.2.2.5.3;
- the first paragraph of section 1049.2.2.5.4;
- section 1049.2.6;
- section 1049.2.7.1;
- section 1049.2.7.1.1;
- paragraph *b* of section 1049.2.7.2;
- section 1049.2.7.3;
- section 1129.12.2;
- subparagraph *b* of the second paragraph of section 1129.12.3;
- the first paragraph of section 1129.12.4;
- the first paragraph of section 1129.12.6;

(5) by replacing the words “the Montréal Stock Exchange”, wherever they appear in the following provisions, by the words “a stock exchange in Canada”:

- paragraph *f* of section 965.9.1.0.2;
- paragraph *f* of section 965.9.1.0.4;
- paragraph *b* of section 965.9.7.1;
- paragraph *b* of section 965.9.7.2;
- subparagraph 2 of subparagraph ii of paragraph *d* of section 965.11.5;

- section 965.24.1 ;
- section 965.24.1.1 ;
- section 965.24.1.2.1 ;
- section 1049.1.1 ;
- section 1049.1.2 ;
- section 1049.1.3 ;
- section 1049.1.4 ;

(6) by striking out the words “or certified” in the following provisions :

- section 1001 ;
- section 1064 ;
- the portion of section 1099 before subparagraph *a* of the first paragraph ;

(7) by replacing “716.0.1” by “716.0.3” and “752.0.10.15” by “752.0.10.18” in the following provisions :

- paragraph *f* of section 1029.8.5.1 ;
- paragraph *f* of section 1029.8.15.1.

(2) Paragraph 1 of subsection 1 applies from the taxation year 1997.

(3) Paragraphs 3 and 7 of subsection 1 apply to taxation years that begin after 31 December 1997.

(4) Paragraphs 4 and 6 of subsection 1 have effect from 1 January 1999.

(5) Paragraph 5 of subsection 1 has effect from 26 November 1999.

(6) Paragraph 4 of subsection 1 applies in respect of shares acquired as part of a public share issue in respect of which the receipt for the final prospectus or the exemption from filing a prospectus is granted after 3 July 1997.

#### ACT RESPECTING THE APPLICATION OF THE TAXATION ACT

274. (1) The Act respecting the application of the Taxation Act (R.S.Q., chapter I-4) is amended by inserting, after section 5.2, the following section :

“5.2.1. A reference, in the English text of Division II.6.0.1 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act (chapter I-3), of Part III.1.1 of that Act or of any provision of an Act amending that division or Part,

to “labour expenditure” or “qualified labour expenditure” is, where that reference applies in respect of a taxation year ending before 18 April 1997, deemed to be a reference to “manpower expenditure” or “qualified manpower expenditure”, respectively.

A reference, in the English text of Division II.6 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act, of Part III.1 of that Act or of a provision of an Act amending that division or Part, to “labour expenditure” or “qualified labour expenditure” is, where that reference applies before 1 April 1998, deemed to be a reference to “manpower expenditure” or “qualified manpower expenditure”, respectively.”

(2) Subsection 1, where it enacts the first paragraph of section 5.2.1 of the said Act, applies to taxation years that end after 17 April 1997 and, where it enacts the second paragraph of that section 5.2.1, has effect from 1 April 1998.

#### LICENSES ACT

275. (1) Section 79.10 of the Licenses Act (R.S.Q., chapter L-3), amended by section 6 of chapter 53 of the statutes of 1999, is again amended by inserting, after the first paragraph, the following paragraph :

“In this division, the reporting period of a retailer or supplier is the reporting period of that retailer or supplier for the purposes of Title I of the Act respecting the Québec sales tax (chapter T-0.1).”

(2) Subsection 1 applies from the first reporting period of a retailer or supplier for the purposes of Division IV of Chapter VIII of Title I of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that begins after 31 March 1998.

276. (1) Section 79.14 of the said Act, amended by section 21 of chapter 65 of the statutes of 1999, is again amended by replacing the fourth paragraph by the following :

“The duties provided for in paragraphs *c* and *e* of the said section must be paid to the Minister by the retailer who shall, for each reporting period, where the retailer is required to file a return under Division IV of Chapter VIII of Title I of the Act respecting the Québec sales tax (chapter T-0.1), render an account to the Minister in prescribed form containing the prescribed information and file the account with and as prescribed by the Minister, even if no duty is payable for that reporting period.”

(2) Subsection 1 applies from the first reporting period of a retailer for the purposes of Division IV of Chapter VIII of Title I of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that begins after 31 March 1998.

277. (1) Section 79.15 of the said Act is amended

(1) by replacing the second paragraph by the following :

“The supplier then acts as a mandatary of the Minister of Revenue. For each reporting period, where the supplier is required to file a return under Division IV of Chapter VIII of Title I of the Act respecting the Québec sales tax (chapter T-0.1), the supplier shall remit to the Minister the duties that the supplier collected or should have collected during the particular reporting period and, at the same time, render an account to the Minister in prescribed form containing the prescribed information and file the account with and as prescribed by the Minister, even if no sale giving rise to those duties was made during that reporting period.”;

(2) by striking out the third paragraph.

(2) Paragraph 1 of subsection 1 applies from the first reporting period of a supplier for the purposes of Division IV of Chapter VIII of Title I of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that begins after 31 March 1998.

278. (1) The said Act is amended by inserting, after section 79.15, the following sections :

“79.15.0.1 Subject to the third paragraph, where the reporting period of a retailer or supplier is a fiscal year within the meaning of section 458.1 of the Act respecting the Québec sales tax (chapter T-0.1) or a period determined under section 461.1 of that Act, the retailer or supplier shall, within one month after the end of each of the retailer’s or supplier’s fiscal quarter, within the meaning of section 458.1 of that Act, ending in the reporting period, pay to the Minister an amount equal to 1/4 of the instalment base of the retailer or supplier for that reporting period.

Sections 458.0.4 and 458.0.5 of the Act respecting the Québec sales tax apply to that instalment, with the necessary modifications.

Where the retailer or the supplier has complied with the obligation imposed under section 499.1 of the Act respecting the Québec sales tax for a particular fiscal quarter, the first paragraph does not apply to that retailer or supplier for that quarter.

“79.15.0.2 The instalment base of a person referred to in section 79.15.0.1 for a particular reporting period of the person is the lesser of

(1) an amount equal to

(a) in the case of a reporting period determined under section 461.1 of the Act respecting the Québec sales tax (chapter T-0.1), the amount determined by the formula

$A \times (365 / B)$ , and

(b) in any other case, the total of the duties provided for in section 79.11 that the person has collected or should have collected under subparagraphs *b* and *d* of the first paragraph of that section and that the person is required to pay under subparagraphs *c* and *e* of the first paragraph of that section, the specific tax and the amount equal to the specific tax, if any, that the person has collected or should have collected under Title II of the Act respecting the Québec sales tax for the particular reporting period; and

(2) the amount determined by the formula

$$C \times (365 / D).$$

For the purposes of these formulas,

(1) A is the total of the duties provided for in section 79.11 that the person has collected or should have collected under subparagraphs *b* and *d* of the first paragraph of that section and that the person is required to pay under subparagraphs *c* and *e* of the first paragraph of that section, the specific tax and the amount equal to the specific tax, if any, that the person has collected or should have collected under Title II of the Act respecting the Québec sales tax for the particular reporting period;

(2) B is the number of days in the particular reporting period;

(3) C is the total of all amounts each of which is the total of the duties provided for in section 79.11 that the person has collected or should have collected under subparagraphs *b* and *d* of the first paragraph of that section and that the person is required to pay under subparagraphs *c* and *e* of the first paragraph of that section, the specific tax and the amount equal to the specific tax, if any, that the person has collected or should have collected under Title II of the Act respecting the Québec sales tax for a reporting period ending in the twelve-month period immediately preceding the particular reporting period; and

(4) D is the number of days in the period commencing on the first day of the first of those preceding reporting periods and ending on the last day of the last of those preceding reporting periods.

“79.15.0.3 For the purposes of section 79.15.0.1, where the instalment base of a retailer or supplier for a reporting period is less than \$1,500, it is deemed to be nil.”

(2) Subsection 1 applies from the first reporting period of a retailer or supplier for the purposes of Division IV of Chapter VIII of Title I of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1) that begins after 31 March 1998.



## ACT RESPECTING THE MINISTÈRE DU REVENU

279. Section 23 of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31) is amended by replacing, in the first paragraph, the words “Her Majesty in right of Québec” by the words “the State”.

280. (1) Section 93.1.1 of the said Act is amended by replacing, in the second paragraph, “section 34.1.1” by “section 34.1.1 or 37.6”.

(2) Subsection 1 has effect from 1 January 1998.

281. (1) Section 93.1.8 of the said Act is amended by replacing the first paragraph by the following :

“93.1.8. Notwithstanding section 93.1.1, no person may notify to the Minister a notice of objection to a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 737.18.4, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph a.1 of subsection 2 of section 1010 or any of sections 1010.0.0.1, 1010.0.1, 1010.0.2, 1010.0.3, 1012, 1029.8.36.91, 1056.8 and 1079.16 of the Taxation Act (chapter I-3), except in respect of amounts to which those provisions apply.”

(2) Subsection 1, where it adds “1010.0.3,” in the first paragraph of section 93.1.8 of the said Act, has effect from 19 December 1997 and, where it adds “737.18.4,” and “1029.8.36.91,” in that first paragraph, has effect from 1 January 1998.

282. (1) Section 93.1.12 of the said Act is amended by replacing the first paragraph by the following :

“93.1.12. Notwithstanding section 93.1.10, no person may appeal from a reassessment or determination under any of sections 421.8, 710.3, 716.0.1, 737.18.4, 752.0.10.4.1 and 752.0.10.15, subparagraph i of paragraph a.1 of subsection 2 of section 1010 or any of sections 1010.0.0.1, 1010.0.1, 1010.0.2, 1010.0.3, 1012, 1029.8.36.91, 1056.8 and 1079.16 of the Taxation Act (chapter I-3), except in respect of amounts to which those provisions apply.”

(2) Subsection 1, where it adds “1010.0.3,” in the first paragraph of section 93.1.12 of the said Act, has effect from 19 December 1997 and, where it adds “737.18.4,” and “1029.8.36.91,” in that first paragraph, has effect from 1 January 1998.

283. Section 96 of the said Act is amended by replacing, in the English text of subparagraphs b and c of the first paragraph, the word “bodies” by the word “organizations”.

ACT RESPECTING THE RÉGIE DE L'ASSURANCE-MALADIE  
DU QUÉBEC

284. (1) Section 33 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5) is amended, in the first paragraph, by replacing the definition of "eligibility period" by the following:

"“eligibility period” of an exempt employer means the period that begins on the later of the beginning of the exempt employer’s first taxation year and 26 March 1997 and ends on the last day of the five-year period that begins at that time or on that date, as the case may be;”.

(2) Subsection 1 has effect from 26 March 1997.

285. (1) Section 34 of the said Act is amended by replacing, in the first paragraph, the words "every employer" by the words "every employer, except a prescribed employer.”.

(2) Subsection 1 applies in respect of wages paid or deemed paid after 31 December 1991.

286. (1) Section 37.1 of the said Act is amended by replacing the definition of "family income" by the following:

"“family income” of an individual for a year means the amount by which the aggregate of the following amounts exceeds the amount determined in section 37.4 in respect of the individual for the year:

(a) the income of the individual for the year, computed with reference to the rules in Title II of Book V.2.1 of Part I of the Taxation Act; and

(b) the income, for the year, of the individual’s eligible spouse for the year, computed with reference to the rules in Title II of Book V.2.1 of Part I of that Act.”

(2) Subsection 1 applies from the year 1997. However, where section 37.1 of the said Act, enacted by subsection 1, applies to the year 1997, it shall be read

(1) with paragraphs *a* and *b* of the definition of "family income" replaced by the following:

"(a) the amount by which the income determined, for the year, in respect of the individual under Part I of the Taxation Act exceeds the amount determined in respect of the individual for the year under the second paragraph; and

"(b) the amount by which the income determined, for the year, in respect of the individual’s eligible spouse for the year under Part I of that Act exceeds the amount determined in respect of that eligible spouse for the year under the second paragraph.”;

(2) with the following paragraph added thereto:

“The amount to which paragraphs *a* and *b* of the definition of “family income” in the first paragraph refer in respect of an individual for a year is equal to the aggregate of

(*a*) the amount reimbursed by the individual in the year on account of an overpayment of an amount described in section 311.1 of the Taxation Act and included by the individual in computing the individual’s income for the year or a preceding taxation year under Part I of that Act; and

(*b*) the amount reimbursed by the individual in the year in accordance with section 35 of the Act respecting income security (chapter S-3.1.1) or a similar provision of an Act of a province, to the extent that the amount has been included in computing the individual’s income for the year or a preceding taxation year under Part I of the Taxation Act.”

287. (1) Section 37.2.2 of the said Act is amended by replacing the first paragraph by the following:

“37.2.2. For the purposes of the definition of “family income” in section 37.1, where an individual was, for the purposes of the Taxation Act (chapter I-3), resident in Québec for only part of a year, the income of the individual for the year is the income that would be computed in respect of the individual for the year under the rules in Title II of Book V.2.1 of Part I of that Act if the individual had, for the purposes of that Act, been resident in Québec throughout the year or, where the individual died in the year, throughout the period of the year preceding the time of death.”

(2) Subsection 1 applies from the year 1998.

288. (1) Section 37.4 of the said Act is amended

(1) by replacing, in paragraph *a*, “\$10,610” by “\$10,730”;

(2) by replacing, in paragraphs *b* and *c* and in the portion of paragraph *d* before subparagraph *i*, “\$17,200” by “\$17,400”.

(2) Subsection 1 applies from the year 1998.

#### ACT RESPECTING THE QUÉBEC PENSION PLAN

289. (1) The Act respecting the Québec Pension Plan (R.S.Q., chapter R-9) is amended by inserting, after section 50, the following section:

“50.0.1. Where, during a year, an employer immediately succeeds another employer following the formation or winding-up of a company or following the acquisition of a major portion of the property of an undertaking or of a separate part of an undertaking, without there being an interruption of the services furnished by an employee, the following rules apply:

(a) for the purposes of section 50, the employer is deemed to be the preceding employer; and

(b) the contribution payable by the employer under section 52 is deemed to be equal to the amount by which the contribution that each of the employees is required to pay under section 50 exceeds the aggregate of the amounts deducted by the preceding employer from the remuneration paid to each of the employees for the year as an employee contribution.”

(2) Subsection 1 applies in respect of wages paid or deemed paid after 30 March 1998.

290. Section 66 of the said Ac is amended by replacing the third paragraph by the following :

“However, no assessment may be made by the Minister in respect of an employer, after the day that is four years after the day on which that amount should have been paid, unless

(a) the employer has filed no returns ;

(b) the employer has engaged in misrepresentation or has committed fraud in supplying the required information; or

(c) the employer has filed a waiver with the Minister on the prescribed form.”

#### ACT RESPECTING INCOME SECURITY

291. (1) Section 48.2 of the Act respecting income security (R.S.Q., chapter S-3.1.1), as that Act read before the coming into force of section 206 of chapter 36 of the statutes of 1998, which provides for its replacement, is amended

(1) by replacing subparagraph *b* of subparagraph 2 of the first paragraph by the following :

“(b) the lesser of

i. the amount by which the aggregate of the last resort assistance benefits received in the year by the adult and the adult’s spouse that are to be included, for the year, in computing their income under section 311.1 of the Taxation Act (chapter I-3), exceeds the aggregate of such benefits reimbursed by the adult and the spouse in the year that are deductible, for that year, under paragraph *d* or *d.2* of section 336 of that Act, and

ii. the amount determined by regulation for the purposes of subparagraph 4 of the third paragraph of section 49;”;

(2) by replacing subparagraphs 1 to 3 of the second paragraph by the following :

“(1) the amount by which the aggregate of the last resort assistance benefits received in the year by the adult and the adult’s spouse that are to be included, for the year, in computing their income under section 311.1 of the Taxation Act, exceeds the aggregate of such benefits reimbursed by the adult and the spouse in the year that are deductible, for that year, in computing their income under paragraph *d* or *d.2* of section 336 of that Act ;

“(2) an amount received as a pension under the Automobile Insurance Act (chapter A-25) that is to be included in computing income under paragraph *k.2* of section 311 of the Taxation Act ;

“(3) indemnities received under the Workmen’s Compensation Act (chapter A-3) or the Act respecting industrial accidents and occupational diseases (chapter A-3.001) that are to be included in computing income under paragraph *k.1* of section 311 of the Taxation Act ;”.

(2) Paragraph 1 of subsection 1 and paragraph 2 of that subsection 1, where it enacts subparagraph 1 of the second paragraph of section 48.2 of the said Act, apply in respect of determinations of benefits for the year 1998 and subsequent years. However, for the year 1998, subparagraph *i* of subparagraph *b* of subparagraph 2 of the first paragraph of section 48.2 of the said Act and subparagraph 1 of the second paragraph of that section, enacted by paragraphs 1 and 2 of subsection 1, shall, for the period before 12 June 1998, be read as if the reference therein to “paragraph *d* or *d.2* of section 336” were a reference to “paragraph *d* or *d.2* of subsection 1 of section 336”.

(3) Paragraph 2 of subsection 1, where it enacts subparagraphs 2 and 3 of the second paragraph of section 48.2 of the said Act, applies in respect of determinations of benefits for the year 1997 and subsequent years.

292. (1) Section 49 of the said Act is amended

(1) by replacing the first paragraph by the following :

“49. A person’s work income for a year is equal to the aggregate of the following amounts :

(1) the person’s income for the year from an office or employment computed under Part I of the Taxation Act (chapter I-3) before any deduction provided for in the second paragraph of section 64 of that Act, where it refers to such part of the capital cost of an aircraft as is allowed by regulation, or paragraph *c* of section 70 of that Act, other than any such income that may be deducted in computing the person’s taxable income under paragraph *e* of section 725 of that Act ; and

(2) the person's income for the year from a business computed under Part I of the Taxation Act before any deduction provided for in section 130 or 130.1 of that Act, minus the person's losses so computed, for the year, in respect of that business, exclusive of any such income that may be deducted in computing the person's taxable income under paragraph *e* of section 725 of that Act.”;

(2) by replacing the portion of the third paragraph before subparagraph 1 by the following :

“The total income of an adult's family for a year is equal to the amount by which the aggregate of the incomes of the adult, the adult's spouse and the adult's dependent children, computed under Part I of the Taxation Act with reference to the rules in Title II of Book V.2.1 of Part I of that Act, exceeds the aggregate of the following amounts:”;

(3) by replacing subparagraph 4 of the third paragraph by the following :

“(4) the amount of the last resort assistance benefits that is the lesser of

(a) the amount by which the aggregate of such benefits received in the year by the adult and the adult's spouse that are to be included, for the year, in computing their income under section 311.1 of the Taxation Act, exceeds the aggregate of such benefits reimbursed by the adult and the spouse in the year that are deductible, for that year, under paragraph *d* or *d.2* of section 336 of that Act, and

(b) the amount determined by regulation;”;

(4) by adding, after subparagraph 5 of the third paragraph, the following subparagraph :

“(6) an amount that would be deductible, in computing the adult's income under Part I of the Taxation Act, if section 336.0.3 of that Act were read as follows :

“336.0.3. A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is a support amount paid by the taxpayer in the year to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid.”;

(5) by inserting, after the third paragraph, the following paragraphs :

“For the purposes of subparagraph 2 of the first paragraph, where a person is a member of a partnership at the end of a fiscal period of the partnership, any amount deducted by the partnership in computing its income from a business, for that fiscal period, under section 130 or 130.1 of the Taxation Act, is deemed to have been deducted by the person under that section in computing the person's income from that business, up to the person's share of the amount, for the taxation year in which the fiscal period ends.

“For the purposes of the third paragraph, the income computed under Part I of the Taxation Act with reference to the rules in Title II of Book V.2.1 of Part I of that Act is the income that would be so computed if section 312.4 of that Act were read as follows :

“312.4. A taxpayer shall also include the aggregate of all amounts each of which is a support amount received in the year from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received.””

(2) Subsection 1 applies in respect of determinations of benefits for the year 1998 and subsequent years. However, for the year 1998, subparagraph *a* of subparagraph 4 of the third paragraph of section 49 of the said Act, enacted by paragraph 3 of subsection 1, shall, for the period before 12 June 1998, be read as if the reference therein to “paragraph *d* or *d.2* of section 336” were a reference to “paragraph *d* or *d.2* of subsection 1 of section 336”.

(3) In addition, where section 49 of the said Act, amended by subsection 1, applies in respect of determinations of benefits for the year 1997, it shall be read with the following paragraph inserted after the third paragraph :

“For the purposes of the third paragraph, the support amount considered for the purposes of the total income computed in subparagraph *c* of the first paragraph of section 776.29 of the Taxation Act is the amount that would be included or deductible in computing the person’s income if sections 312.4 and 336.0.3 of the Taxation Act were read as follows :

“312.4. A taxpayer shall also include the aggregate of all amounts each of which is a support amount received in the year from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received.”;

“336.0.3. A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is a support amount paid by the taxpayer in the year to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid.””

293. (1) Section 56 of the said Act is amended by replacing, in subparagraph 15 of the first paragraph, “amount of last resort assistance benefits” by “maximum amount of last resort assistance benefits determined by regulation”.

(2) Subsection 1 applies in respect of determinations of benefits for the year 1998 and subsequent years.

294. (1) Section 91 of the said Act is amended by replacing subparagraph 31.1.1 of the first paragraph by the following :

“(31.1.1) fix the amount of last resort assistance benefits for the purposes of the third paragraph of section 48.2 and the sixth paragraph of section 49;”

(2) Subsection 1 applies in respect of determinations of benefits for the year 1998 and subsequent years. In addition, where subparagraph 31.1.1 of the first paragraph of section 91 of the said Act, replaced by subsection 1, applies in respect of determinations of benefits for the year 1997, that subparagraph shall be read with the word “fourth” replaced by the word “fifth”.

#### ACT RESPECTING QUÉBEC BUSINESS INVESTMENT COMPANIES

295. (1) Section 3 of the Act respecting Québec business investment companies (R.S.Q., chapter S-29.1) is replaced by the following :

“3. Every shareholder of a company shall be a natural person and the actual owner of the shares. A shareholder may also be a venture capital legal person, provided that the shareholder is the actual owner of the shares which must have been acquired by the shareholder before 1 April 1998.”

(2) Subsection 1 has effect from 1 April 1998.

296. (1) The said Act is amended by inserting, after section 4, the following section :

“4.0.1. A company that was registered as an employee owned company before 1 April 1998 by the Société de développement industriel du Québec and whose registration was not revoked on that date is deemed, in respect of investments made by the company after 31 March 1998, to have been registered on 1 April 1998 under section 4.”

(2) Subsection 1 has effect from 1 April 1998.

297. (1) Section 4.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

298. (1) Section 11 of the said Act is amended by replacing, in the first paragraph, “12.2 or 12.3” by “12”.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

299. (1) Section 12 of the said Act is amended

(1) by replacing the first paragraph by the following :

“12. An investment validated by the Société de développement industriel du Québec which is made by a company whose paid-up capital in respect of its issued and outstanding common shares with full voting rights is not less than \$50,000 and which is a common share with full voting rights of the share



capital of a qualified legal person that is acquired by a company as first purchaser, is a qualified investment.”;

(2) by replacing subparagraph 4 of the third paragraph by the following :

“(4) have paid, in the last 12 months preceding the date of acquisition, or in the months preceding that date in the case of a legal person that has been in operation for less than 12 months, and in the 24 months following the acquisition, more than 75% of the salaries paid to its employees and, as the case may be, to employees of the legal persons with which it is associated, to employees who, for the purposes of the regulations made under section 771 of the Taxation Act, are employees of an establishment situated in Québec;”;

(3) by striking out the fourth paragraph.

(2) Paragraphs 1 and 3 of subsection 1, and paragraph 2 of that subsection where it replaces subparagraph 4 of the third paragraph of section 12 of the said Act to add thereto “and in the 24 months following the acquisition,”, apply in respect of investments made by a Québec business investment company after 31 March 1998.

300. (1) Section 12.1 of the said Act is amended by replacing the portion before paragraph 2 by the following :

“12.1. For the purposes of section 12, where, in the opinion of the Société de développement industriel du Québec, the investment is made in a fledgling legal person, the condition provided

(1) in subparagraph 4 of the third paragraph of the said section must be met by the legal person only during the 24 months following the acquisition of a qualified investment;”.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

301. (1) Sections 12.2 and 12.3 of the said Act are repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

302. (1) Section 13.2 of the said Act is amended, in paragraph 3,

(1) by inserting, after the words “third paragraph”, “of section 12”;

(2) by striking out “or in paragraph 2 of section 12.3”;

(3) by replacing, in the French text, the word “débuté” by the word “commencé”.

(2) Paragraph 2 of subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

303. (1) Division III.1 of the said Act is repealed.

(2) Subsection 1 applies in respect of investments made by a Québec business investment company after 31 March 1998.

304. (1) Section 16 of the said Act is amended

(1) by striking out paragraph 8;

(2) by adding the following paragraph:

“Any regulation made under this Act comes into force on the date of its publication in the *Gazette officielle du Québec* or on any later date fixed therein; it may also, once published and if it so provides, take effect from any date prior to its publication but not prior to the date from which the legislation under which it is made takes effect.”

(2) Paragraph 1 of subsection 1 has effect from 1 April 1998.

#### ACT RESPECTING THE QUÉBEC SALES TAX

305. Section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), amended by section 30 of chapter 14 of the statutes of 1999, is again amended, in the French text of the definition of “fournitures liées à un congrès”, by replacing paragraph 4 by the following:

“4° les biens ou les services fournis par la personne dans le cadre du congrès pour une contrepartie distincte de la contrepartie du droit d’entrée au congrès, à moins que l’acquéreur de la fourniture acquière le bien ou le service exclusivement pour consommation ou utilisation dans le cadre de la promotion, au congrès, de son entreprise ou de biens ou de services fournis par lui;”.

306. (1) Section 11.1 of the said Act is amended by striking out the second paragraph.

(2) Subsection 1 has effect from 1 April 1997.

307. (1) The said Act is amended by inserting, after section 11.1, the following section:

“11.1.1. A person resident in Québec who has a permanent establishment outside Québec but within Canada is deemed not to be resident in Québec, but only in respect of activities carried on by the person through that establishment.”

(2) Subsection 1 has effect from 1 April 1997.

308. (1) Section 11.2 of the said Act is amended by replacing the portion before paragraph 1 by the following :

“11.2. For the purposes of sections 11.1, 11.1.1 and 22.2 to 22.30, “permanent establishment” of a person means”.

(2) Subsection 1 has effect from 1 April 1997.

309. (1) Section 17.1 of the said Act is amended

(1) by striking out paragraph 4;

(2) by replacing paragraph 5 by the following :

“(5) the person is not required to collect the tax payable under Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15) in respect of a road vehicle so given in exchange.”

(2) Subsection 1 applies in respect of the bringing into Québec of a road vehicle after 23 April 1996 other than the bringing into Québec of a vehicle acquired by way of a supply for which the supplier accepts, in full or partial consideration under a written agreement entered into before 1 July 1996, another road vehicle if the supplier charged or collected the tax in respect of the supply of the road vehicle brought into Québec computed without reference to the amount credited to the person in relation to the exchanged property.

310. (1) Section 128 of the said Act is amended by replacing paragraph 1 by the following :

“(1) a supply of an educational service that consists in instructing the individual in a course that either follows a program of studies at the elementary or secondary level established or approved by the Minister of Education or is approved for credit at the elementary or secondary level by the Minister;”.

(2) Subsection 1 has effect from 1 July 1992. However, for the period from 2 December 1993 to 16 June 1994, paragraph 1 of section 128 of the said Act, replaced by subsection 1, shall be read as if the reference to “the Minister of Education” were a reference to “the Minister of Education and Science”.

311. (1) The said Act is amended by inserting, after section 162, the following section :

“162.1. A supply made to a municipality, or to a commission or other body established by a municipality, of a service of receiving and processing telephone calls through a 9-1-1 emergency centre is exempt.”

(2) Subsection 1 has effect from 1 July 1992. However, for the period from 1 July 1992 to 23 June 1998, section 162.1 of the said Act, enacted by subsection 1, shall be read as follows :

“162.1. A supply made to a municipality, or to a commission or other body established by a municipality, by one of its paramunicipal bodies, another municipality, or by a commission or other body established by a municipality, of a service of receiving and processing telephone calls through a 9-1-1 emergency centre is exempt.”

312. (1) Section 182 of the said Act is replaced by the following:

“182. A supply of a service, other than a transportation service, in respect of corporeal movable property ordinarily situated outside Québec and of any corporeal movable property supplied in conjunction with the service, is a zero-rated supply if

(1) where the property is ordinarily situated outside Canada, the property is temporarily brought into Québec for the sole purpose of having the service performed and is taken or shipped outside Canada as soon as is practicable after the service is performed; or

(2) where the property is ordinarily situated outside Québec but within Canada,

(a) the property is temporarily brought into Québec for the sole purpose of having the service performed and is taken or shipped outside Québec but within Canada as soon as is practicable after the service is performed, and

(b) the recipient is registered under Subdivision d of Division V of Part IX of the Excise Tax Act (Revised Statutes of Canada, 1985, chapter E-15).”

(2) Subsection 1 applies in respect of supplies made after 31 March 1998.

313. (1) The said Act is amended by inserting, after section 198.1, the following section:

“198.2. A supply of tobacco within the meaning of the Tobacco Tax Act (chapter I-2) is a zero-rated supply.”

(2) Subsection 1 has effect from 23 June 1998.

314. Section 297.1.5 of the said Act is replaced, in the French text, by the following:

“297.1.5. Dans le cas où une approbation donnée en vertu de l'article 297.1.3 à l'égard d'un démarcheur ne serait pas, en faisant abstraction du présent article, en vigueur à un moment où une approbation donnée en vertu de l'article 297.1.4 à l'égard d'un distributeur du démarcheur entre en vigueur et qu'aucune autre approbation donnée en vertu de l'article 297.1.4 à l'égard d'un distributeur du démarcheur n'est en vigueur à ce moment, le démarcheur est réputé, pour l'application de la présente section, avoir reçu une approbation en vertu de l'article 297.1.3 qui entre en vigueur immédiatement avant ce moment.”

315. Section 331 of the said Act is replaced by the following:

“331. For the purposes of sections 334 to 336, “specified member” of a closely related group means a corporation that is a member of the group all or substantially all of the property of which was last manufactured, constructed, produced, acquired or brought into Québec for consumption, use or supply exclusively in the course of commercial activities of the corporation or, where the corporation has no property, all or substantially all of the supplies made by which are taxable supplies.”

316. (1) Section 353.0.3 of the said Act is amended, in the first paragraph, by replacing the portion before the formula by the following:

“353.0.3. Subject to sections 353.0.1 and 353.0.4, where a person who is resident in Canada is the recipient of a supply of incorporeal movable property or a service that is acquired by the person for consumption, use or supply primarily outside Québec and tax under section 16 is paid by the person in respect of the supply, the person is entitled to a rebate of tax equal to the amount determined by the formula”.

(2) Subsection 1 has effect from 1 April 1997.

317. (1) Section 383 of the said Act is amended, in the definition of “non-refundable input tax charged”, by replacing paragraph 2 by the following:

“(2) the total of all amounts each of which is included in the total determined under paragraph 1 and

(a) is included in determining an input tax refund of the person in respect of the property or service for the period,

(b) would be included in determining an input tax refund of the person in respect of the property or service for the period, but for the fact that the person is a large business within the meaning of sections 551 to 551.4 of chapter 63 of the statutes of 1995, or

(c) for which it can be reasonably be regarded that the person has obtained or is entitled to obtain a rebate, refund or remission under any other section of this Act or under any other Act;”.

(2) Subsection 1 has effect in respect of tax that becomes payable after 31 July 1995 and that is not paid before 1 August 1995.

318. (1) Section 486 of the said Act is amended by inserting the following definition in alphabetical order:

““reporting period” of a person is the reporting period of the person for the purposes of Title I;”.

(2) Subsection 1 applies from the first reporting period of a person for the purposes of Division IV of Chapter VIII of Title I of the said Act that begins after 31 March 1998.

319. (1) Section 494 of the said Act is amended by replacing the first and second paragraphs by the following :

“494. Every vendor shall keep an account of the specific tax the vendor has collected and shall, for each reporting period, where the vendor is required to file a return under Division IV of Chapter VIII of Title I, render an account to the Minister, in prescribed form containing the prescribed information, of the specific tax the vendor has collected or should have collected during the particular reporting period, file the account with and as prescribed by the Minister and, at the same time, remit to the Minister the amount of that tax.

“The vendor shall render an account even if no sale giving rise to such a tax was made during the particular reporting period.”

(2) Subsection 1 applies from the first reporting period of a person for the purposes of Division IV of Chapter VIII of Title I of the said Act that begins after 31 March 1998.

320. (1) Section 498 of the said Act is amended by replacing the first and second paragraphs by the following :

“498. Every collection officer holding a registration certificate shall keep an account of the amounts the collection officer has collected and shall, for each reporting period, where the collection officer is required to file a return under Division IV of Chapter VIII of Title I, render an account to the Minister, in prescribed form containing the prescribed information, of the amounts the collection officer has collected or should have collected under section 497 during the particular reporting period, file the account with and as prescribed by the Minister and, at the same time, remit the amounts to the Minister.

“The collection officer shall render an account even if no sale of alcoholic beverages was made during the particular reporting period.”

(2) Subsection 1 applies from the first reporting period of a person for the purposes of Division IV of Chapter VIII of Title I of the said Act that begins after 31 March 1998.

321. (1) The said Act is amended by inserting, after section 499, the following :

**“CHAPTER V.1****“INSTALMENT**

“499.1. Subject to the third paragraph, where the reporting period of a vendor or collection officer holding a registration certificate is a fiscal year within the meaning of section 458.1 or a period determined under section 461.1, the vendor or collection officer shall, within one month after the end of each of the vendor’s or collection officer’s fiscal quarter, within the meaning of section 458.1, ending in the reporting period, pay to the Minister an amount equal to 1/4 of the instalment base of the vendor or collection officer for that reporting period.

Sections 458.0.4 and 458.0.5 apply to that instalment, with the necessary modifications.

Where the vendor or the collection officer has complied with the obligation imposed under section 79.15.0.1 of the Licenses Act (chapter L-3) for a particular fiscal quarter, the first paragraph does not apply to that vendor or collection officer for that quarter.

“499.2. The instalment base of a person referred to in section 499.1 for a particular reporting period of the person is the lesser of

(1) an amount equal to

(a) in the case of a reporting period determined under section 461.1, the amount determined by the formula

$A \times (365 / B)$ , and

(b) in any other case, the total of the specific tax and the amount equal to the specific tax, if any, that the person has collected or should have collected, the duties provided for in section 79.11 of the Licenses Act (chapter L-3) that the person has collected or should have collected under subparagraphs *b* and *d* of the first paragraph of that section and that the person is required to pay under subparagraphs *c* and *e* of the first paragraph of that section for the particular reporting period; and

(2) the amount determined by the formula

$C \times (365 / D)$ .

For the purposes of these formulas,

(1) *A* is the total of the specific tax and the amount equal to the specific tax, if any, that the person has collected or should have collected, the duties provided for in section 79.11 of the Licenses Act that the person has collected or should have collected under subparagraphs *b* and *d* of the first paragraph of that section and that the person is required to pay under subparagraphs *c* and *e* of the first paragraph of that section for the particular reporting period;

(2) B is the number of days in the particular reporting period;

(3) C is the total of all amounts each of which is the total of the specific tax and the amount equal to the specific tax, if any, that the person has collected or should have collected, the duties provided for in section 79.11 of the Licenses Act that the person has collected or should have collected under subparagraphs *b* and *d* of the first paragraph of that section and that the person is required to pay under subparagraphs *c* and *e* of the first paragraph of that section for a reporting period ending in the twelve-month period immediately preceding the particular reporting period; and

(4) D is the number of days in the period commencing on the first day of the first of those preceding reporting periods and ending on the last day of the last of those preceding reporting periods.

“499.3. For the purposes of section 499.1, where the instalment base of a vendor or collection officer holding a registration certificate for a reporting period is less than \$1,500, it is deemed to be nil.”

(2) Subsection 1 applies from the first reporting period of a person for the purposes of Division IV of Chapter VIII of Title I of the said Act that begins after 31 March 1998.

322. (1) Section 541.35 of the said Act is replaced by the following :

“541.35. Every person, at the time of making a purchase at a retail sale in Québec of perchloroethylene for consumption or use in the course of a dry cleaning business operated in Québec, shall pay a specific duty equal to \$1.25 per litre of perchloroethylene purchased by the person.”

(2) Subsection 1 has effect in respect of a retail sale of perchloroethylene made since 1 January 1998 or a bringing into Québec of perchloroethylene since 1 January 1998.

#### FUEL TAX ACT

323. (1) The Fuel Tax Act (R.S.Q., chapter T-1) is amended by inserting, after section 10.5, the following section :

“10.6. A person entitled to a reimbursement under section 10.5 in respect of fuel acquired by the person from a holder of a collection officer’s permit who has made an agreement with the Minister under section 51 may, within the time, on the conditions and according to the modalities prescribed by regulation, transfer the amount of the reimbursement to the holder of a collection officer’s permit.

The amount to which the transfer relates must be applied, within a reasonable time, by the transferee against the amount that the transferee is required to collect from the transferor under section 51.1 in respect of fuel that the



transferee sells, delivers or causes to be delivered to the transferor in Québec subsequent to the transfer.”

(2) Subsection 1 has effect from 1 April 1998.

324. Section 12 of the said Act is amended, in the English text, by replacing the first paragraph by the following :

“12. Every retail dealer shall collect, as a mandatary of the Minister, the tax imposed by section 2 on any sale of fuel made by the retail dealer.”

325. (1) Section 51.1 of the said Act is amended by replacing the first paragraph by the following :

“51.1. The holder of a collection officer’s permit shall collect, as a mandatary of the Minister, an amount equal to the tax established in the first, fourth or fifth paragraph of section 2 from every person to whom the permit holder sells, delivers or causes to be delivered fuel in Québec. This requirement does not apply in respect of fuel delivered outside Québec or in respect of fuel sold in Québec to a wholesale dealer who has no residence or place of business in Québec and who does not hold a collection officer’s permit, where the fuel is delivered in circumstances described in the second paragraph of section 28.”

(2) Subsection 1 has effect from 1 April 1998.

326. (1) Section 51.2 of the said Act is amended by replacing the third paragraph by the following :

“Every collection officer who has made an agreement with the Minister under section 51 shall fulfill the requirement provided in the first paragraph according to the modalities and within the time provided in the agreement. However, the collection officer is not required to remit to the Minister the amount the collection officer is required to collect from a person under section 51.1 in respect of fuel that the collection officer has sold, delivered or caused to be delivered to that person in Québec, where, under the second paragraph of section 10.6, the collection officer has applied against that amount the amount of a reimbursement transferred by that person to the collection officer in accordance with the first paragraph of that section.”

(2) Subsection 1 has effect from 1 April 1998.

327. Section 56 of the said Act is amended by adding the following paragraph :

“Notwithstanding the first paragraph, regulations made in the year 2000 under this Act in respect of the time, conditions and modalities respecting the transfer of a reimbursement under section 10.6 or respecting an exemption under section 27 from the requirement that a person hold a collection officer’s

permit may, once published and if they so provide, apply to any date prior to their publication but not prior to 1 April 1998.”

#### ACT TO AGAIN AMEND THE TAXATION ACT AND OTHER LEGISLATION

328. (1) Section 42 of the Act to again amend the Taxation Act and other legislation (1993, chapter 19) is amended by replacing subsection 2 by the following :

“(2) This section applies from the taxation year 1993. Furthermore, where section 726.5 of the Taxation Act, repealed by this section, applies

(a) to the taxation years 1985 to 1989, it shall read with the following paragraph added thereto :

“However, if, following a request in writing by the corporation which is filed not later than 18 months after 20 December 1999, the Minister is of the opinion that the amount added for the taxation year to the taxable income of the corporation causes undue hardship to the corporation, the Minister may, notwithstanding sections 1010 to 1011, determine an amount the corporation is required to add for the year to its taxable income.”;

(b) to the taxation years 1990 to 1992, it shall read as follows :

“726.5. Where it so elects, a corporation shall add to its taxable income otherwise determined for a taxation year an amount equal to the amount it adds for the year to its taxable income computed for the purposes of the Income Tax Act (Statutes of Canada) pursuant to section 110.5 of the said Act.”.

(2) Subsection 1 has effect from 15 June 1993.

#### ACT TO AMEND THE TAXATION ACT, THE ACT RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE PROVISIONS

329. (1) Section 157 of the Act to amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1995, chapter 1) is amended by replacing, in subsection 1, subparagraph *b* of the third paragraph of section 1029.8.36.7 of the Taxation Act, enacted by that subsection 1, by the following :

“(b) where the wages incurred by the corporation in the year in respect of the employees described in the certificate mentioned in that paragraph, in connection with a business it carries on in Québec in respect of which the eligible design activity that is a fashion design relates, represent less than 2% of its gross revenue from the carrying on of that business for the year.”

(2) Subsection 1 has effect from 30 January 1995.

ACT TO AGAIN AMEND THE TAXATION ACT, THE ACT  
RESPECTING THE QUÉBEC SALES TAX AND OTHER LEGISLATIVE  
PROVISIONS

330. (1) Section 186 of the Act to again amend the Taxation Act, the Act respecting the Québec sales tax and other legislative provisions (1997, chapter 85) is replaced by the following :

“186. (1) Section 776.65 of the said Act, amended by section 92 of chapter 63 of the statutes of 1995 and by section 141 of chapter 14 of the statutes of 1997, is again amended, in the first and second paragraphs,

(1) by striking out “752.0.7, 752.0.10.1 to 752.0.10.15, 752.0.11 to”;

(2) by replacing “752.0.18.9” by “752.0.18.14”.

(2) Subsection 1 applies from the taxation year 1997. However, where the first and second paragraphs of section 776.65 of the said Act, amended by subsection 1, apply to the taxation year 1997, they shall be read as follows :

“776.65. An individual’s basic minimum tax deduction for a taxation year is the aggregate of the amounts that the individual may deduct under sections 752.0.1 to 752.0.7, 752.0.10.1 to 752.0.10.15, 752.0.11 to 752.0.15 and 752.0.18.1 to 752.0.18.14 in computing the individual’s tax payable for the year under this Part.

Where the first paragraph applies to an individual referred to in the second paragraph of section 22, 25 or 26, for the purpose of determining the basic minimum tax deduction of that individual for a taxation year, the amount that the individual may deduct under sections 752.0.1 to 752.0.7, 752.0.10.1 to 752.0.10.15, 752.0.11 to 752.0.15 and 752.0.18.1 to 752.0.18.14 in computing the individual’s tax payable for the year under this Part shall be determined without reference to the proportion referred to in section 752.0.23 or 752.0.25, as the case may be.”

(2) Subsection 1 has effect from 19 December 1997.

331. (1) Section 253 of the said Act is amended

(1) by replacing, in paragraph 3 of subsection 3, the third paragraph of section 1029.8.33.13 of the Taxation Act (R.S.Q., chapter I-3), enacted by that paragraph 3, by the following :

“The qualified expenditure, for a taxation year, to which the first paragraph refers in respect of an eligible taxpayer consists of

(a) for each pay period ending in the taxation year and on or before the date of the last day of the taxation year, the aggregate of all amounts paid, under the provisions mentioned in subparagraphs ii and iii of paragraph a

of the definition of “qualified expenditure” in the first paragraph of section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer, in respect of the pay period, to eligible employees, in the proportion that the aggregate of the amount of the salary or wages paid, allocated, granted or awarded to eligible employees, in respect of the pay period, in relation to the tips received from eligible employees by the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to the customer’s bill and to the amounts reported by eligible employees pursuant to section 42.8 in respect of the pay period is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer, in respect of the pay period, to eligible employees ;

(b) for each pay period ending in the taxation year and on or before the date of the last day of the taxation year, the amount paid, under the provision mentioned in subparagraph iv of paragraph *a* of the definition of “qualified expenditure” in the first paragraph of section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer, in respect of the pay period, to eligible employees, in the proportion that the aggregate of the amount of the salary or wages paid, allocated, granted or awarded to eligible employees, in respect of the pay period, in relation to the tips received from eligible employees by the eligible taxpayer, to the tips that eligible employees received or benefited from and that constitute service charges added to the customer’s bill and to the amounts reported by eligible employees pursuant to section 42.8 in respect of the pay period is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the eligible taxpayer, in respect of the pay period, to eligible employees ;

(c) the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of “qualified expenditure” in the first paragraph of section 1029.8.33.12, in respect of a calendar year that ends in the taxation year or the end of which coincides with the end of the taxation year, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the eligible taxpayer in that calendar year to eligible employees in relation to the tips received from eligible employees by the eligible taxpayer for a period that is after 24 March 1997, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer’s bill and to the amounts reported by eligible employees in respect of such a period pursuant to section 42.8; and

(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, paid by the eligible taxpayer in the taxation year in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the eligible taxpayer to eligible employees in relation to the tips received from eligible employees by the eligible taxpayer for a period that is after

24 March 1997, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts reported by eligible employees in respect of such a period pursuant to section 42.8, and of any amount paid in the taxation year, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in the first paragraph of section 1029.8.33.12, in relation to such indemnities.";

(2) by replacing, in paragraph 4 of subsection 3, the fourth paragraph of section 1029.8.33.14 of the Taxation Act, enacted by that paragraph 4, by the following :

"The qualified expenditure, for a fiscal period, to which the first paragraph refers in respect of a qualified partnership consists of

(a) for each pay period ending in the fiscal period and on or before the date of the last day of the fiscal period, the aggregate of all amounts paid, under the provisions mentioned in subparagraphs ii and iii of paragraph *a* of the definition of "qualified expenditure" in the first paragraph of section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership, in respect of the pay period, to eligible employees, in the proportion that the aggregate of the amount of the salary or wages paid, allocated, granted or awarded to eligible employees, in respect of the pay period, in relation to the tips received from eligible employees by the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to the customer's bill and to the amounts reported by eligible employees pursuant to section 42.8 in respect of the pay period is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership, in respect of the pay period, to eligible employees ;

(b) for each pay period ending in the fiscal period and on or before the date of the last day of the fiscal period, the amount paid, under the provision mentioned in subparagraph iv of paragraph *a* of the definition of "qualified expenditure" in the first paragraph of section 1029.8.33.12, in relation to the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership, in respect of the pay period, to eligible employees, in the proportion that the aggregate of the amount of the salary or wages paid, allocated, granted or awarded to eligible employees, in respect of the pay period, in relation to the tips received from eligible employees by the qualified partnership, to the tips that eligible employees received or benefited from and that constitute service charges added to the customer's bill and to the amounts reported by eligible employees pursuant to section 42.8 in respect of the pay period is of the total of the salary, wages or other remuneration paid, allocated, granted or awarded by the qualified partnership, in respect of the pay period, to eligible employees ;

(c) the amount paid under the provision mentioned in subparagraph i of paragraph *a* of the definition of "qualified expenditure" in the first paragraph

of section 1029.8.33.12, in respect of a calendar year that ends in the fiscal period or the end of which coincides with the end of the fiscal period, in relation to remuneration subject to contribution, within the meaning of the first paragraph of section 39.0.1 of the Act respecting labour standards (chapter N-1.1), paid, allocated, granted, awarded or attributed by the qualified partnership in that calendar year to eligible employees in relation to the tips received from eligible employees by the qualified partnership for a period that is after 24 March 1997, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts reported by eligible employees in respect of such a period pursuant to section 42.8; and

(d) the aggregate of the indemnities pertaining to the annual leave as prescribed by the Act respecting labour standards or of the compensation in lieu thereof and provided for in a contract of employment, as the case may be, paid by the qualified partnership in the fiscal period in respect of the salary, wages or other remuneration paid, allocated, granted, awarded or attributed by the qualified partnership to eligible employees in relation to the tips received from eligible employees by the qualified partnership for a period that is after 24 March 1997, to the tips that eligible employees received or benefited from during such a period and that constitute service charges added to the customer's bill and to the amounts reported by eligible employees in respect of such a period pursuant to section 42.8, and of any amount paid in the fiscal period, under the provisions mentioned in subparagraphs ii to iv of paragraph *a* of the definition of "qualified expenditure" in the first paragraph of section 1029.8.33.12, in relation to such indemnities."

(2) Subsection 1 has effect from 19 December 1997.

332. (1) Section 272 of the said Act is amended by replacing, in paragraph 3 of subsection 2, section 1029.8.105 of the Taxation Act (R.S.Q., chapter I-3), enacted by that paragraph 3, by the following:

“1029.8.105 An individual, other than a trust, who is resident in Québec at the end of 31 December of a taxation year and, throughout the year, is not a dependant of another individual, is deemed, provided that the individual makes an application therefor in the fiscal return the individual is required to file under section 1000 for the year, or would be required to file if tax were payable under this Part by the individual for the year, to have paid to the Minister, in the first of the months specified for that year, on account of tax payable by the individual under this Part for the year, an amount equal to the amount by which

(a) the amount by which the total of the following amounts exceeds 3% of the individual's family income for the year:

- i. \$154 in respect of the individual,
- ii. \$154 in respect of the individual's eligible spouse for the year, where applicable, and

iii. \$103 if the individual, throughout the year, does not have a spouse and ordinarily lives in a self-contained domestic establishment in which no person lives other than the individual or a dependant of the individual, exceeds

(b) the amount by which the total of the following amounts exceeds 3% of the individual's family income for the year :

i. \$104 in respect of the individual,

ii. \$104 in respect of the individual's eligible spouse for the year, where applicable, and

iii. \$53 if the individual, throughout the year, does not have a spouse and ordinarily lives in a self-contained domestic establishment in which no person lives other than the individual or a dependant of the individual.””

(2) Subsection 1 has effect from 19 December 1997.

333. (1) Section 418 of the said Act is amended, in paragraph 29 of subsection 1, by replacing the portion before the portion of paragraph 2 of the definition of “residential trailer park” in section 1 of the Act respecting the Québec sales tax (R.S.Q., chapter T-0.1), replaced by that paragraph 29, by the following :

“(29) in paragraph 2 of the definition of “residential trailer park”, by replacing the portion before subparagraph *a* by the following :”.

(2) Subsection 1 has effect from 19 December 1997.

#### ACT TO AMEND THE TAXATION ACT AND OTHER LEGISLATIVE PROVISIONS OF A FISCAL NATURE

334. (1) Section 283 of the Act to amend the Taxation Act and other legislative provisions of a fiscal nature (1998, chapter 16) is repealed.

(2) Subsection 1 has effect from 12 June 1998.

#### ACT RESPECTING INCOME SUPPORT, EMPLOYMENT ASSISTANCE AND SOCIAL SOLIDARITY

335. (1) Section 75 of the Act respecting income support, employment assistance and social solidarity (1998, chapter 36) is amended

(1) by replacing subparagraph *b* of subparagraph 2 of the first paragraph by the following :

“(b) the lesser of

i. the amount by which the aggregate of the benefits under a last resort assistance program received in the year by the adult and the adult's spouse

that are to be included, for the year, in computing their income under section 311.1 of the Taxation Act, exceeds the aggregate of such benefits reimbursed by the adult and the spouse in the year that are deductible, for that year, under paragraph *d* or *d.2* of section 336 of that Act, and

ii. the amount determined by regulation for the purposes of subparagraph 3 of the third paragraph of section 79;”;

(2) by replacing subparagraphs 1 to 3 of the second paragraph by the following :

“(1) the amount by which the aggregate of the benefits under a last resort assistance program received in the year by the adult and the adult’s spouse that are to be included, for the year, in computing their income under section 311.1 of the Taxation Act, exceeds the aggregate of such benefits reimbursed by the adult and the spouse in the year that are deductible, for that year, in computing their income under paragraph *d* or *d.2* of section 336 of that Act;

“(2) an amount received as a pension under the Automobile Insurance Act (R.S.Q., chapter A-25) that is to be included in computing income under paragraph *k.2* of section 311 of the Taxation Act;

“(3) indemnities received under the Workmen’s Compensation Act (R.S.Q., chapter A-3) or the Act respecting industrial accidents and occupational diseases (R.S.Q., chapter A-3.001) that are to be included in computing income under paragraph *k.1* of section 311 of the Taxation Act;”.

(2) Subsection 1 has effect from 1 October 1999.

336. (1) Section 79 of the said Act is amended

(1) by replacing the first paragraph by the following :

“79. A person’s work income for a year is equal to the aggregate of the following amounts :

(1) the person’s income for the year from an office or employment computed under Part I of the Taxation Act (chapter I-3) before any deduction provided for in the second paragraph of section 64 of that Act, where it refers to such part of the capital cost of an aircraft as is allowed by regulation, and paragraph *c* of section 70 of that Act, other than any such income that may be deducted in computing the person’s taxable income under paragraph *e* of section 725 of that Act;

(2) the person’s income for the year from a business computed under Part I of the Taxation Act before any deduction provided for in section 130 or 130.1 of that Act, minus the person’s losses so computed, for the year, in respect of that business, exclusive of any such income that may be deducted in computing the person’s taxable income under paragraph *e* of section 725 of that Act; and



(3) any other amount referred to in subparagraph 4 of the second paragraph of section 68.”;

(2) by replacing the portion of the third paragraph before subparagraph 1 by the following :

“The total income of an adult’s family for a year is equal to the amount by which the aggregate of the incomes of the adult, the adult’s spouse and the adult’s dependent children, computed under Part I of the Taxation Act with reference to the rules in Title II of Book V.2.1 of Part I of that Act, exceeds the aggregate of the following amounts :”;

(3) by replacing subparagraph 3 of the third paragraph by the following :

“(3) the amount of the benefits granted under a last resort financial assistance program that is the lesser of

(a) the amount by which the aggregate of such benefits received in the year by the adult and the adult’s spouse that are to be included, for the year, in computing their income under section 311.1 of the Taxation Act, exceeds the aggregate of such benefits reimbursed by the adult and the spouse in the year that are deductible, for that year, under paragraph *d* or *d.2* of section 336 of that Act, and

(b) the amount determined by regulation;”;

(4) by adding, after subparagraph 4 of the third paragraph, the following subparagraph :

“(5) an amount that would be deductible, in computing the adult’s income under Part I of the Taxation Act, if section 336.0.3 of that Act were read as follows :

“336.0.3. A taxpayer may, in computing the income of the taxpayer for a taxation year, deduct the aggregate of all amounts each of which is a support amount paid by the taxpayer in the year to a particular person, where the taxpayer and the particular person were living separate and apart at the time the amount was paid.””;

(5) by inserting, after the third paragraph, the following paragraphs :

“For the purposes of subparagraph 2 of the first paragraph, where a person is a member of a partnership at the end of a fiscal period of the partnership, any amount deducted by the partnership in computing its income from a business, for that fiscal period, under section 130 or 130.1 of the Taxation Act, is deemed to have been deducted by the person under that section in computing the person’s income from that business, up to the person’s share of the amount, for the taxation year in which the fiscal period ends.

“For the purposes of the third paragraph, the income computed under Part I of the Taxation Act with reference to the rules in Title II of Book V.2.1 of Part I of that Act is the income that would be so computed if section 312.4 of that Act were read as follows :

“312.4. A taxpayer shall also include the aggregate of all amounts each of which is a support amount received in the year from a particular person where the taxpayer and the particular person were living separate and apart at the time the amount was received.””

(2) Subsection 1 has effect from 1 October 1999. However, where the first paragraph of section 79 of the said Act, enacted by paragraph 1 of subsection 1, applies before 1 January 2000, it shall be read without reference to subparagraph 3 thereof.

337. (1) Section 91 of the said Act is amended by replacing, in subparagraph 10 of the first paragraph, “amount of the benefits granted under a last resort financial assistance program” by “maximum amount of the benefits granted under a last resort financial assistance program, determined by regulation,”.

(2) Subsection 1 has effect from 1 October 1999.

338. (1) Section 158 of the said Act is amended by replacing subparagraph 7 of the first paragraph by the following :

“(7) prescribing the amount of benefits under a last resort financial assistance program for the purposes of the third paragraph of section 75 and the sixth paragraph of section 79;”.

(2) Subsection 1 has effect from 1 October 1999.

339. Section 215 of the said Act is repealed.

340. Notwithstanding the coming into force of section 206 of the said Act, the Government may make regulations for the purposes of the amendments to the Act respecting income security (R.S.Q., chapter S-3.1.1), enacted by sections 291 to 294 of this Act, for the period between 31 December 1996 and 1 October 1999.

Such regulations are not subject to the publication requirements set out in sections 8 and 11 of the Regulations Act (R.S.Q., chapter R-18.1). The provisions thereof may however, once published and if they so provide, take effect from any date prior to their publication but not prior to the effective date of the legislative provisions under which they are made.

341. This Act comes into force on 20 December 1999.