

## LEGISLATIVE PROPOSALS RELATING TO INCOME TAX AND SALES TAX

## PART 1

## INCOME TAX

## INCOME TAX ACT

**1. (1) Subparagraph (a)(i) of the description of B in subsection 12(10.2) of the *Income Tax Act* is replaced by the following:**

(i) deemed by subsection (10.4) or 104(5.1) or (14.1) (as it read for the taxpayer's 2015 taxation year) to have been paid out of the taxpayer's NISA Fund No. 2 before the particular time, or

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.****2. (1) Paragraph 14(1.01)(c) of the Act is replaced by the following:**

(c) if the eligible capital property is a qualified farm or fishing property (within the meaning assigned by subsection 110.6(1)) of the taxpayer at that time, the capital property deemed by paragraph (b) to have been disposed of by the taxpayer is deemed to be a qualified farm or fishing property of the taxpayer at that time.

**(2) Paragraph 14(1.02)(c) of the Act is replaced by the following:**

(c) if the eligible capital property is a qualified farm or fishing property (within the meaning assigned by subsection 110.6(1)) of the taxpayer at that time, the capital property deemed by paragraph (b) to have been disposed of by the taxpayer is deemed to be a qualified farm or fishing property of the taxpayer at that time.

**(3) The portion of subsection 14(1.1) of the Act before paragraph (a) is replaced by the following:**

(1.1) For the purposes of section 110.6 and paragraph 3(b) as it applies for the purposes of that section, an amount included under paragraph (1)(b) in computing a taxpayer's income for a particular taxation year from a business is deemed to be a taxable capital gain of the taxpayer for the year from the disposition in the year of qualified farm or fishing property to the extent of the lesser of

Deemed  
taxable capital  
gain

**(4) The descriptions of A and B in paragraph 14(1.1)(b) of the Act are replaced by the following:**

A is the amount by which the total of

(i)  $\frac{3}{4}$  of the total of all amounts each of which is the taxpayer's proceeds from a disposition in a preceding taxation year that began after 1987 and ended before February 28, 2000 of eligible capital property in respect of the business that, at the time of the disposition, was a qualified farm property (within the meaning assigned by subsection 110.6(1)) of the taxpayer,

(ii)  $\frac{2}{3}$  of the total of all amounts each of which is the taxpayer's proceeds from a disposition in the particular year or a preceding taxation year that ended after February

27, 2000 and before October 18, 2000 of eligible capital property in respect of the business that, at the time of the disposition, was a qualified farm property (within the meaning assigned by subsection 110.6(1)) of the taxpayer, and

(iii) 1/2 of the total of all amounts each of which is the taxpayer's proceeds from a disposition in the particular year or a preceding taxation year that ended after October 17, 2000 of eligible capital property in respect of the business that, at the time of the disposition, was a qualified farm property, a qualified fishing property or a qualified farm or fishing property (within the meaning assigned by subsection 110.6(1)) of the taxpayer

exceeds the total of

(iv) 3/4 of the total of all amounts each of which is

(A) an eligible capital expenditure of the taxpayer in respect of the business that was made or incurred in respect of a property that was, at the time of disposition, a qualified farm property disposed of by the taxpayer in a preceding taxation year that began after 1987 and ended before February 28, 2000, or

(B) an outlay or expense of the taxpayer that was not deductible in computing the taxpayer's income and that was made or incurred for the purpose of making a disposition referred to in clause (A),

(v) 2/3 of the total of all amounts each of which is

(A) an eligible capital expenditure of the taxpayer in respect of the business that was made or incurred in respect of a property that was, at the time of disposition, a qualified farm property disposed of by the taxpayer in the particular year or a preceding taxation year that ended after February 27, 2000 and before October 18, 2000, or

(B) an outlay or expense of the taxpayer that was not deductible in computing the taxpayer's income and that was made or incurred for the purpose of making a disposition referred to in clause (A), and

(vi) 1/2 of the total of all amounts each of which is

(A) an eligible capital expenditure of the taxpayer in respect of the business that was made or incurred in respect of a property that was, at the time of disposition, a qualified farm property, a qualified fishing property or a qualified farm or fishing property disposed of by the taxpayer in the particular year or a preceding taxation year that ended after October 17, 2000, or

(B) an outlay or expense of the taxpayer that was not deductible in computing the taxpayer's income and that was made or incurred for the purpose of making a disposition referred to in clause (A), and

B is the total of all amounts each of which is

(i) that portion of an amount deemed by subparagraph (1)(a)(v) (as it applied in respect of the business to fiscal periods that began after 1987 and ended before February

23, 1994) to be a taxable capital gain of the taxpayer that can reasonably be attributed to a disposition of a property that was, at the time of disposition, a qualified farm property of the taxpayer, or

(ii) an amount deemed by this section to be a taxable capital gain of the taxpayer for a taxation year preceding the particular year from the disposition of a property that was, at the time of disposition, a qualified farm property, a qualified fishing property or a qualified farm or fishing property of the taxpayer.

**(5) Subsection 14(1.2) of the Act is repealed.**

**(6) Subsections (1) to (5) apply to dispositions and transfers that occur in the 2014 and subsequent taxation years.**

**3. (1) The portion of subsection 15(2.14) of the Act before paragraph (a) is replaced by the following:**

Partnerships

(2.14) For purposes of this subsection, subsection (2.11), section 17.1 and subsection 18(5),

**(2) Subsection (1) applies to taxation years that end after March 28, 2012, except that, if an election is made by a taxpayer under subsection 49(3) of the *Jobs and Growth Act, 2012* (S.C. 2012, c. 31), subsection (1) does not apply to taxation years of the taxpayer that end before August 14, 2012.**

**4. (1) The portion of subsection 18(5) of the Act before the definition “beneficiary” is replaced by the following:**

Definitions

(5) Notwithstanding any other provision of this Act (other than subsection (5.1)), in this subsection and subsections (4) and (5.1) to (6.1),

**(2) Paragraph (b) of the definition “outstanding debts to specified non-residents” in subsection 18(5) of the Act is replaced by the following:**

(b) an amount outstanding at the particular time as or on account of a debt or other obligation

(i) to pay an amount to

(A) a non-resident insurance corporation to the extent that the obligation was, for the non-resident insurance corporation’s taxation year that included the particular time, designated insurance property in respect of an insurance business carried on in Canada through a permanent establishment as defined by regulation, or

(B) an authorized foreign bank, if the bank uses or holds the obligation at the particular time in its Canadian banking business, or

(ii) that is a debt obligation described in subparagraph (ii) of the description of A in paragraph 17.1(1)(b) to the extent that the proceeds of the debt obligation can reasonably be considered to directly or indirectly fund at the particular time, in whole or in part, a pertinent loan or indebtedness (as defined in subsection 212.3(11)) owing to the

corporation or another corporation resident in Canada that does not, at the particular time, deal at arm's length with the corporation.

**(3) Subsection 18(5) of the Act is amended by adding the following in alphabetical order:**

“security interest”  
« *garantie* »

“security interest”, in respect of a property, means an interest in, or for civil law a right in, the property that secures payment of an obligation.

“specified right”  
« *droit déterminé* »

“specified right”, at any time in respect of a property, means a right to, at that time, use, mortgage, hypothecate, assign, pledge or in any way encumber, invest, sell or otherwise dispose of, or in any way alienate, the property.

**(4) Subsection 18(6) of the Act is replaced by the following:**

Back-to-back loan arrangement

(6) Subsection (6.1) applies at any time in respect of a taxpayer if at that time

(a) the taxpayer has a particular amount outstanding as or on account of a particular debt or other obligation to pay an amount to a person or partnership (in this subsection and subsection (6.1) referred to as the “intermediary”);

(b) the intermediary is neither

(i) a person resident in Canada with whom the taxpayer does not deal at arm's length, nor

(ii) a person that is, in respect of the taxpayer, described in subparagraph (a)(i) of the definition “outstanding debts to specified non-residents” in subsection (5);

(c) the intermediary or a person or partnership that does not deal at arm's length with the intermediary

(i) has an amount outstanding as or on account of a debt or other obligation to pay an amount to a particular non-resident person that is, in respect of the taxpayer, described in subparagraph (a)(i) of the definition “outstanding debts to specified non-residents” in subsection (5) that meets any of the following conditions (in this subsection and subsection (6.1) referred to as the “intermediary debt”):

(A) recourse in respect of the debt or other obligation is limited in whole or in part, either immediately or in the future and either absolutely or contingently, to the particular debt or other obligation,

(B) the debt or other obligation was entered into on condition that the particular debt or other obligation be entered into,

(C) the particular debt or other obligation was entered into on condition that the debt or other obligation be entered into, or

(D) it can reasonably be concluded that if the debt or other obligation did not exist

(I) all or a portion of the particular amount would not be outstanding at that time, or

(II) the terms or conditions of the particular debt or other obligation would be different, or

(ii) has a specified right in respect of a particular property that was granted directly or indirectly by a person that is, in respect of the taxpayer, a particular non-resident person described in subparagraph (a)(i) of the definition “outstanding debts to specified non-residents” in subsection (5) and

(A) the existence of the specified right is required under the terms and conditions of the particular debt or other obligation, or

(B) it can reasonably be concluded that if the intermediary or the person or partnership that does not deal at arm’s length with the intermediary, as the case may be, were not granted any specified right

(I) all or a portion of the particular amount would not be outstanding at that time, or

(II) the terms or conditions of the particular debt or other obligation would be different; and

(d) the total of all amounts — each of which is, in respect of the particular debt or other obligation, an amount outstanding as or on account of an intermediary debt or the fair market value of a particular property described in subparagraph (c)(ii) — is equal to at least 25% of the total of

(i) the particular amount, and

(ii) the total of all amounts each of which is an amount (other than the particular amount) that the taxpayer, or a person or partnership that does not deal at arm’s length with the taxpayer, has outstanding as or on account of a debt or other obligation to pay an amount to the intermediary under the agreement, or an agreement that is connected to the agreement, under which the particular debt or other obligation was entered into where

(A) the intermediary is granted a security interest in respect of a property that is the intermediary debt or the particular property, as the case may be, and the security interest secures the payment of two or more debts or other obligations that include the debt or other obligation and the particular debt or other obligation, and

(B) each security interest that secures the payment of a debt or other obligation referred to in clause (A) secures the payment of every debt or other obligation referred to in that clause.

Back-to-back  
loan  
arrangement

(6.1) If this subsection applies at any time in respect of a taxpayer,

(a) then for the purpose of applying subsections (4) and (5),

(i) the portion of the particular amount, at that time, referred to in paragraph (6)(a) that is equal to the lesser of the following amounts is deemed to be an amount outstanding as or on account of a debt or other obligation to pay an amount to the particular non-res-

ident person referred to in subparagraph (6)(c)(i) or (ii), as the case may be, and not to the intermediary:

(A) the amount outstanding as or on account of the intermediary debt or the fair market value of the particular property referred to in subparagraph (6)(c)(ii), as the case may be, and

(B) the proportion of the particular amount that the amount outstanding or the fair market value, as the case may be, is of the total of all amounts each of which is

(I) an amount outstanding as or on account of an intermediary debt in respect of the particular debt or other obligation, owed to the particular non-resident or any other non-resident person that is, in respect of the taxpayer, described in the definition “outstanding debts to specified non-residents” in subsection (5), or

(II) the fair market value of a particular property referred to in subparagraph (6)(c)(ii) in respect of the particular debt or other obligation, and

(ii) the portion of the interest paid or payable by the taxpayer, in respect of a period throughout which subparagraph (a)(i) applies, on the particular debt or other obligation referred to in paragraph (6)(a) equal to the amount determined by the following formula is deemed to be paid or payable by the taxpayer to the particular non-resident, and not to the intermediary, as interest for the period on the amount deemed by subparagraph (a)(i) to be outstanding to the particular non-resident:

$$A \times B/C$$

where

A is the interest paid or payable,

B is the average of all amounts each of which is an amount that is deemed by subparagraph (a)(i) to be outstanding to the particular non-resident at a time during the period, and

C is the average of all amounts each of which is the particular amount outstanding at a time during the period; and

(b) for the purposes of Part XIII and subject to subsections 214(16) and (17), interest deemed under subparagraph (a)(ii) to be paid or payable to the particular non-resident in respect of a period is, to the extent that the interest is not deductible in computing the income of the taxpayer for the year because of subsection 18(4), deemed to be paid or payable by the taxpayer to the particular non-resident, and not to the intermediary, in respect of the period.

**(5) The portion of subsection 18(7) of the Act before paragraph (a) is replaced by the following:**

(7) For the purposes of this subsection, paragraph (4)(a), subsections (5) to (6.1) and paragraph 12(1)(l.1), each member of a partnership at any time is deemed at that time

**(6) Subsections (1) and (3) to (5) apply to taxation years that begin after 2014.**

**(7) Subsection (2) applies to taxation years that end after March 28, 2012, except that, if an election is made by a taxpayer under subsection 49(3) of the *Jobs and Growth Act, 2012* (S.C. 2012, c. 31), subsection (1) does not apply to taxation years of the taxpayer that end before August 14, 2012.**

**5. (1) Paragraph 34.1(1)(a) of the Act is replaced by the following:**

(a) an individual (other than a graduated rate estate) carries on a business in a taxation year,

**(2) Paragraph 34.1(2)(a) of the Act is replaced by the following:**

(a) an individual (other than a graduated rate estate) begins carrying on a business in a taxation year and not earlier than the beginning of the first fiscal period of the business that begins in the year and ends after the end of the year (in this subsection referred to as the “particular period”), and

**(3) Subsections (1) and (2) apply to the 2016 and subsequent taxation years.**

**6. (1) Subparagraph 38(a.1)(ii) of the Act is replaced by the following:**

(ii) the disposition is deemed by section 70 to have occurred and the property is

(A) a security described in subparagraph (i), and

(B) the subject of a gift to which subsection 118.1(5.1) applies and that is made by the taxpayer’s graduated rate estate to a qualified donee, or

**(2) Subparagraph 38(a.2)(ii) of the Act is replaced by the following:**

(ii) the disposition is deemed by section 70 to have occurred and the property is

(A) described in subparagraph (i), and

(B) the subject of a gift to which subsection 118.1(5.1) applies and that is made by the taxpayer’s graduated rate estate to a qualified donee (other than a private foundation);

**(3) Subsections (1) and (2) apply to the 2016 and subsequent taxation years.**

**7. (1) Subparagraph 39(1)(a)(i.1) of the Act is replaced by the following:**

(i.1) an object that the Canadian Cultural Property Export Review Board has determined meets the criteria set out in paragraphs 29(3)(b) and (c) of the *Cultural Property Export and Import Act* if

(A) the disposition is to an institution or a public authority in Canada that was, at the time of the disposition, designated under subsection 32(2) of that Act either generally or for a specified purpose related to that object, or

(B) the disposition is deemed by section 70 to have occurred and the object is the subject of a gift to which subsection 118.1(5.1) applies and that is made by the taxpayer’s graduated rate estate to an institution that would be described in clause (A) if the disposition were made at the time the estate makes the gift,

**(2) Subparagraph 39(1)(c)(vii) of the Act is replaced by the following:**

(vii) in the case of a share to which subparagraph (vi) applies and where the taxpayer is a trust referred to in paragraph 104(4)(a) or (a.4), the total of all amounts each of which is an amount received after 1971 or receivable at the time of the disposition by the settlor (within the meaning assigned by subsection 108(1)) or by the settlor's spouse as a taxable dividend on the share or on any other share in respect of which it is a substituted share, and

**(3) Subparagraph 39(1)(c)(vii) of the Act, as enacted by subsection (2), is replaced by the following:**

(vii) in the case of a share to which subparagraph (vi) applies and where the taxpayer is a trust for which a day is to be, or has been, determined under paragraph 104(4)(a), or (a.4) by reference to a death or later death, as the case may be, the total of all amounts each of which is an amount received after 1971 or receivable at the time of the disposition, as a taxable dividend on the share or on any other share in respect of which it is a substituted share, by an individual whose death is that death or later death, as the case may be, or a spouse or common-law partner of the individual, and

**(4) Subsections (1) and (3) apply to the 2016 and subsequent taxation years.**

**(5) Subsection (2) applies to the 2014 and 2015 taxation years.**

**8. (1) Subparagraph 40(1.1)(c)(ii) of the Act is replaced by the following:**

(ii) a share of the capital stock of a family farm or fishing corporation of the taxpayer or an interest in a family farm or fishing partnership of the taxpayer (such a share or an interest having the meaning assigned by subsection 70(10)), or

**(2) Paragraph 40(1.1)(c) of the Act is amended by striking out “or” at the end of subparagraph (iii) and by repealing subparagraph (iv).**

**(3) The portion of subsection 40(3.12) of the Act before paragraph (a) is replaced by the following:**

(3.12) If a corporation, an individual (other than a trust) or a graduated rate estate (each of which is referred to in this subsection as the “taxpayer”) is a member of a partnership at the end of a fiscal period of the partnership, the taxpayer is deemed to have a loss from the disposition at that time of the member's interest in the partnership equal to the amount that the taxpayer elects in the taxpayer's return of income under this Part for the taxation year that includes that time, not exceeding the lesser of

**(4) Subsections (1) and (2) apply to dispositions and transfers that occur in the 2014 and subsequent taxation years.**

**(5) Subsection (3) applies to the 2016 and subsequent taxation years.**

**9. (1) Subparagraph 69(1)(b)(ii) of the Act is replaced by the following:**

(ii) to any person by way of gift, or

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

Deemed loss  
for certain  
partners



**10. (1) Paragraph 70(9)(a) of the English version of the Act is replaced by the following:**

(a) the property was, before the death of the taxpayer, used principally in a farming or fishing business carried on in Canada in which the taxpayer, the spouse or common-law partner of the taxpayer or a child or parent of the taxpayer was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot);

**(2) Paragraph 70(9.1)(c) of the English version of the Act is replaced by the following:**

(c) the property is, immediately before the beneficiary's death, land or a depreciable property of a prescribed class of the trust that was used in a farming or fishing business carried on in Canada;

**(3) Paragraph 70(9.2)(a) of the Act is replaced by the following:**

(a) the property was, immediately before the death of the taxpayer, a share of the capital stock of a family farm or fishing corporation of the taxpayer or an interest in a family farm or fishing partnership of the taxpayer;

**(4) The portion of subparagraph 70(9.21)(a)(ii) of the Act before clause (A) is replaced by the following:**

(ii) where the property is, immediately before the death of the taxpayer, a share of the capital stock of a family farm or fishing corporation of the taxpayer,

**(5) The portion of subparagraph 70(9.21)(b)(ii) of the Act before clause (A) is replaced by the following:**

(ii) subject to subparagraph (iii), where the property is, immediately before the taxpayer's death, a share of the capital stock of a family farm or fishing corporation of the taxpayer or an interest in a family farm or fishing partnership of the taxpayer,

**(6) Paragraph 70(9.3)(a) of the Act is replaced by the following:**

(a) the property (or property for which the property was substituted) was transferred to the trust by the settlor and was, immediately before that transfer, a share of the capital stock of a family farm or fishing corporation of the settlor or an interest in a family farm or fishing partnership of the settlor;

**(7) Subparagraphs 70(9.3)(c)(i) and (ii) of the Act are replaced by the following:**

(i) a share of the capital stock of a Canadian corporation that would, immediately before that beneficiary's death, be a share of the capital stock of a family farm or fishing corporation of the settlor, if the settlor owned the share at that time and paragraph (a) of the definition "share of the capital stock of a family farm or fishing corporation" in subsection (10) were read without the words "in which the individual, the individual's spouse or common-law partner, a child of the individual or a parent of the individual was actively engaged on a regular and continuous basis (or, in the case of property used

in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot”, or

**(8) Subparagraph 70(9.3)(c)(iii) of the Act is replaced by the following:**

(iii) a partnership interest in a partnership that carried on in Canada a farming or fishing business in which it used all or substantially all of the property;

**(9) The portion of subparagraph 70(9.31)(a)(ii) of the Act before clause (A) is replaced by the following:**

(ii) where the property is, immediately before the beneficiary’s death, a share described in subparagraph (9.3)(c)(i),

**(10) The portion of subparagraph 70(9.31)(b)(ii) of the Act before clause (A) is replaced by the following:**

(ii) subject to subparagraph (iii), where the property is, immediately before the beneficiary’s death, a share described in subparagraph (9.3)(c)(i) or a partnership interest described in subparagraph (9.3)(c)(iii),

**(11) Subsection 70(9.8) of the Act is replaced by the following:**

Leased farm or  
fishing  
property

(9.8) For the purposes of subsections (9) and 14(1), paragraph 20(1)(b), subsection 73(3) and paragraph (d) of the definition “qualified farm or fishing property” in subsection 110.6(1), a property of an individual is, at a particular time, deemed to be used by the individual in a farming or fishing business carried on in Canada if, at that particular time, the property is being used, principally in the course of carrying on a farming or fishing business in Canada, by

(a) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm or fishing corporation of the individual, the individual’s spouse or common-law partner, a child of the individual or a parent of the individual; or

(b) a partnership, a partnership interest in which is an interest in a family farm or fishing partnership of the individual, the individual’s spouse or common-law partner, a child of the individual or a parent of the individual.

**(12) The definitions “interest in a family farm partnership”, “interest in a family fishing partnership”, “share of the capital stock of a family farm corporation” and “share of the capital stock of a family fishing corporation” in subsection 70(10) of the Act are repealed.**

**(13) The definition “child” in subsection 70(10) of the Act is amended by striking out the word “and” at the end of paragraph (b) and by adding the following after paragraph (b):**

(b.1) a person who was a child of the taxpayer immediately before the death of the person’s spouse or common law partner, and

**(14) Subsection 70(10) of the Act is amended by adding the following in alphabetical order:**

“interest in a family farm or fishing partnership”  
« participation dans une société de personnes agricole ou de pêche familiale »

“interest in a family farm or fishing partnership”, of an individual at any time, means a partnership interest owned by the individual at that time if, at that time, all or substantially all of the fair market value of the property of the partnership was attributable to

(a) property that has been used principally in the course of carrying on a farming or fishing business in Canada in which the individual, the individual’s spouse or common-law partner, a child of the individual or a parent of the individual was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot), by

(i) the partnership,

(ii) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm or fishing corporation of the individual, the individual’s spouse or common-law partner, a child of the individual or a parent of the individual,

(iii) a partnership, a partnership interest in which is an interest in a family farm or fishing partnership of the individual, the individual’s spouse or common-law partner, a child of the individual or a parent of the individual, or

(iv) the individual, the individual’s spouse or common-law partner, a child of the individual or a parent of the individual,

(b) shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in paragraph (d),

(c) partnership interests or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in paragraph (d), or

(d) properties described in any of paragraphs (a) to (c);

“share of the capital stock of a family farm or fishing corporation”  
« action du capital-actions d’une société agricole ou de pêche familiale »

“share of the capital stock of a family farm or fishing corporation”, of an individual at any time, means a share of the capital stock of a corporation owned by the individual at that time if, at that time, all or substantially all of the fair market value of the property owned by the corporation was attributable to

(a) property that has been used principally in the course of carrying on a farming or fishing business in Canada in which the individual, the individual’s spouse or common-law part-

ner, a child of the individual or a parent of the individual was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot), by

- (i) the corporation,
  - (ii) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm or fishing corporation of the individual, the individual's spouse or common-law partner, a child of the individual or a parent of the individual,
  - (iii) a corporation controlled by a corporation described in subparagraph (i) or (ii),
  - (iv) a partnership, a partnership interest in which is an interest in a family farm or fishing partnership of the individual, the individual's spouse or common-law partner, a child of the individual or a parent of the individual, or
  - (v) the individual, the individual's spouse or common-law partner, a child of the individual or a parent of the individual,
- (b) shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in paragraph (d),
- (c) partnership interests or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to property described in paragraph (d), or
- (d) properties described in any of paragraphs (a) to (c);

**(15) Subsections (1) to (10) and (12) to (14) are deemed to have come into force on January 1, 2014.**

**(16) Subsection (11) applies to dispositions and transfers that occur in the 2014 and subsequent taxation years.**

**11. (1) Paragraph 73(3)(a) of the English version of the Act is replaced by the following:**

(a) the property was, before the transfer, land in Canada or depreciable property in Canada of a prescribed class, of the taxpayer, or any eligible capital property in respect of a farming or fishing business carried on in Canada by the taxpayer;

**(2) Paragraph 73(3)(c) of the English version of the Act is replaced by the following:**

(c) the property has been used principally in a farming or fishing business in which the taxpayer, the taxpayer's spouse or common-law partner, a child of the taxpayer or a parent of the taxpayer was actively engaged on a regular and continuous basis (or, in the case of property used in the operation of a woodlot, was engaged to the extent required by a prescribed forest management plan in respect of that woodlot).

**(3) Paragraph 73(4)(b) of the Act is replaced by the following:**

(b) the property was, immediately before the transfer, a share of the capital stock of a family farm or fishing corporation of the taxpayer or an interest in a family farm or fishing partnership of the taxpayer (as defined in subsection 70(10)).

**(4) The portion of paragraph 73(4.1)(a) of the Act before subparagraph (i) is replaced by the following:**

(a) subject to paragraph (c), where the property was, immediately before the transfer, a share of the capital stock of a family farm or fishing corporation of the taxpayer or an interest in a family farm or fishing partnership of the taxpayer, the taxpayer is deemed to have disposed of the property at the time of the transfer for proceeds of disposition equal to,

**(5) Paragraph 73(4.1)(b) of the Act is replaced by the following:**

(b) subject to paragraph (c), where the property is, immediately before the transfer, a share of the capital stock of a family farm or fishing corporation of the taxpayer or an interest in a family farm or fishing partnership of the taxpayer, the child is deemed to have acquired the property for an amount equal to the taxpayer's proceeds of disposition in respect of the disposition of the property determined under paragraph (a);

**(6) The portion of paragraph 73(4.1)(c) of the Act before subparagraph (i) is replaced by the following:**

(c) where the property is, immediately before the transfer, an interest in a family farm or fishing partnership of the taxpayer (other than a partnership interest to which subsection 100(3) applies), the taxpayer receives no consideration in respect of the transfer of the property and the taxpayer elects, in the taxpayer's return of income under this Part for the taxation year which includes the time of the transfer, to have this paragraph apply in respect of the transfer of the property,

**(7) Subsections (1) to (6) apply to transfers that occur in the 2014 and subsequent taxation years.**

**12. (1) Subsection 80.03(8) of the Act is replaced by the following:**

(8) If, as a consequence of the disposition at any time by an individual of a property that is a qualified farm or fishing property of the individual or a qualified small business corporation share of the individual (as defined in subsection 110.6(1)), the individual is deemed by subsection (2) to have a capital gain at that time from the disposition of another property, for the purposes of sections 3, 74.3 and 111, as they apply for the purposes of section 110.6, the other property is deemed to be a qualified farm or fishing property of the individual or a qualified small business corporation share of the individual, as the case may be.

**(2) Subsection (1) applies to dispositions that occur in the 2014 and subsequent taxation years.**

**13. (1) Clause 80.04(6)(a)(ii)(B) of the Act is replaced by the following:**

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

Lifetime  
capital gains  
exemption

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**14. (1) The definition “breeding animals” in subsection 80.3(1) of the Act is replaced by the following:**

“breeding animals”  
« animaux reproducteurs »

“breeding animals” means deer, elk and other similar grazing ungulates, bovine cattle, bison, goats, sheep, and horses, that are over 12 months of age and are kept for breeding;

**(2) Subsection 80.3(1) of the Act is amended by adding the following in alphabetical order:**

“breeding bee stock”  
« stock d’abeilles reproductrices »

“breeding bee stock”, of a taxpayer at any time, means a reasonable estimate of the quantity of a taxpayer’s breeding bees held at that time in the course of carrying on a farming business using a unit of measurement that is accepted as an industry standard;

“breeding bees”  
« abeilles reproductrices »

“breeding bees” means bees that are not used principally to pollinate plants in greenhouses and larvae of such bees;

**(3) Section 80.3 of the Act is amended by adding the following after subsection (4):**

Income deferral

(4.1) If in a taxation year a taxpayer carries on a farming business in a region that is at any time in the year a prescribed drought region or a prescribed region of flood or excessive moisture and the taxpayer’s breeding bee stock at the end of the year in respect of the business does not exceed 85% of the taxpayer’s breeding bee stock at the beginning of the year in respect of the business, there may be deducted in computing the taxpayer’s income from the business for the year the amount that the taxpayer claims, not exceeding the amount, if any, determined by the formula

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

where

A is the amount by which

(a) the total of all amounts included in computing the taxpayer’s income from the business for the year in respect of the sale of breeding bees in the year

exceeds

(b) the total of all amounts deducted under paragraph 20(1)(n) in computing the taxpayer’s income from the business for the year in respect of an amount referred to in paragraph (a);

B is the total of all amounts deducted in computing the taxpayer’s income from the business for the year in respect of the acquisition of breeding bees; and

C is

(a) 30% where the taxpayer's breeding bee stock in respect of the business at the end of the year exceeds 70% of the taxpayer's breeding bee stock in respect of the business at the beginning of the year, and

(b) 90% where the taxpayer's breeding bee stock in respect of the business at the end of the year does not exceed 70% of the taxpayer's breeding bee stock in respect of the business at the beginning of the year.

**(4) The portion of subsection 80.3(5) of the Act before paragraph (b) is replaced by the following:**

Inclusion of  
deferred  
amount

(5) An amount deducted under subsection (4) or (4.1) in computing the income of a taxpayer for a particular taxation year from a farming business carried on in a region prescribed under those subsections may, to the extent that the taxpayer so elects, be included in computing the taxpayer's income from the business for a taxation year ending after the particular taxation year, and is, except to the extent that the amount has been included under this subsection in computing the taxpayer's income from the business for a preceding taxation year after the particular year, deemed to be income of the taxpayer from the business for the taxation year of the taxpayer that is the earliest of

(a) the first taxation year beginning after the end of the period or series of continuous periods, as the case may be, for which the region is prescribed under those subsections,

**(5) The portion of subsection 80.3(6) of the Act before paragraph (a) is replaced by the following:**

Where not  
applicable

(6) Subsections (2), (4) and (4.1) do not apply to a taxpayer in respect of a farming business for a taxation year

**(6) Section 80.3 of the Act is amended by adding the following after subsection (6):**

Measuring  
breeding bee  
stock

(7) In applying subsection (4.1) in respect of a taxation year, the unit of measurement used for estimating the quantity of a taxpayer's breeding bee stock held in the course of carrying on a farming business at the end of the year is to be the same as that used for the beginning of the year.

**(7) Subsections (1) to (6) apply to the 2014 and subsequent taxation years.**

**15. (1) The definitions "connected contributor" and "resident contributor" in subsection 94(1) of the Act are replaced by the following:**

"connected  
contributor"  
« *contribuant  
rattaché* »

"connected contributor", to a trust at a particular time, means a contributor to the trust at the particular time, other than a person all of whose contributions to the trust made at or before the particular time were made at a non-resident time of the person.

"resident  
contributor"  
« *contribuant  
résident* »

"resident contributor", to a trust at any time, means a person that is, at that time, resident in Canada and a contributor to the trust, but – if the trust was created before 1960 by a person who was non-resident when the trust was created – does not include an individual (other than a trust) who has not, after 1959, made a contribution to the trust.

**(2) Paragraph 94(4)(b) of the Act is replaced by the following:**

(b) subsections (8.1) and (8.2), paragraph (14)(a), subsections 70(6) and 73(1), the definition “Canadian partnership” in subsection 102(1), paragraph 107.4(1)(c), the definition “qualified disability trust” in subsection 122(3) and paragraph (a) of the definition “mutual fund trust” in subsection 132(6);

**(3) Subparagraph 94(11)(b)(ii) of the Act is replaced by the following:**

(ii) would be deemed to be resident in Canada immediately before that time because of paragraph (3)(a) if this section, as it read in its application to 2013 taxation years, were read without reference to paragraph (a) of the definition “connected contributor” in subsection (1) and paragraph (a) of the definition “resident contributor” in that subsection,

**(4) Subsections (1) and (3) apply to taxation years that end after February 10, 2014, except that those subsections do not apply in respect of a trust to taxation years that end before 2015 if the following conditions are satisfied:**

**(a) no contributions are made to the trust after February 10, 2014 and before 2015; and**

**(b) if the trust were to have a particular taxation year that ended after 2013 and before February 11, 2014,**

**(i) the trust would be non-resident for the purpose of computing its income for the particular year, and**

**(ii) if the definitions “resident contributor” and “connected contributor” in subsection 94(1) of the Act were read for the particular year without reference to their paragraphs (a), the trust would be resident in Canada for the purpose of computing its income for the particular year.**

**(5) Subsection (2) applies to the 2016 and subsequent taxation years.**

**16. (1) The portion of subsection 94.2(1) of the Act before paragraph (a) is replaced by the following:**

**94.2 (1) Subsection (2) applies to a beneficiary under a trust, and to any particular person of which any such beneficiary is a controlled foreign affiliate, at any time if**

**(2) Subsection (1) applies to taxation years that end after February 10, 2014, except that it does not apply in respect of a trust to taxation years that end before 2015 if the following conditions are satisfied:**

**(a) no contributions are made to the trust after February 10, 2014 and before 2015; and**

**(b) if the trust were to have a particular taxation year that ended after 2013 and before February 11, 2014,**

**(i) the trust would be non-resident for the purpose of computing its income for the particular year, and**



(ii) if the definitions “resident contributor” and “connected contributor” in subsection 94(1) of the Act were read for the particular year without reference to their paragraphs (a), the trust would be resident in Canada for the purpose of computing its income for the particular year.

**17. (1) The definition “non-qualifying country” in subsection 95(1) of the Act is replaced by the following:**

“non-qualifying country”  
« pays non admissible »

“non-qualifying country”, at any time, means a country or other jurisdiction

(a) with which Canada neither has a tax treaty at that time nor has, before that time, signed an agreement that will, on coming into effect, be a tax treaty,

(a.1) for which, if the time is after February 2014, the *Convention on Mutual Administrative Assistance in Tax Matters* — concluded at Strasbourg on January 25, 1988, as amended from time to time by a protocol, or other international instrument, as ratified by Canada — is at that time not in force and does not have effect,

(b) with which Canada does not have a comprehensive tax information exchange agreement that is in force and has effect at that time, and

(c) with which Canada has, more than 60 months before that time, either

(i) begun negotiations for a comprehensive tax information exchange agreement (unless that time is before 2014 and Canada was, on March 19, 2007, in the course of negotiating a comprehensive tax information exchange agreement with that jurisdiction), or

(ii) sought, by written invitation, to enter into negotiations for a comprehensive tax information exchange agreement (unless that time is before 2014 and Canada was, on March 19, 2007, in the course of negotiating a comprehensive tax information exchange agreement with that jurisdiction);

**(2) Section 95 of the Act is amended by adding the following after subsection (1):**

British Virgin Islands

(1.1) For the purposes of paragraph (b) of the definition “non-qualifying country” in subsection (1), the British Overseas Territory of the British Virgin Islands is deemed to have a comprehensive tax information exchange agreement with Canada that is in force and has effect after 2013 and before March 11, 2014.

**(3) Subsection 95(2) of the Act is amended by adding the following after paragraph (a.2):**

(a.21) for the purposes of paragraph (a.2), one or more risks insured by a foreign affiliate of a taxpayer that, if this Act were read without reference to this paragraph, would not be risks in respect of a person, property or business described in any of subparagraphs (a.2)(i) to (iii) (in this paragraph referred to as the “foreign policy pool”) are deemed to be risks in respect of a person resident in Canada if

(i) the affiliate, or a person or partnership that does not deal at arm's length with the affiliate, enters into one or more agreements or arrangements in respect of the foreign policy pool,

(ii) the affiliate's risk of loss or opportunity for gain or profit in respect of the foreign policy pool, in combination with its risk of loss or opportunity for gain or profit in respect of the agreements or arrangements, can reasonably be considered to be — or could reasonably be considered to be if the affiliate had entered into the agreements or arrangements entered into by the person or partnership — determined, in whole or in part, by reference to one or more criteria in respect of one or more risks insured by another person or partnership (in this paragraph referred to as the “tracked policy pool”), which criteria are:

- (A) the fair market value of the tracked policy pool,
- (B) the revenue, income, loss or cash flow from the tracked policy pool, or
- (C) any other similar criteria, and

(iii) 10% or more of the tracked policy pool consists of risks in respect of a person, property or business described in any of subparagraphs (a.2)(i) to (iii);

(a.22) if the conditions in paragraph (a.21) are satisfied in respect of a foreign affiliate of a taxpayer, or a foreign affiliate of another taxpayer if that other taxpayer does not deal at arm's length with the taxpayer, and a particular foreign affiliate of the taxpayer, or a partnership of which the particular affiliate is a member, has entered into one or more agreements or arrangements described in that paragraph,

(i) activities performed in connection with those agreements or arrangements are deemed to be a separate business, other than an active business, carried on by the particular affiliate to the extent that those activities can reasonably be considered to be performed for the purpose of obtaining the result described in subparagraph (a.21)(ii), and

(ii) any income of the particular affiliate from the business (including income that pertains to or is incident to the business) is deemed to be income from a business other than an active business;

**(4) Subparagraph 95(2)(l)(iv) of the Act is amended by striking out “or” after clause (B), by adding “or” at the end of clause (C) and by adding the following after clause (C):**

- (D) a partnership each member of which is a corporation described in any of clauses (A) to (C);

**(5) Section 95 of the Act is amended by adding the following after subsection (2.1):**

(2.11) A taxpayer or a foreign affiliate of the taxpayer, as the case may be, is deemed not to have established that the conditions in subparagraph (a)(i) of the definition “investment business” in subsection (1) have been satisfied throughout a period in a particular taxation year of the affiliate unless

- (a) throughout the period the taxpayer is
- (i) a particular corporation resident in Canada
    - (A) that is a bank listed in Schedule I to the *Bank Act*, a trust company, a credit union, an insurance corporation or a trader or dealer in securities or commodities that is a registered securities dealer, the business activities of which are subject to the supervision of a regulating authority such as the Superintendent of Financial Institutions, a similar regulating authority of a province or an authority of, or approved by, a province to regulate traders or dealers in securities or commodities, and
    - (B) that is not a corporation the fair market value of any share of the capital stock of which is determined primarily by reference to one or more of the fair market value of, any revenue, income or cash flow from, any profits or gains from the disposition of, or any other similar criteria in respect of, property the fair market value of which is less than 90% of the fair market value of all of the property of the corporation,
  - (ii) a corporation resident in Canada
    - (A) of which
      - (I) the particular corporation described in subparagraph (i) is a subsidiary controlled corporation, or
      - (II) a corporation described in this subparagraph is a subsidiary wholly-owned corporation, and
    - (B) that is not a corporation the fair market value of any share of the capital stock of which is determined primarily by reference to one or more of the fair market value of, any revenue, income or cash flow from, any profits or gains from the disposition of, or any other similar criteria in respect of, property the fair market value of which is less than 90% of the fair market value of all of the property of the corporation,
  - (iii) a corporation resident in Canada each of the shares of the capital stock of which is owned by a corporation that is described in this subparagraph or in subparagraph (i) or (ii), or
  - (iv) a partnership each member of which is a corporation described in any of subparagraphs (i) to (iii), or another partnership described in this subparagraph; and
- (b) either
- (i) throughout the period the taxpayer has, or is deemed for certain purposes to have, \$2 billion or more of equity
    - (A) if the taxpayer is a bank, under the *Bank Act*,
    - (B) if the taxpayer is a trust company, under the *Trust and Loan Companies Act*, or
    - (C) if the taxpayer is an insurance corporation, under the *Insurance Companies Act*, or
  - (ii) more than 50% of the total of all amounts each of which is an amount of taxable capital employed in Canada (within the meaning assigned by Part I.3) of the taxpayer

— or of a corporation resident in Canada that is related to the taxpayer — for the taxation year of the taxpayer or the other corporation, as the case may be, that ends in the particular year is attributable to a business carried on in Canada, the activities of which are subject to the supervision of a regulating authority such as the Superintendent of Financial Institutions, a similar regulating authority of a province or an authority of, or approved by, a province to regulate traders or dealers in securities or commodities.

**(6) Subsections (1) and (2) are deemed to have come into force on January 1, 2014.**

**(7) Subsection (3) applies to taxation years of a taxpayer that begin after February 10, 2014.**

**(8) Subsections (4) and (5) apply to taxation years of a taxpayer that begin after 2014.**

**18. (1) Subsection 104(5.1) of the Act is replaced by the following:**

(5.1) Every trust that holds an interest in a NISA Fund No. 2 that was transferred to it in circumstances to which paragraph 70(6.1)(b) applied is deemed, at the end of the day on which the spouse or common-law partner referred to in that paragraph dies, to have been paid an amount out of the fund equal to the balance at the end of that day in the fund so transferred.

**(2) Paragraph 104(6)(a.3) of the Act is replaced by the following:**

(a.3) in the case of a trust deemed by subsection 143(1) to exist in respect of a congregation that is a constituent part of a religious organization, such part of its income for the year as became payable in the year to a beneficiary;

**(3) Paragraph 104(6)(b) of the Act is replaced by the following:**

(b) in any other case, the amount that the trust claims not exceeding the amount, if any, determined by the formula

$$A - B$$

where

A is the part of its income (determined without reference to this subsection and subsections (12) and 12(10.2)) for the year that became payable in the year to, or that was included under subsection 105(2) in computing the income of, a beneficiary, and

B is

(i) if the trust is a trust for which a day is to be determined under paragraph (4)(a) or (a.4) by reference to a death or later death, as the case may be, that has not occurred before the end of the year, the part of its income (determined without reference to this subsection and subsection (12)) for the year that became payable in the year to, or that was included under subsection 105(2) in computing the income of, a beneficiary (other than an individual whose death is that death or later death, as the case may be), and

(ii) if the trust is a SIFT trust for the year, the amount, if any, by which

(A) the amount determined for A for the trust for the year

exceeds

(B) the amount, if any, by which the amount determined for A for the trust for the year exceeds its non-portfolio earnings for the year.

**(4) Section 104 of the Act is amended by adding the following after subsection (7.01):**

Limitation —  
amount  
claimed as gift

(7.02) No deduction may be made under subsection (6) in computing the income for a taxation year of an estate that arose on and as a consequence of an individual's death in respect of a payment to the extent that the payment is a gift in respect of which an amount is deducted under section 118.1 for any taxation year in computing the individual's tax payable under this Part.

**(5) Section 104 of the Act is amended by adding the following after subsection (13.2):**

Invalid  
designation

(13.3) Any designation made under subsection (13.1) or (13.2) by a trust in its return of income under this Part for a taxation year is invalid if the trust's taxable income for the year, determined without reference to this subsection, is greater than nil.

Death of  
beneficiary —  
spousal and  
similar trusts

(13.4) If an individual's death occurs on a day in a particular taxation year of a trust and the death is the death or later death, as the case may be, referred to in paragraph (4)(a), (a.1) or (a.4) in respect of the trust,

(a) the particular year is deemed to end at the end of that day, a new taxation year of the trust is deemed to begin immediately after that day and, for the purpose of determining the trust's fiscal period after the new taxation year began, the trust is deemed not to have established a fiscal period before the new taxation year began;

(b) the trust's income (determined without reference to subsections (6) and (12)) for the particular year is, notwithstanding subsection (24), deemed

(i) to have become payable in the year to the individual, and

(ii) not

(A) to have become payable to another beneficiary, or

(B) to be included under subsection 105(2) in computing the individual's income; and

(c) in respect of the particular year

(i) the references in paragraphs 150(1)(c) and (a) of the definition "balance-due day" in subsection 248(1) to "year" are to be read as "calendar year in which the year ends"; and

(ii) the reference in subsection 204(2) of the *Income Tax Regulations* to "end of the taxation year" is to be read as "end of the calendar year in which the taxation year ends".

**(6) Subsections 104(14.01) to (14.1) of the Act are repealed.**

**(7) The portion of subsection 104(16) of the Act before paragraph (a) is replaced by the following:**

SIFT deemed  
dividend

(16) If an amount (in this subsection and section 122 referred to as the trust's "non-deductible distributions amount" for the taxation year) is determined under subparagraph (ii) of the description of B in paragraph (6)(b) in respect of a SIFT trust for a taxation year

**(8) Clause 104(21.2)(b)(ii)(A) of the Act is replaced by the following:**

(A) from a disposition of a capital property that is qualified farm or fishing property (as defined for the purpose of section 110.6) of the beneficiary equal to the amount determined by the formula

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

**(9) Subparagraph 104(21.2)(b)(ii) of the Act is amended by adding "and" between clauses (A) and (B), by striking out "and" between clauses (B) and (C) and by repealing clause (C).**

**(10) The description of C in subparagraph 104(21.2)(b)(ii) of the Act is replaced by the following:**

C is the amount, if any, that would be determined under paragraph 3(b) for the designation year in respect of the trust's capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified farm properties, qualified fishing properties or qualified farm or fishing properties of the trust,

**(11) The descriptions of E to I in subparagraph 104(21.2)(b)(ii) of the Act are replaced by the following:**

E is the total of the amounts determined for C and F for the designation year in respect of the beneficiary, and

F is the amount, if any, that would be determined under paragraph 3(b) for the designation year in respect of the trust's capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified small business corporation shares of the trust, other than qualified farm property, qualified fishing property or qualified farm or fishing property,

**(12) Subsections 104(21.21) to (21.24) of the Act are repealed.**

**(13) The portion of subsection 104(23) of the Act before paragraph (c) is replaced by the following:**

(23) In the case of a trust that is a graduated rate estate,

Deceased  
beneficiary of  
graduated rate  
estate

**(14) Subsection 104(23) of the Act is amended by adding "and" at the end of paragraph (c), by striking out "and" at the end of paragraph (d) and by repealing paragraph (e).**

**(15) The portion of subsection 104(27) of the Act before paragraph (a) is replaced by the following:**

(27) If a trust, in a taxation year in which it is resident in Canada and is the graduated rate estate of an individual, receives a superannuation or pension benefit or a benefit out of or under a foreign retirement arrangement and designates, in its return of income for the year under this Part, an amount in respect of a beneficiary under the trust equal to the portion (in this subsection referred to as the “beneficiary’s share”) of the benefit that

**(16) Subparagraph 104(27)(c)(ii) of the Act is replaced by the following:**

(ii) the beneficiary was a spouse or common-law partner of the individual,

**(17) Subparagraph 104(27)(d)(i) of the Act is replaced by the following:**

(i) is a single amount (as defined in subsection 147.1(1)), other than an amount that relates to an actuarial surplus, paid by a registered pension plan to the trust as a consequence of the individual’s death and the individual was, at the time of death, a spouse or common-law partner of the beneficiary, or

**(18) Paragraph 104(27)(e) of the Act is replaced by the following:**

(e) where the benefit is a single amount (as defined in subsection 147.1(1)) paid by a registered pension plan to the trust as a consequence of the individual’s death,

(i) if the beneficiary was, immediately before the death, a child or grandchild of the individual who, because of mental or physical infirmity, was financially dependent on the individual for support, the beneficiary’s share of the benefit (other than any portion of it that relates to an actuarial surplus) is deemed, for the purposes of paragraph 60(l), to be an amount from a registered pension plan included in computing the beneficiary’s income for the particular year as a payment described in clause 60(l)(v)(B.01), and

(ii) if the beneficiary was, at the time of the death, under 18 years of age and a child or grandchild of the individual, the beneficiary’s share of the benefit (other than any portion of it that relates to an actuarial surplus) is deemed, for the purposes of paragraph 60(l), to be an amount from a registered pension plan included in computing the beneficiary’s income for the particular year as a payment described in subclause 60(l)(v)(B.1)(II).

**(19) Paragraphs 104(27.1)(a) and (b) of the Act are replaced by the following:**

(a) a trust, in a taxation year (in this subsection referred to as the “trust year”) in which it is resident in Canada and is the graduated rate estate of an individual, receives an amount from a deferred profit sharing plan as a consequence of the individual’s death,

(b) the individual was an employee of an employer who participated in the plan on behalf of the individual, and

**(20) Paragraph 104(27.1)(e) of the Act is replaced by the following:**

(e) can 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 was included under subsection (13) in computing the income for a particular taxation year of a beneficiary under the trust who was, at the time of the death, the individual’s spouse or common-law partner, and

Death benefit

**(21) Subsection 104(28) of the Act is replaced by the following:**

(28) If the graduated rate estate of an individual receives an amount on or after the individual's death in recognition of the individual's service in an office or employment, the portion of the amount that can reasonably be considered (having regard to all the circumstances including the terms and conditions of the trust arrangement) to be paid or payable at any time to a beneficiary under the estate is deemed

*(a)* to be an amount received by the beneficiary at that time on or after the death in recognition of the individual's service in an office or employment; and

*(b)* except for purposes of this subsection, not to have been received by the estate.

**(22) Subsections (1) to (3), (5) to (7) and (13) to (21) apply to the 2016 and subsequent taxation years.**

**(23) Subsection (4) applies to taxation years that end on or after ANNOUNCEMENT DATE.**

**(24) Subsections (8) to (12) apply to dispositions that occur in the 2014 and subsequent taxation years.**

**19. (1) Paragraph 107.4(1)(j) of the Act is replaced by the following:**

*(j)* if the contributor is an amateur athlete trust, a cemetery care trust, an employee life and health trust, an employee trust, a trust deemed by subsection 143(1) to exist in respect of a congregation that is a constituent part of a religious organization, a related segregated fund trust (within the meaning assigned by paragraph 138.1(1)(a)), a trust described in paragraph 149(1)(o.4) or a trust governed by an eligible funeral arrangement, an employees profit sharing plan, a registered disability savings plan, a registered education savings plan, a registered supplementary unemployment benefit plan or a TFSA, the particular trust is the same type of trust.

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**20. (1) The definitions “qualified fishing property”, “qualified farm property” and “qualified small business corporation shares” in subsection 108(1) of the Act are repealed.**

**(2) The definition “settlor” in subsection 108(1) of the Act is repealed.**

**(3) The portion of paragraph 108(7)(b) of the Act before subparagraph (i) is replaced by the following:**

*(b)* if all the beneficial interests in a particular trust acquired by way of the transfer, assignment or other disposition of property to the particular trust were acquired by

**(4) Subsection (1) applies to dispositions that occur in the 2014 and subsequent taxation years.**

**(5) Subsections (2) and (3) apply to the 2016 and subsequent taxation years.**

**21. (1) The portion of paragraph 110.1(1)(a) of the Act before the formula is replaced by the following:**



(a) the total of all amounts each of which is the eligible amount of a gift (other than a gift described in paragraph (c) or (d)) made by the corporation in the year or in any of the five preceding taxation years to a qualified donee, not exceeding the lesser of the corporation's income for the year and the amount determined by the formula

**(2) Paragraph 110.1(1)(b) of the Act is repealed.**

**(3) The portion of subparagraph 110.1(1)(d)(iii) of the Act before clause (A) is replaced by the following:**

(iii) the gift was made by the corporation in the year or in any of the 10 preceding taxation years to a qualified donee that is

**(4) Subsections (1) and (2) apply to the 2016 and subsequent taxation years.**

**(5) Subsection (3) applies to gifts made after February 10, 2014.**

**22. (1) The definitions “interest in a family farm partnership”, “interest in a family fishing partnership”, “qualified farm property”, “qualified fishing property”, “share of the capital stock of a family farm corporation” and “share of the capital stock of a family fishing corporation” in subsection 110.6(1) of the Act are repealed.**

**(2) Paragraph (b) of the description of A in the definition “annual gains limit” in subsection 110.6(1) of the Act is replaced by the following:**

(b) the amount that would be determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified farm properties, qualified fishing properties, qualified farm or fishing properties and qualified small business corporation shares, and

**(3) Subsection 110.6(1) is amended by adding the following in alphabetical order:**

“interest in a family farm or fishing partnership”  
« participation dans une société de personnes agricole ou de pêche familiale »

“interest in a family farm or fishing partnership”, of an individual (other than a trust that is not a personal trust) at any time, means a partnership interest owned by the individual at that time if

(a) throughout any 24-month period ending before that time, more than 50% of the fair market value of the property of the partnership was attributable to

(i) property that was used principally in the course of carrying on a farming or fishing business in Canada in which the individual, a beneficiary referred to in clause (C) or a spouse, common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C) was actively engaged on a regular and continuous basis, by

(A) the partnership,

(B) the individual,

	<p>(C) if the individual is a personal trust, a beneficiary of the trust,</p> <p>(D) a spouse, common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C),</p> <p>(E) a corporation, a share of the capital stock of which was a share of the capital stock of a family farm or fishing corporation of the individual, a beneficiary referred to in clause (C) or a spouse, common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C), or</p> <p>(F) a partnership, a partnership interest in which was an interest in a family farm or fishing partnership of the individual, a beneficiary referred to in clause (C) or a spouse, common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C),</p> <p>(ii) shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to properties described in subparagraph (iv),</p> <p>(iii) a partnership interest in or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to properties described in subparagraph (iv), or</p> <p>(iv) properties described in any of subparagraphs (i) to (iii), and</p> <p>(b) at that time, all or substantially all of the fair market value of the property of the partnership was attributable to property described in subparagraph (a)(iv);</p>
<p>“qualified farm or fishing property” « bien agricole ou de pêche admissible »</p>	<p>“qualified farm or fishing property”, of an individual (other than a trust that is not a personal trust) at any time, means a property that is owned at that time by the individual, the spouse or common-law partner of the individual or a partnership, an interest in which is an interest in a family farm or fishing partnership of the individual or the individual’s spouse or common-law partner and that is</p> <p>(a) real or immovable property or a fishing vessel that was used in the course of carrying on a farming or fishing business in Canada by,</p> <p>(i) the individual,</p> <p>(ii) if the individual is a personal trust, a beneficiary of the trust that is entitled to receive directly from the trust any income or capital of the trust,</p> <p>(iii) a spouse, common-law partner, child or parent of an individual referred to in subparagraph (i) or (ii),</p> <p>(iv) a corporation, a share of the capital stock of which is a share of the capital stock of a family farm or fishing corporation of an individual referred to in any of subparagraphs (i) to (iii), or</p> <p>(v) a partnership, an interest in which is an interest in a family farm or fishing partnership of an individual referred to in any of subparagraphs (i) to (iii),</p>

	<p>(b) a share of the capital stock of a family farm or fishing corporation of the individual or the individual's spouse or common-law partner,</p> <p>(c) an interest in a family farm or fishing partnership of the individual or the individual's spouse or common-law partner, or</p> <p>(d) an eligible capital property (which is deemed to include capital property to which paragraph 70(5.1)(b) or 73(3.1)(f) applies) used by a person or partnership referred to in any of subparagraphs (a)(i) to (v), or by a personal trust from which the individual acquired the property, in the course of carrying on a farming or fishing business in Canada;</p>
<p>“share of the capital stock of a family farm or fishing corporation” « action du capital-actions d'une société agricole ou de pêche familiale »</p>	<p>“share of the capital stock of a family farm or fishing corporation”, of an individual (other than a trust that is not a personal trust) at any time, means a share of the capital stock of a corporation owned by the individual at that time if</p>
	<p>(a) throughout any 24-month period ending before that time, more than 50% of the fair market value of the property owned by the corporation was attributable to</p> <p>(i) property that was used principally in the course of carrying on a farming or fishing business in Canada in which the individual, a beneficiary referred to in clause (C) or a spouse or common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C), was actively engaged on a regular and continuous basis, by</p> <p>(A) the corporation,</p> <p>(B) the individual,</p> <p>(C) if the individual is a personal trust, a beneficiary of the trust,</p> <p>(D) a spouse, common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C),</p> <p>(E) another corporation that is related to the corporation and of which a share of the capital stock was a share of the capital stock of a family farm or fishing corporation of the individual, a beneficiary referred to in clause (C) or a spouse, common-law partner, child or parent of the individual or of a beneficiary referred to in clause (C), or</p> <p>(F) a partnership, an interest in which was an interest in a family farm or fishing partnership of the individual, a beneficiary referred to in clause (C) or a spouse, common-law partner, child or parent of the individual or of such a beneficiary,</p> <p>(ii) shares of the capital stock or indebtedness of one or more corporations all or substantially all of the fair market value of the property of which was attributable to property described in subparagraph (iv),</p>

(iii) a partnership interest in or indebtedness of one or more partnerships all or substantially all of the fair market value of the property of which was attributable to properties described in subparagraph (iv), or

(iv) properties described in any of subparagraphs (i) to (iii), and

(b) at that time, all or substantially all of the fair market value of the property owned by the corporation was attributable to property described in subparagraph (a)(iv).

**(4) Subsections 110.6(1.1) and (1.2) of the Act are replaced by the following:**

Value of NISA (1.1) For the purposes of the definitions “qualified small business corporation share” and “share of the capital stock of a family farm or fishing corporation” in subsection (1), the fair market value of a net income stabilization account is deemed to be nil.

**(5) The portion of subsection 110.6(1.3) of the Act before paragraph (c) is replaced by the following:**

Farming or fishing property — conditions (1.3) For the purpose of applying the definition “qualified farm or fishing property”, in subsection (1), of an individual, at any time, a property owned at that time by the individual, the spouse or common-law partner of the individual, or a partnership, an interest in which is an interest in a family farm or fishing partnership of the individual or of the individual’s spouse or common-law partner, will not be considered to have been used in the course of carrying on a farming or fishing business in Canada, unless

(a) the following apply in respect of the property or property for which the property was substituted (in this paragraph referred to as “the property”),

(i) the property was owned throughout the period of at least 24 months immediately preceding that time by one or more of

(A) the individual, or a spouse, common-law partner, child or parent of the individual,

(B) a partnership, an interest in which is an interest in a family farm or fishing partnership of the individual or of the individual’s spouse or common-law partner,

(C) if the individual is a personal trust, the individual from whom the trust acquired the property or a spouse, common-law partner, child or parent of that individual, or

(D) a personal trust from which the individual or a child or parent of the individual acquired the property, and

(ii) either

(A) in at least two years while the property was owned by one or more persons or partnerships referred to in subparagraph (i),

(I) the gross revenue of a person (in this subclause referred to as the “operator”) referred to in subparagraph (i) from the farming or fishing business referred to in subclause (II) for the period during which the property was owned by a person or partnership described in subparagraph (i) exceeded the income of the operator from all other sources for that period, and

(II) the property was used principally in a farming or fishing business carried on in Canada in which an individual referred to in subparagraph (i), or where the individual is a personal trust, a beneficiary of the trust, was actively engaged on a regular and continuous basis, or

(B) throughout a period of at least 24 months while the property was owned by one or more persons or partnerships referred to in subparagraph (i), the property was used by a corporation referred to in subparagraph (a)(iv) of the definition “qualified farm or fishing property” in subsection (1) or by a partnership referred to in subparagraph (a)(v) of that definition in a farming or fishing business in which an individual referred to in any of subparagraphs (a)(i) to (iii) of that definition was actively engaged on a regular and continuous basis; or

**(6) Paragraph 110.6(1.3)(c) of the Act is replaced by the following:**

(c) if the property or property for which the property was substituted was last acquired by the individual or partnership before June 18, 1987 or after June 17, 1987 under an agreement in writing entered into before that date,

(i) in the year the property was disposed of by the individual, the property was used principally in the course of carrying on the business of farming in Canada by

(A) the individual, or a spouse, common-law partner, child or parent of the individual,

(B) a beneficiary referred to in subparagraph (a)(ii) in the definition “qualified farm or fishing property” in subsection (1) or a spouse, common-law partner, child or parent of that beneficiary,

(C) a corporation referred to in subparagraph (a)(iv) in the definition “qualified farm or fishing property” in subsection (1),

(D) a partnership referred to in subparagraph (a)(v) in the definition “qualified farm or fishing property” in subsection (1), or

(E) a personal trust from which the individual acquired the property, or

(ii) in at least five years during which the property was owned by a person described in any of clauses (A) to (E), the property was used principally in the course of carrying on the business of farming in Canada by

(A) the individual, or a spouse, common-law partner, child or parent of the individual,

(B) a beneficiary referred to in subparagraph (a)(ii) in the definition “qualified farm or fishing property” in subsection (1) or a spouse, common-law partner, child or parent of that beneficiary,

(C) a corporation referred to in subparagraph (a)(iv) in the definition “qualified farm or fishing property” in subsection (1),

(D) a partnership referred to in subparagraph (a)(v) in the definition “qualified farm or fishing property” in subsection (1), or

(E) a personal trust from which the individual acquired the property.

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

Capital gains deduction — qualified farm or fishing property

(2) In computing the taxable income for a taxation year of an individual (other than a trust) who was resident in Canada throughout the year and who disposed of qualified farm or fishing property in the year or a preceding taxation year (or who disposed of before 2014 property that was qualified farm property or qualified fishing property at the time of disposition), there may be deducted such amount as the individual may claim not exceeding the least of

**(8) Paragraph 110.6(2)(d) of the Act is replaced by the following:**

(d) the amount that would be determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified farm properties, qualified fishing properties or qualified farm or fishing properties.

**(9) Paragraph 110.6(2.1)(d) of the Act is replaced by the following:**

(d) the amount that would be determined in respect of the individual for the year under paragraph 3(b) (to the extent that that amount is not included in computing the amount determined under paragraph (2)(d) in respect of the individual) in respect of capital gains and capital losses if the only properties referred to in paragraph 3(b) were qualified small business corporation shares of the individual.

**(10) Subsections 110.6(2.2) to (4) of the Act are replaced by the following:**

Maximum capital gains deduction

(4) Notwithstanding subsections (2) and (2.1), the total amount that may be deducted under this section in computing an individual’s income for a taxation year shall not exceed the amount determined by the formula in paragraph (2)(a) in respect of the individual for the year.

**(11) The portion of subsection 110.6(5) of the Act before paragraph (a) is replaced by the following:**

Deemed resident in Canada

(5) For the purposes of subsections (2) and (2.1), an individual is deemed to have been resident in Canada throughout a particular taxation year if

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

Failure to report capital gain

(6) Notwithstanding subsections (2) and (2.1), no amount may be deducted under this section in respect of a capital gain of an individual for a particular taxation year in computing the individual’s taxable income for the particular taxation year or any subsequent year, if

**(13) The portion of subsection 110.6(7) of the Act before paragraph (a) is replaced by the following:**

Deduction not permitted

(7) Notwithstanding subsections (2) and (2.1), no amount may be deducted under this section in computing an individual's taxable income for a taxation year in respect of a capital gain of the individual for the taxation year if the capital gain is from a disposition of property which disposition is part of a series of transactions or events

**(14) Subsection 110.6(8) of the Act is replaced by the following:**

Deduction not permitted

(8) Notwithstanding subsections (2) and (2.1), where an individual has a capital gain for a taxation year from the disposition of a property and it can reasonably be concluded, having regard to all the circumstances, that a significant part of the capital gain is attributable to the fact that dividends were not paid on a share (other than a prescribed share) or that dividends paid on such a share in the taxation year or in any preceding taxation year were less than 90% of the average annual rate of return on that share for that year, no amount in respect of that capital gain shall be deducted under this section in computing the individual's taxable income for the year.

**(15) Paragraph 110.6(12)(b) of the Act is replaced by the following:**

(b) the amount, if any, that would be determined in respect of the trust for that year under paragraph 3(b) in respect of capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualified farm or fishing properties, qualified small business corporation shares, qualified farm properties or qualified fishing properties, and

**(16) Subsection 110.6(12) of the Act, as amended by subsection (15), is repealed.**

**(17) The portion of subsection 110.6(15) of the Act before paragraph (a) is replaced by the following:**

Value of assets of corporations

(15) For the purposes of the definitions "qualified small business corporation share" and "share of the capital stock of a family farm or fishing corporation" in subsection (1), the definition "share of the capital stock of a family farm or fishing corporation" in subsection 70(10) and the definition "small business corporation" in subsection 248(1),

**(18) The portion of subparagraph 110.6(15)(a)(ii) of the Act before clause (A) is replaced by the following:**

(ii) the total fair market value of assets — other than assets described in any of subparagraphs (c)(i) to (iii) of the definition "qualified small business corporation share" in subsection (1), any of subparagraphs (a)(i) to (iii) of the definition "share of the capital stock of a family farm or fishing corporation" in subsection (1) or any of paragraphs (a) to (c) of the definition "small business corporation" in subsection 248(1), as the case may be — of any of those corporations that are

**(19) The portion of paragraph 110.6(15)(b) of the Act after subparagraph (ii) is replaced by the following:**

except that this paragraph applies only in determining whether a share of the capital stock of another corporation with which the particular corporation is connected is a qualified small business corporation share or a share of the capital stock of a family farm or fish-

ing corporation and in determining whether the other corporation is a small business corporation.

**(20) The portion of subsection 110.6(31) of the Act before the formula is replaced by the following:**

Reserve limit

(31) If an amount is included in an individual's income for a particular taxation year because of subparagraph 40(1)(a)(ii) in respect of a disposition of property in a preceding taxation year that, at the time of the disposition, is qualified farm or fishing property, a qualified small business corporation share, qualified farm property or qualified fishing property, the total of all amounts deductible by the individual for the particular year under this section is reduced by the amount, if any, determined by the formula

**(21) Subsections (1) to (15) and (17) to (20) apply to dispositions and transfers that occur in the 2014 and subsequent taxation years.**

**(22) Subsection (16) applies to the 2016 and subsequent taxation years.**

**23. (1) The portion of subparagraph 112(3.2)(a)(iii) of the Act before clause (A) is replaced by the following:**

(iii) if the trust is an individual's graduated rate estate, the share was acquired as a consequence of the individual's death and the disposition occurs during the trust's first taxation year, 1/2 of the lesser of

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**24. (1) The definition "total Crown gifts" in subsection 118.1(1) of the Act is repealed.**

**(2) The definition "total charitable gifts" in subsection 118.1(1) of the Act is replaced by the following:**

"total charitable gifts"  
« total des dons de bienfaisance »

"total charitable gifts", of an individual for a particular taxation year, means the total of all amounts each of which is the eligible amount – to the extent it is not otherwise included in determining an amount that is deducted under this section in computing any individual's tax payable under this Part for any taxation year – of a gift (other than a gift any part of the eligible amount of which is included in the total cultural gifts or the total ecological gifts of any individual for any taxation year) that is made

(a) to a qualified donee,

(b) in a taxation year that is not a year for which an amount is deducted under subsection 110(2) in computing the individual's taxable income, and

(c) if the individual is

(i) not a trust,

(A) by the individual, or the individual's spouse or common-law partner, in the particular year or any of the five preceding taxation years,

(B) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or



(C) by the individual's graduated rate estate if subsection (5.1) applies to the gift and the particular year is the taxation year in which the individual dies or the preceding taxation year, or

(ii) a trust

(A) by the trust in the particular year or any of the five preceding taxation years, or

(B) by the trust if the trust is a graduated rate estate, subsection (5.1) applies to the gift and the particular year is the taxation year in which the gift is made or a preceding taxation year of the estate;

**(3) The portion of the definition “total cultural gifts” in subsection 118.1(1) of the Act before paragraph (a) is replaced by the following:**

“total cultural gifts”  
« total des  
dons de biens  
culturels »

“total cultural gifts”, of an individual for a particular taxation year, means the total of all amounts each of which is the eligible amount – to the extent it is not otherwise included in determining an amount that is deducted under this section in computing any individual's tax payable under this Part for any taxation year – of a gift

**(4) The definition “total cultural gifts” in subsection 118.1(1) of the Act is amended by striking out “and” at the end of paragraph (a) and by replacing the portion of that definition after paragraph (a) with the following:**

(b) that is made to an institution or a public authority in Canada that is, at the time the gift is made, designated under subsection 32(2) of the *Cultural Property Export and Import Act* either generally or for a specified purpose related to that object, and

(c) that is made

(i) if the individual is not a trust,

(A) by the individual, or the individual's spouse or common-law partner, in the particular year or any of the five preceding taxation years,

(B) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or

(C) by the individual's graduated rate estate if subsection (5.1) applies to the gift and the particular year is the taxation year in which the individual dies or the preceding taxation year, or

(ii) if the individual is a trust,

(A) by the trust in the particular year or any of the five preceding taxation years, or

(B) by the trust if the trust is a graduated rate estate, subsection (5.1) applies to the gift and the particular year is the taxation year in which the gift is made or a preceding taxation year of the estate;

**(5) The portion of paragraph (c) of the definition “total ecological gifts” in subsection 118.1(1) of the Act before subparagraph (i) is replaced by the following:**

(c) the gift was made by the individual in the year or in any of the 10 preceding taxation years to a qualified donee that is

**(6) The definition “total ecological gifts” in subsection 118.1(1) of the Act, as amended by subsection (5), is replaced by the following:**

“total  
ecological  
gifts”  
« total des  
dons de biens  
écologiques »

“total ecological gifts”, of an individual for a particular taxation year, means the total of all amounts each of which is the eligible amount – to the extent it is not otherwise included in determining an amount that is deducted under this section in computing any individual’s tax payable under this Part for any taxation year – of a gift (other than a gift any part of the eligible amount of which is included in the total cultural gifts of any individual for any taxation year)

(a) of land (including a covenant or an easement to which land is subject or, in the case of land in the Province of Quebec, a real servitude)

- (i) the fair market value of which is certified by the Minister of the Environment, and
- (ii) that is certified by that Minister, or by a person designated by that Minister, to be ecologically sensitive land, the conservation and protection of which is, in the opinion of that Minister or the designated person, important to the preservation of Canada’s environmental heritage,

(b) that is made to a qualified donee that is

- (i) Her Majesty in right of Canada or of a province, a municipality in Canada or a municipal or public body performing a function of government in Canada, or
- (ii) a registered charity one of the main purposes of which is, in the opinion of that Minister, the conservation and protection of Canada’s environmental heritage, and that is approved by that Minister or the designated person in respect of the gift, and

(c) that is made

- (i) if the individual is not a trust,
  - (A) by the individual, or the individual’s spouse or common-law partner, in the particular year or any of the five preceding taxation years,
  - (B) by the individual in the year in which the individual dies if the particular year is the taxation year that precedes the taxation year in which the individual dies, or
  - (C) by the individual’s graduated rate estate if subsection (5.1) applies to the gift and the particular year is the taxation year in which the individual dies or the preceding taxation year, or
- (ii) if the individual is a trust,
  - (A) by the trust in the particular year or any of the 10 preceding taxation years, or
  - (B) by the trust if the trust is a graduated rate estate, subsection (5.1) applies to the gift and the particular year is the taxation year in which the gift is made or a preceding taxation year of the estate;

**(7) Paragraph (b) of the definition “total gifts” in subsection 118.1(1) of the Act is repealed.**

**(8) The portion of subsection 118.1(2) of the Act before paragraph (a) is replaced by the following:**

Proof of gift (2) An eligible amount of a gift is not to be included in the total charitable gifts, total cultural gifts or total ecological gifts of an individual unless the making of the gift is evidenced by filing with the Minister

**(9) Subsection 118.1(2.1) of the Act is replaced by the following:**

Ordering of gifts (2.1) For the purpose of determining an individual’s total charitable gifts, total cultural gifts and total ecological gifts for a taxation year, no amount in respect of a gift described in any of the definitions of those expressions and made in a particular taxation year is to be considered to have been included in determining an amount that was deducted under this section in computing the individual’s tax payable under this Part for a taxation year until amounts in respect of such gifts made in taxation years preceding the particular year that can be so considered are so considered.

**(10) Subsections 118.1(4) to (5.3) are replaced by the following:**

Gifts — deaths before 2016 (4) If an individual dies before 2016 and any of this subsection and subsections (5), (5.2), (5.3), (7) and (7.1) (as they read for the taxation year in which the death occurred) applied to deem the individual to have made a gift at a time before the death, then for the purposes of this section the gift is deemed not to have been made by any other taxpayer or at any other time.

Gifts — deaths after 2015 (4.1) Subsection (5) applies to a gift if an estate arises on and as a consequence of the death after 2015 of an individual and the gift is

(a) made by the individual by the individual’s will;

(b) deemed by subsection (5.2) to have been made in respect of the death; or

(c) made by the estate.

Gifts — deaths after 2015 (5) If this subsection applies to a gift, then for the purposes of the Act (other than subsections (4.1) and (5.2)) the gift is deemed to be made

(a) by the estate referred to in subsection (4.1) and not by any other taxpayer; and

(b) subject to subsection (13), at the time that the property that is the subject of the gift is transferred to the donee and not at any other time.

Gifts by graduated rate estate (5.1) This subsection applies to a gift made by the graduated rate estate of an individual if the individual’s death occurs after 2015 and either

(a) the gift is deemed by subsection (5.2) to have been made in respect of the death, or

(b) the subject of the gift is property that was acquired by the estate on and as a consequence of the death or is property that was substituted for that property.

Deemed gifts  
— eligible  
transfers

(5.2) For the purposes of this section, money or a negotiable instrument transferred to a qualified donee is deemed to be property that is the subject of a gift, in respect of an individual's death, made to the qualified donee, if the death occurs after 2015 and the transfer is

(a) a transfer – other than a transfer the amount of which is not included in computing the income of the individual or the individual's estate for any taxation year but would have been included in computing the income of the individual or the estate for a taxation year if the transfer had been made to the individual's legal representative for the estate's benefit and this Act were read without reference to subsection 70(3) – made

(i) as a consequence of the death,

(ii) solely because of the obligations under a life insurance policy under which, immediately before the death, the individual's life was insured, and the individual's consent would have been required to change the recipient of the transfer, and

(iii) from an insurer to a person that is the qualified donee and that was, immediately before the death, neither a policyholder under the policy nor an assignee of the individual's interest under the policy; or

(b) a transfer made

(i) as a consequence of the death,

(ii) solely because of the qualified donee's interest or, for civil law a right, as a beneficiary under an arrangement (other than an arrangement of which a licensed annuities provider is the issuer or carrier)

(A) that is a registered retirement savings plan or registered retirement income fund or that was, immediately before the death, a TFSA, and

(B) under which the individual was, immediately before the death, the annuitant or holder, and

(iii) from the arrangement to the qualified donee.

**(11) Subparagraphs 118.1(5.4)(a)(i) and (ii) of the Act are replaced by the following:**

(i) makes a gift at any time of capital property to a qualified donee, or

(ii) who is non-resident, makes a gift at any time of real or immovable property situated in Canada to a prescribed donee who provides an undertaking, in a form satisfactory to the Minister, to the effect that the property will be held for use in the public interest; and

**(12) Subsections 118.1(7) and (7.1) of the Act are replaced by the following:**

Gift of art

(7) Subsection (7.1) applies to a gift made by an individual if the gift is described in the definition "total charitable gifts" or "total cultural gifts" in subsection (1) and the property that is the subject of the gift is a work of art that

(a) was created by the individual and is in the individual's inventory;

(b) was acquired by the individual under circumstances where subsection 70(3) applies; or

(c) if the individual is an estate that arose on and as a consequence of the death of a particular individual who created the work of art, was in the particular individual's inventory immediately before the death.

Gift of art

(7.1) If this subsection applies to a gift made by an individual, the following rules apply:

(a) in the case of a gift described in the definition "total cultural gifts" in subsection (1),

(i) if at the time the gift is made the fair market value of the work of art that is the subject of the gift exceeds its cost amount to the individual, the individual is deemed to receive at that time proceeds of disposition in respect of the work of art equal to the greater of its cost amount to the individual at that time and the amount of the advantage, if any, in respect of the gift, and

(ii) if the individual is the graduated rate estate of a particular individual who created the work of art that is the subject of the gift and at the time immediately before the particular individual's death the fair market value of the work of art exceeds its cost amount to the particular individual, the particular individual is deemed to receive at that time proceeds of disposition in respect of the work of art equal to the cost amount to the particular individual at that time and the estate is deemed to have acquired the work of art at a cost equal to those proceeds; and

(b) in the case of a gift described in the definition "total charitable gifts" in subsection (1),

(i) if at the time the gift is made the fair market value of the work of art that is the subject of the gift exceeds its cost amount to the individual, then the amount designated in the individual's return of income under section 150 for the taxation year that includes that time is deemed to be

(A) the individual's proceeds of disposition in respect of the work of art, and

(B) the fair market value of the work of art for the purposes of subsection 248(31),

(ii) a designation under subparagraph (i) is of no effect to the extent that the amount designated

(A) exceeds the fair market value of the work of art otherwise determined, or

(B) is less than the greater of the amount of the advantage, if any, in respect of the gift, and the cost amount to the individual of the work of art,

(iii) if the individual is the graduated rate estate of a particular individual who created the work of art that is the subject of the gift and at the time immediately before the particular individual's death the fair market value of the work of art exceeds its cost amount to the particular individual,

(A) the amount designated in the particular individual's return of income under section 150 for the taxation year that includes that time is deemed to be the value of the work of art at the time of the death, and

(B) the estate is deemed to have acquired the work of art at a cost equal to that value, and

(iv) a designation under subparagraph (iii) is of no effect to the extent that the amount designated

(A) exceeds the fair market value of the work of art otherwise determined, or

(B) is less than the cost amount to the particular individual of the work of art.

**(13) Subsection 118.1(10.1) of the Act is replaced by the following:**

Determination  
of fair market  
value

(10.1) For the purposes of this section, subparagraph 69(1)(b)(ii), subsection 70(5) and sections 110.1 and 207.31, if at any time the Canadian Cultural Property Export Review Board or the Minister of the Environment determines or redetermines an amount to be the fair market value of a property that is the subject of a gift described in paragraph 110.1(1)(a), or in the definition "total charitable gifts" in subsection (1), made by a taxpayer within the two-year period that begins at that time, an amount equal to the last amount so determined or redetermined within the period is deemed to be the fair market value of the gift at the time the gift was made and, subject to subsections (6), (7.1) and 110.1(3), to be the taxpayer's proceeds of disposition of the gift.

**(14) The portion of subsection 118.1(13) of the Act before paragraph (a) is replaced by the following:**

Non-qualifying  
securities

(13) For the purposes of this section (other than this subsection), if at any particular time an individual makes a gift (including a gift that, but for this subsection, would be deemed by subsection (5) to be made at the particular time) of a non-qualifying security of the individual and the gift is not an excepted gift,

**(15) Paragraphs 118.1(13)(b) and (c) of the Act are replaced by the following:**

(b) if 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 property is deemed to be the lesser of the fair market value of the security at the subsequent time and the fair market value of the security at the particular time that would, if this Act were read without reference to this subsection, have been included in calculating the individual's total charitable gifts for a taxation year;

(c) if 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 property is deemed to be the lesser of the fair market value of any consideration (other than a non-qualifying security of any person) received by the donee for the disposition and the fair market value of the security at the particular time that would, if this Act were

read without reference to this subsection, have been included in calculating the individual's total charitable gifts for a taxation year; and

**(16) Subsection 118.1(21) of the Act is replaced by the following:**

Options

(21) Subject to subsections (23) and (24), if an individual has granted an option to a qualified donee in a taxation year, no amount in respect of the option is to be included in computing the total charitable gifts, total cultural gifts or total ecological gifts in respect of any taxpayer for any taxation year.

**(17) Subsections (1) to (4) and (6) to (16) apply to the 2016 and subsequent taxation years.**

**(18) Subsection (5) applies to gifts made after February 10, 2014.**

**25. (1) Subparagraph (b)(ii) of the definition "split income" in subsection 120.4(1) of the Act is replaced by the following:**

(ii) can reasonably be considered to be income derived

(A) from the provision of property or services by a partnership or trust to, or in support of, a business carried on by

(I) a person who is related to the individual at any time in the year,

(II) a corporation of which a person who is related to the individual is a specified shareholder at any time in the year, or

(III) a professional corporation of which a person related to the individual is a shareholder at any time in the year, or

(B) from a business of, or the rental of property by, a particular partnership or trust, if a person who is related to the individual at any time in the year

(I) is actively engaged on a regular basis in the activities of the particular partnership or trust related to earning income from a business or the rental of property, or

(II) in the case of a particular partnership, has an interest in the particular partnership directly or indirectly through one or more other partnerships, or

**(2) The portion of paragraph (c) of the definition "split income" in subsection 120.4(1) of the Act before subparagraph (i) is replaced by the following:**

(c) a portion of an amount included because of the application of subsection 104(13) or 105(2) in respect of a trust (other than a mutual fund trust or a trust that is deemed to be in existence by subsection 143(1)) in computing the individual's income for the year, to the extent that the portion

**(3) Subparagraph (c)(ii) of the definition "split income" in subsection 120.4(1) of the Act is amended by striking out "or" at the end of clause (B), by adding "or" at the end of clause (C) and by adding the following after clause (C):**

(D) to be income derived from a business of, or the rental of property by, a particular partnership or trust, if a person who is related to the individual at any time in the year is actively engaged on a regular basis in the activities of the particular partnership or trust related to earning income from a business or the rental of property.

**(4) Subsections (1) to (3) apply to the 2014 and subsequent taxation years.**

**26. (1) The portion of subsection 122(1) of the Act before paragraph (a) is replaced by the following:**

Tax payable by trust

**122.** (1) Notwithstanding section 117, the tax payable under this Part for a taxation year by a trust (other than a graduated rate estate or qualified disability trust) is the total of

**(2) Subsection 122(1) of the Act is amended by striking out “and” at the end of paragraph (a), by adding “and” at the end of paragraph (b) and by adding the following after paragraph (b):**

(c) if subsection (2) applies to the trust for the taxation year, the amount determined by the formula

$$A - B$$

where

A is the amount that would be determined for B for the year if

(i) the rate of tax payable under this Part by the trust for each taxation year referred to in that description were 29%, and

(ii) the trust’s amount taxable for a particular taxation year referred to in the description of B were reduced by the total of

(A) the amount, if any, that was paid or distributed in satisfaction of all or part of an individual’s interest as a beneficiary under the trust if

(I) the individual was an electing beneficiary of the trust for the particular year,

(II) the payment or distribution can reasonably be considered to be made out of that amount taxable, and

(III) the payment or distribution was made in a taxation year referred to in the description of B,

(B) the amount that is the portion of the tax payable under this Part by the trust for the particular year that can reasonably be considered to relate to the amount determined under clause (A), and

(C) the amount that is the portion of the tax payable, under the law of the province in which the trust is resident for the particular year, that can reasonably be considered to relate to the amount determined under clause (A), and

B is the total of all amounts each of which is the amount of tax payable under this Part by the trust for a taxation year that precedes the year if that preceding taxation year is



- (i) the later of
  - (A) the first taxation year for which the trust was a qualified disability trust, and
  - (B) the last taxation year, if any, for which subsection (2) applied to the trust, or
- (ii) a taxation year that ends after the taxation year described in subparagraph (i).

**(3) Subsection 122(1.1) of the Act is replaced by the following:**

Credits  
available to  
trusts

(1.1) No deduction may be made under this subdivision (other than section 118.1, 120.2 or 121) in computing the tax payable by a trust for a taxation year.

**(4) Subsection 122(2) of the Act is replaced by the following:**

Qualified  
disability trust  
— application  
of (1)(c)

(2) This subsection applies to a trust for a particular taxation year if the trust was a qualified disability trust for a preceding taxation year and

(a) none of the beneficiaries under the trust at the end of the particular year was an electing beneficiary of the trust for a preceding year;

(b) the particular year ended immediately before the trust ceased to be resident in Canada;  
or

(c) an amount is paid or distributed in the particular year to a beneficiary under the trust in satisfaction of all or part of the beneficiary's interest in the trust unless

(i) the beneficiary is an electing beneficiary of the trust for the particular year or a preceding year,

(ii) the amount is deducted under paragraph 104(6)(b) in computing the trust's income for the particular year, or

(iii) the amount is paid or distributed in satisfaction of a right to enforce payment of an amount that was deducted under paragraph 104(6)(b) in computing the trust's income for a preceding year.

**(5) Subsection 122(3) of the Act is amended by adding the following in alphabetical order:**

“beneficiary”  
« *bénéficiaire* »

“beneficiary”, under a trust, includes a person beneficially interested in the trust.

“electing  
beneficiary”  
« *bénéficiaire  
optant* »

“electing beneficiary”, for a taxation year of a qualified disability trust, means a beneficiary under the trust that for the year

(a) makes an election described in clause (a)(iii)(A) of the definition “qualified disability trust” in this subsection; and

(b) is described in paragraph (b) of that definition.

“qualified disability trust”  
« fiducie admissible pour personne handicapée »

“qualified disability trust”, for a taxation year (in this definition referred to as the “trust year”), means a trust, if

(a) the trust

(i) is a trust created by will that is, at the end of the trust year, a testamentary trust,

(ii) is resident in Canada for the trust year, and

(iii) includes in its return of income under this Part for the trust year

(A) an election, made jointly with one or more beneficiaries under the trust in prescribed form, to be a qualified disability trust for the trust year, and

(B) the Social Insurance Number of each of those beneficiaries;

(b) each of those beneficiaries is an individual, named in the will as a beneficiary under the trust,

(i) in respect of whom paragraphs 118.3(1)(a) to (b) apply for the individual’s taxation year (in this definition referred to as the “beneficiary year”) in which the trust year ends, and

(ii) who does not jointly elect with any other trust, for a taxation year of the other trust that ends in the beneficiary year, to be a qualified disability trust; and

(c) subsection (2) does not apply to the trust for the trust year.

**(6) Subsections (1) to (5) apply to the 2016 and subsequent taxation years.**

**27. (1) Subsection 127(7) of the Act is replaced by the following:**

Investment tax credit of certain trusts

(7) If, in a particular taxation year of a taxpayer who is a beneficiary under a trust that is a graduated rate estate or that is deemed to be in existence by section 143, an amount is determined in respect of the trust under paragraph (a), (a.1), (a.4), (a.5), (b) or (e.1) of the definition “investment tax credit” in subsection (9) for its taxation year that ends in that particular taxation year, the trust may, in its return of income for its taxation year that ends in that particular taxation year, designate the portion of that amount that can, having regard to all the circumstances including the terms and conditions of the trust, reasonably be considered to be attributable to the taxpayer and was not designated by the trust in respect of any other beneficiary of the trust, and that portion is to be added in computing the investment tax credit of the taxpayer at the end of that particular taxation year and is to be deducted in computing the investment tax credit of the trust at the end of its taxation year that ends in that particular taxation year.

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**28. (1) The description of C in section 127.51 of the Act is replaced by the following:**

C is

- (a) \$40,000, in the case of an individual (other than a trust) or a graduated rate estate; and
- (b) nil, in any other case; and

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**29. (1) Subparagraph 127.52(1)(h)(i) of the Act is replaced by the following:**

- (i) the amounts deducted under any of subsections 110(2), 110.6(2), (2.1) and (12) and 110.7(1),

**(2) Subparagraph 127.52(1)(h)(i) of the Act, as enacted by subsection (1), is replaced by the following:**

- (i) the amounts deducted under any of subsections 110(2), 110.6(2) and (2.1) and 110.7(1),

**(3) Subsection (1) applies to amounts deducted in respect of the 2014 and subsequent taxation years.**

**(4) Subsection (2) applies to amounts deducted in respect of the 2016 and subsequent taxation years.**

**30. (1) Section 127.53 of the Act is repealed.**

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**31. (1) Subparagraph 128.1(1)(b)(iv) of the Act is replaced by the following:**

- (iv) an excluded right or interest of the taxpayer, other than an interest described in paragraph (k) of the definition “excluded right or interest”,

**(2) Paragraph (k) of the definition “excluded right or interest” in subsection 128.1(10) of the Act is replaced by the following:**

- (k) an interest of the individual in a non-resident testamentary trust that is an estate that arose on and as a consequence of a death if

- (i) the interest was never acquired for consideration, and

- (ii) the estate has been in existence for no more than 36 months; or

**(3) Subsections (1) and (2) apply to the 2016 and subsequent taxation years.**

**32. (1) The portion of paragraph 138.1(1)(a) of the Act before subparagraph (i) is replaced by the following:**

- (a) a trust (in this section referred to as the “related segregated fund trust”) is deemed to be created at the time that is the later of

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**33. (1) The portion of paragraph 143(1)(a) of the Act before subparagraph (i) is replaced by the following:**

- (a) a trust is deemed to be created on the day that is the later of

**(2) The portion of subsection 143(2) of the Act before paragraph (a) is replaced by the following:**

Election in respect of income

(2) If the trust referred to in subsection (1) in respect of a congregation so elects in respect of a taxation year in writing filed with the Minister on or before the trust's filing-due date for the year and all the congregation's participating members are specified in the election in accordance with subsection (5), the following rules apply:

**(3) The portion of subsection 143(3.1) of the Act before paragraph (a) is replaced by the following:**

Election in respect of gifts

(3.1) For the purposes of section 118.1, if the eligible amount of a gift made in a taxation year by a trust referred to in subsection (1) in respect of a congregation would, but for this subsection, be included in the total charitable gifts, total cultural gifts or total ecological gifts of the trust for the year and the trust so elects in its return of income under this Part for the year,

**(4) The definition "total Crown gifts" in subsection 143(4) of the Act is repealed.**

**(5) The portion of subsection 143(5) of the Act before paragraph (a) is replaced by the following:**

Specification of family members

(5) For the purpose of applying subsection (2) to a particular election by the trust referred to in subsection (1) in respect of a congregation for a particular taxation year,

**(6) Subsections (1) to (5) apply to the 2016 and subsequent taxation years.**

**34. (1) The portion of paragraph 143.1(1.2)(a) of the Act before subparagraph (i) is replaced by the following:**

(a) a trust (in this section referred to as the "amateur athlete trust") is deemed

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**35. (1) The portion of paragraph (a) of the definition "earned income" in subsection 146(1) of the Act before subparagraph (i) is replaced by the following:**

(a) the taxpayer's income (other than an amount described in paragraph 12(1)(z)) for a period in the year throughout which the taxpayer was resident in Canada from

**(2) The definition "earned income" in subsection 146(1) of the Act is amended by adding the following after paragraph (b.1):**

(b.2) the taxpayer's qualifying performance income (as defined in subsection 143.1(1)) that is deemed by paragraph 143.1(1.2)(c) to be income of an amateur athlete trust for the year,

**(3) The portion of paragraph (c) of the definition "earned income" in subsection 146(1) of the Act before subparagraph (i) is replaced by the following:**

(c) the taxpayer's income (other than an amount described in paragraph 12(1)(z)) for a period in the year throughout which the taxpayer was not resident in Canada from

**(4) Subsections (1) to (3) apply to an individual's 2014 and subsequent taxation years, except that if an individual elects in writing under this subsection in respect of the individual's 2011, 2012 or 2013 taxation year and the election is filed with the Minister of National Revenue before March 3, 2015, subsections (1) to (3) apply to the individual's taxation year in respect of which the election is filed and subsequent taxation years.**

**36. (1) Subsection 146.1(11) of the Act is repealed.**

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**37. (1) Subsection 148(2) of the Act is amended by striking out "and" at the end of paragraph (c), by adding "and" at the end of paragraph (d) and by adding the following after paragraph (d):**

(e) if, in respect of a life insurance policy issued after 2016 that is an exempt policy, a benefit on death (as defined in subsection 1401(3) of the *Income Tax Regulations*) under a coverage (as defined in subsection 1401(3) of the *Income Tax Regulations*) under the policy is paid at any time, the payment results in the termination of the coverage but not the policy and the amount of the fund value benefit (as defined in subsection 1401(3) of the *Income Tax Regulations*) paid in respect of the coverage at that time exceeds the amount determined in respect of the coverage under subclause (A)(I) of the description of B in subparagraph 306(4)(a)(iii) of the *Income Tax Regulations* on the policy anniversary (as defined in section 310 of the *Income Tax Regulations*) that is on, or that first follows, the date of the death of an individual whose life is insured under the coverage, then a policyholder with an interest in the policy that gives rise to an entitlement (of the policyholder, beneficiary or assignee, as the case may be) to receive all or a portion of that excess, is deemed, at that time, to dispose of a part of the interest and to be entitled to receive proceeds of the disposition equal to that excess or portion, as the case may be.

**(2) Subsection 148(4) of the Act is replaced by the following:**

(4) If a taxpayer disposes (other than because of paragraph (2)(a) or as described in paragraph (b) of the definition "disposition" in subsection (9)) of a part of the taxpayer's interest in a life insurance policy (other than an annuity contract) last acquired after December 1, 1982 or an annuity contract, the adjusted cost basis to the taxpayer, immediately before the disposition, of the part is the amount determined by the formula

$$A \times B/C$$

where

A is the adjusted cost basis to the taxpayer of the taxpayer's interest immediately before the disposition,

B is the proceeds of the disposition, and

C is

Partial  
surrender —  
ACB prorated

(a) if the policy is a policy (other than an annuity contract) issued after 2016, the amount determined by the formula

$$D - E$$

where

D is the interest's cash surrender value immediately before the disposition, and

E is the total of all amounts each of which is an amount payable, immediately before the disposition, by the taxpayer in respect of a policy loan in respect of the policy, and

(b) in any other case, the accumulating fund with respect to the taxpayer's interest, as determined in prescribed manner, immediately before the disposition.

Repayment of  
policy loan on  
partial  
surrender

(4.01) For the purposes of the definition "adjusted cost basis" in subsection (9) and paragraph 60(s), a particular amount is deemed to be a repayment made at a particular time by a taxpayer in respect of a policy loan in respect of a life insurance policy if

(a) the policy is issued after 2016;

(b) the taxpayer disposes of a part of the taxpayer's interest in the policy immediately after the particular time;

(c) paragraph (a) of the definition "proceeds of the disposition" in subsection (9) applies to determine the proceeds of the disposition of the interest;

(d) the particular amount is not

(i) otherwise a repayment by the taxpayer in respect of the policy loan, and

(ii) described in subparagraph (i) of the description of C in that definition; and

(e) the amount payable by the taxpayer in respect of the policy loan is reduced by the particular amount as a consequence of the disposition.

**(3) The portion of the definition "adjusted cost basis" in subsection 148(9) of the Act before the description of A is replaced by the following:**

"adjusted cost  
basis"  
« coût de base  
rajusté »

"adjusted cost basis", at any time to a policyholder of the policyholder's interest in a life insurance policy, means the amount determined by the formula

$$(A + B + C + D + E + F + G + G.1) - (H + I + J + K + L + M + N + O)$$

where

**(4) The description of E in the definition "adjusted cost basis" in subsection 148(9) of the Act is replaced by the following:**

E is the total of all amounts each of which is an amount that is in respect of the repayment, before that time and after March 31, 1978, of a policy loan and that does not exceed the amount determined by the formula,

$$E.1 - E.2$$

where

E.1 is the total of

- (a) the proceeds of the disposition, if any, in respect of the loan,
- (b) if the policy is issued after 2016 (and, in the case where the particular time at which the policy is issued is determined under subsection (11), the repayment is at or after the particular time), the portion of the loan applied, immediately after the loan, to pay a premium under the policy as provided for under the terms and conditions of the policy (except to the extent that the portion is described in subparagraph (i) of the description of C in the definition “proceeds of the disposition” in this subsection), and
- (c) the amount, if any, described in the description of J in this definition (but not including any payment of interest) in respect of the loan, and

E.2 is the total all amounts each of which is an amount in respect of a repayment, of the loan, referred to in clause (2)(a)(ii)(B) or deductible under paragraph 60(s) of this Act or paragraph 20(1)(hh) of the *Income Tax Act*, chapter 148 of the *Revised Statutes of Canada*, 1952 (as it applied in taxation years before 1985),

**(5) The description of G.1 in the definition “adjusted cost basis” in subsection 148(9) of the Act is replaced by the following:**

G.1 is, in the case of an interest in a life insurance policy (other than an annuity contract) to which subsection (8.2) applied before that time, the total of all amounts each of which is a mortality gain, as defined by regulation and determined by the issuer of the policy in accordance with the regulations, in respect of the interest immediately before the end of the calendar year that ended in a taxation year that began before that time,

**(6) The definition “adjusted cost basis” in subsection 148(9) of the Act is amended by striking out “and” at the end of the description of K and by adding the following after the description of L:**

M is, in the case of a policy that is issued after 2016 and is not an annuity contract, the total of all amounts each of which is a premium paid by or on behalf of the policyholder, or a cost of insurance charge incurred by the policyholder, before that time (and, in the case where the particular time at which the policy is issued is determined under subsection (11), at or after the particular time), to the extent that the premium or charge is in respect of a benefit under the policy other than a benefit on death (as defined in subsection 1401(3) of the *Income Tax Regulations*),

N is, in the case of a policy that is issued after 2016 and is not an annuity contract, the total of all amounts each of which is the policyholder’s interest in an amount paid – if the cash surrender value of the policy, if any, or the fund value of the policy (as defined in subsection 1401(3) of the *Income Tax Regulations*), if any, is reduced by the amount paid – before that time (and, in the case where the particular time at which the policy is issued is determined under subsection (11), at or after the particular time) that

(a) is a benefit on death (as defined in subsection 1401(3) of the *Income Tax Regulations*), or a disability benefit, under the policy, and

(b) does not result in the termination of a coverage (as defined in subsection 1401(3) of the *Income Tax Regulations*) under the policy,

- O is, in the case of a policy that is issued after 2016 and is not an annuity contract, the total of all amounts each of which is – if a benefit on death (as defined in subsection 1401(3) of the *Income Tax Regulations*) under a coverage (as defined in subsection 1401(3) of the *Income Tax Regulations*) under the policy is paid before that time (and, in the case where the particular time at which the policy is issued is determined under subsection (11), at or after the particular time) and the payment results in the termination of the coverage – the amount, if any, determined with respect to the coverage by the formula

$$[P \times (Q + R + S)/T] - U$$

where

P is the adjusted cost basis of the policyholder's interest immediately before the termination,

Q is the amount of the fund value benefit (as defined in subsection 1401(3) of the *Income Tax Regulations*) under the policy paid in respect of the coverage on the termination,

R is the amount that would be the present value, determined for the purposes of section 307 of the *Income Tax Regulations*, on the last policy anniversary (as defined in section 310 of the *Income Tax Regulations*) on or before the termination, of the fund value of the coverage (as defined in subsection 1401(3) of the *Income Tax Regulations*) if the fund value of the coverage on that policy anniversary were equal to the fund value of the coverage on the termination,

S is the amount that would be determined, on that policy anniversary, for paragraph (a) of the description of C in the definition "net premium reserve" in subsection 1401(3) of the *Income Tax Regulations* in respect of the coverage, if the benefit on death under the coverage, and the fund value of the coverage, on that policy anniversary were equal to the benefit on death under the coverage and the fund value of the coverage, as the case may be, on the termination,

T is the amount that would be, on that policy anniversary, the net premium reserve (as defined in subsection 1401(3) of the *Income Tax Regulations*) in respect of the policy for the purposes of section 307 of the *Income Tax Regulations*, if the fund value benefit under the policy, the benefit on death under each coverage and the fund value of each coverage on that policy anniversary were equal to the fund value benefit, the benefit on death under each coverage and the fund value of each coverage, as the case may be, under the policy on the termination, and

U is the amount, if any, determined under subsection (4) in respect of a disposition before that time of the interest because of paragraph (2)(e) in respect of the pay-



ment in respect of the fund value benefit under the policy paid in respect of the coverage on the termination;

**(7) Paragraph (c) of the definition “premium” in subsection 148(9) of the Act is replaced by the following:**

(c) the portion of any amount paid under the policy with respect to an accidental death benefit, a disability benefit, an additional risk as a result of insuring a substandard life, an additional risk in respect of the conversion of a term policy into another policy after the end of the year, an additional risk under a settlement option, or an additional risk under a guaranteed insurability benefit, if

(i) in the case of an annuity contract, a policy issued before 2017 or in respect of which the particular time at which the policy is issued is determined under subsection (11), where the interest in the policy was last acquired after December 1, 1982, the payment is made after May 31, 1985 and, if the particular time at which the policy is issued is determined under subsection (11), before the particular time, or

(ii) in the case where the taxpayer’s interest in the policy was last acquired before December 2, 1982,

(A) subsection 12.2(9) of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, applies to the interest,

(B) the particular time at which the policy is issued is determined under subsection (11), and

(C) the payment is made in the period that starts at the later of May 31, 1985 and the first time at which subsection 12.2(9) applies in respect of the interest and that ends at the particular time;

**(8) Subparagraph (i) of the description of C in paragraph (a) of the definition “proceeds of the disposition” in subsection 148(9) of the Act is replaced by the following:**

(i) an amount that is payable at that time by the policyholder in respect of a policy loan in respect of the policy, except that if the policy is issued after 2016 and the disposition is of a part of the taxpayer’s interest (and, in the case where the particular time at which the policy is issued is determined under subsection (11), the disposition occurs at or after the particular time), only to the extent that the amount represents the portion of the loan applied, immediately after the loan, to pay a premium under the policy, as provided for under the terms and conditions of the policy,

**(9) Section 148 of the Act is amended by adding the following after subsection (10):**

(11) For the purposes of this section (other than this subsection) and sections 306 (other than subsection (9)), 307, 308, 310, 1401 and 1403 of the *Income Tax Regulations* (except as they apply for the purposes of subsection 211.1(3)), a life insurance policy (other than an annuity contract) issued before 2017 is deemed to be issued

(a) at the first time after 2016 at which life insurance — in respect of a life, or two or more lives jointly insured, and in respect of which a particular schedule of premium or cost of insurance rates applies — is

(i) converted into another type of life insurance under the policy, or

(ii) if the insurance (other than insurance paid for with policy dividends or that is reinstated) is medically underwritten after 2016 (other than to obtain a reduction in the premium or cost of insurance rates under the policy), added to the policy; and

(b) not at any other time.

**38. (1) The portion of subsection 149(5) of the Act before paragraph (a) is replaced by the following:**

Exception re investment income of certain clubs

(5) Notwithstanding subsections (1) and (2), where a club, society or association was for any period, a club, society or association described in paragraph (1)(l) the main purpose of which was to provide dining, recreational or sporting facilities for its members (in this subsection referred to as the “club”), a trust is deemed to have been created on the later of the commencement of the period and the end of 1971 and to have continued in existence throughout the period, and, throughout that period, the following rules apply:

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**39. (1) Subparagraph (a)(iii) of the definition “exempt shares” in subsection 149.1(1) of the Act is replaced by the following:**

(iii) on or after March 19, 2007, under the terms of a trust created before March 19, 2007, and not amended on or after March 19, 2007,

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**40. (1) The portion of subsection 152(4.2) of the Act before paragraph (a) is replaced by the following:**

Reassessment with taxpayer’s consent

(4.2) Notwithstanding subsections (4), (4.1) and (5), for the purpose of determining – at any time after the end of the normal reassessment period, of a taxpayer who is an individual (other than a trust) or a graduated rate estate, in respect of a taxation year – the amount of any refund to which the taxpayer is entitled at that time for the year, or a reduction of an amount payable under this Part by the taxpayer for the year, the Minister may, if the taxpayer makes an application for that determination on or before the day that is ten calendar years after the end of that taxation year,

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**41. (1) Subsection 156.1(2) of the Act is amended by striking out “or” at the end of paragraph (a), by adding “or” at the end of paragraph (b) and by adding the following after paragraph (b):**

(c) the individual is a graduated rate estate for the particular year.

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**42. (1) Section 160 of the Act is amended by adding the following after subsection (1.3):**

Joint liability  
— spousal and  
similar trusts

(1.4) If subsection 104(13.4) deems an amount to have become payable in a taxation year of a trust to an individual, the individual and the trust are jointly and severally, or solidarily, liable for the tax payable by the individual under this Part for the individual's taxation year that includes the day on which the individual dies to the extent that that tax payable is greater than it would have been if the amount were not included in computing the individual's income under this Part for the taxation year.

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**43. (1) The portion of subsection 161(2.2) of the Act before paragraph (a) is replaced by the following:**

Contra interest

(2.2) Notwithstanding subsections (1) and (2), the total amount of interest payable by a taxpayer (other than a graduated rate estate) under those subsections, for the period that begins on the first day of the taxation year for which a part or instalment of tax is payable and ends on the taxpayer's balance-due day for the year, in respect of the taxpayer's tax or instalments of tax payable for the year shall not exceed the amount, if any, by which

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**44. (1) Paragraph 164(1.5)(a) of the Act is replaced by the following:**

(a) if the taxpayer is an individual (other than a trust) or a graduated rate estate for the year and the taxpayer's return of income under this Part for the year was filed on or before the day that is ten calendar years after the end of the year;

**(2) The portion of subsection 164(6) of the Act before paragraph (a) is replaced by the following:**

Disposition by  
legal  
representative  
of deceased

(6) If in the course of administering the graduated rate estate of a taxpayer, the taxpayer's legal representative has, within the first taxation year of the estate,

**(3) The portion of subsection 164(6.1) of the Act before paragraph (a) is replaced by the following:**

Realization of  
deceased  
employees'  
options

(6.1) Notwithstanding any other provision of this Act, if a right to acquire securities (as defined in subsection 7(7)) under an agreement in respect of which a benefit was deemed by paragraph 7(1)(e) to have been received by a taxpayer (in this subsection referred to as "the right") is exercised or disposed of by the taxpayer's legal representative within the first taxation year of the graduated rate estate of the taxpayer and the representative so elects in prescribed manner and on or before a prescribed day,

**(4) Subsections (1) to (3) apply to the 2016 and subsequent taxation years.**

**45. (1) The portion of paragraph 165(1)(a) of the Act before subparagraph (i) is replaced by the following:**

(a) if the assessment is in respect of the taxpayer for a taxation year and the taxpayer is an individual (other than a trust) or a graduated rate estate for the year, on or before the later of

(2) **Subsection (1) applies to the 2016 and subsequent taxation years.**

**46. (1) Paragraph 207.6(1)(a) of the Act is replaced by the following:**

(a) a trust is deemed to be created on the day that the arrangement is established;

(2) **Subsection (1) applies to the 2016 and subsequent taxation years.**

**47. (1) Paragraph (b) of the definition “designated beneficiary” in subsection 210(1) of the Act is repealed.**

**(2) The portion of paragraph (d) of the definition “designated beneficiary” in subsection 210(1) of the Act before subparagraph (i) is replaced by the following:**

(d) another trust (in this paragraph referred to as the “other trust”) that is not a graduated rate estate, a mutual fund trust or a trust that is exempt because of subsection 149(1) from tax under Part I on all or part of its taxable income, if any beneficiary under the other trust is at that time

**(3) Subparagraph (d)(ii) of the definition “designated beneficiary” in subsection 210(1) of the Act is repealed.**

**(4) Clause (d)(iii)(A) of the definition “designated beneficiary” in subsection 210(1) of the Act is replaced by the following:**

(A) a graduated rate estate,

**(5) Subparagraph (e)(iii) of the definition “designated beneficiary” in subsection 210(1) of the Act is repealed.**

**(6) Paragraph 210(2)(a) of the Act is replaced by the following:**

(a) a graduated rate estate;

**(7) Subsections (2), (4) and (6) apply to the 2016 and subsequent taxation years.**

**48. (1) Section 212 of the Act is amended by adding the following after subsection (3):**

(3.1) Subsections (3.2) and (3.3) apply at any time in respect of a taxpayer if

(a) the taxpayer pays or credits a particular amount at that time on account or in lieu of payment of, or in satisfaction of, interest (determined without reference to paragraph 18(6.1)(b) and subsection 214(16)) in respect of a particular debt or other obligation to pay an amount to a person or partnership (in this subsection referred to as the “intermediary”);

(b) at any time in the period during which the interest accrued (in subsections (3.2) and (3.3) referred to as the “relevant period”), the intermediary, or a person or partnership that does not deal at arm’s length with the intermediary,

Back-to-back  
loan  
arrangement

(i) has an amount outstanding as or on account of a debt or other obligation to pay an amount to a non-resident person that meets any of the following conditions (in this subsection and subsections (3.2) and (3.3) referred to as the “intermediary debt”):

(A) recourse in respect of the debt or other obligation is limited in whole or in part, either immediately or in the future and either absolutely or contingently, to the particular debt or other obligation,

(B) the debt or other obligation was entered into on condition that the particular debt or other obligation be entered into,

(C) the particular debt or other obligation was entered into on condition that the debt or other obligation be entered into, or

(D) it can reasonably be concluded that if the debt or other obligation did not exist

(I) all or a portion of the particular amount would not be outstanding at that time, or

(II) the terms or conditions of the particular debt or other obligation would be different, or

(ii) has a specified right (as defined in subsection 18(5)) in respect of a particular property that was granted directly or indirectly by a non-resident person and

(A) the existence of the specified right is required under the terms and conditions of the particular debt or other obligation, or

(B) it can reasonably be concluded that if the intermediary or the person or partnership that does not deal at arm’s length with the intermediary, as the case may be, were not granted any specified right

(I) all or a portion of the particular amount would not be outstanding at that time, or

(II) the terms or conditions of the particular debt or other obligation would be different;

(c) the tax that would be payable under this Part in respect of the particular amount, if the particular amount were paid or credited to the non-resident person rather than the intermediary, is greater than the tax payable under this Part (determined without reference to this subsection and subsection (3.2)) in respect of the particular amount; and

(d) the total of all amounts — each of which is, in respect of the particular debt or other obligation, an amount outstanding as or on account of an intermediary debt or the fair market value of a particular property described in subparagraph (b)(ii) — is equal to at least 25% of the total of

(i) the particular amount, and

(ii) the total of all amounts each of which is an amount (other than the particular amount) that the taxpayer, or a person or partnership that does not deal at arm’s length with the taxpayer, has outstanding as or on account of a debt or other obligation to pay

an amount to the intermediary under the agreement, or an agreement that is connected to the agreement, under which the particular debt or other obligation was entered into where

(A) the intermediary is granted a security interest (as defined in subsection 18(5)) in respect of a property that is the intermediary debt or the particular property, as the case may be, and the security interest secures the payment of two or more debts or other obligations that include the debt or other obligation and the particular debt or other obligation, and

(B) each security interest that secures the payment of a debt or other obligation referred to in clause (A) secures the payment of every debt or other obligation referred to in that clause.

Back-to-back  
loan  
arrangement

(3.2) If this subsection applies at any time in respect of a taxpayer, then for the purposes of paragraph (1)(b), the taxpayer is deemed, at that time, to pay interest to a non-resident person referred to in subparagraph (3.1)(b)(i) or (ii), the amount of which is determined by the formula

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

where

A is the particular amount referred to in paragraph (3.1)(a);

B is the average of all amounts each of which is the lesser of

(i) the amount of the particular debt or other obligation referred to in paragraph (3.1)(a) outstanding at a particular time in the relevant period; and

(ii) the total of all amounts each of which is at that particular time

(A) an amount outstanding as or on account of an intermediary debt, in respect of the particular debt or other obligation, that is owed to the non-resident person,

(B) the fair market value of a particular property referred to in subparagraph (3.1)(b)(ii) in respect of the particular debt or other obligation, or

(C) if neither clause (A) nor (B) applies at that particular time, nil;

C is the average of all amounts each of which is the amount of the particular debt or other obligation outstanding at a time in the relevant period;

D is the portion, if any, of the particular amount deemed by subsection 214(16) to have been paid by the taxpayer as a dividend;

E is the rate of tax (determined without reference to subsection 214(16)) that would be imposed under this Part on the particular amount if the particular amount were paid by the taxpayer to the non-resident person at that time; and

F is the rate of tax (determined without reference to subsection 214(16)) imposed under this Part on the intermediary in respect of all or the portion of the particular amount paid or credited to the intermediary.

Back-to-back  
loan  
arrangement

(3.3) If subsection (3.2) applies at any time to deem a taxpayer to pay interest at that time to more than one non-resident person referred to in subparagraph (3.1)(b)(i) or (ii) in respect of a particular debt or other obligation and the total of all amounts determined (without reference to this subsection) for B in subsection (3.2) in respect of the particular debt or other obligation exceeds the average of all amounts each of which is the amount of the particular debt or other obligation outstanding at a time in the relevant period, then the taxpayer may reduce the amount determined for B in respect of one or more of the non-resident persons by one or more amounts designated by the taxpayer, as is reasonable in the circumstances, the total of which designated amounts shall not be greater than that excess.

**(2) Subsection (1) applies to amounts paid or credited after 2014.**

**49. (1) Paragraph 212.3(1)(b) of the Act is replaced by the following:**

(b) the CRIC is immediately after the investment time, or becomes after the investment time and as part of a transaction or event or series of transactions or events that includes the making of the investment, controlled by a non-resident corporation (in this section referred to as the “parent”), and any of the following conditions is satisfied:

(i) at the investment time, the parent, either alone or together with persons with whom the parent is not dealing at arm’s length and with partnerships of which the parent or a non-resident person that does not deal at arm’s length with the parent is a member (other than a limited partner within the meaning assigned by subsection 96(2.4)), owns — determined without reference to paragraph 212.3(25)(b) in the case of partnerships referred to in this subparagraph and as if all rights referred to in paragraph 251(5)(b), of the parent and each person that does not deal at arm’s length with the parent, were immediate and absolute and the parent and each of the other persons had exercised those rights at the investment time — shares of the capital stock of the CRIC that

(A) give the holders thereof 25% or more of the votes that could be cast at any annual meeting of the shareholders of the CRIC, or

(B) have a fair market value of 25% or more of the fair market value of all of the issued and outstanding shares of the capital stock of the CRIC,

(ii) the investment is an acquisition of shares of the capital stock of a subject corporation by a CRIC to which this subparagraph applies because of subsection (19), or

(iii) under an arrangement entered into in connection with the investment, a person or partnership, other than the CRIC or a person related to the CRIC, has in any material respect the risk of loss or opportunity for gain or profit in respect of a property that can reasonably be considered to relate to the investment.

**(2) Paragraph 212.3(2)(a) of the Act is replaced by the following:**

(a) for the purposes of this Part and subject to subsections (3) and (7), the CRIC is deemed to have paid to the parent, and the parent is deemed to have received from the CRIC, at the dividend time, a dividend equal to the total of all amounts each of which is the portion of the fair market value at the investment time of any property (not including shares of the capital stock of the CRIC) transferred, any obligation assumed or incurred, or any

benefit otherwise conferred, by the CRIC, or of any property transferred to the CRIC which transfer results in the reduction of an amount owing to the CRIC, that can reasonably be considered to relate to the investment; and

**(3) Subsections 212.3(3) and (4) of the Act are replaced by the following:**

Dividend substitution election

(3) If a CRIC (or a CRIC and a corporation that is a qualifying substitute corporation in respect of the CRIC at the dividend time) and the parent (or the parent and another non-resident corporation that at the dividend time does not deal at arm's length with the parent) jointly elect in writing under this subsection in respect of an investment, and the election is filed with the Minister on or before the filing-due date of the CRIC for its taxation year that includes the dividend time, then the dividend that would, in the absence of this subsection, be deemed under paragraph (2)(a) to have been paid by the CRIC to the parent and received by the parent from the CRIC is deemed to have instead been

(a) paid by the CRIC or the qualifying substitute corporation, as agreed on in the election; and

(b) paid to, and received by, the parent or the other non-resident corporation, as agreed on in the election.

Definitions

(4) The following definitions apply in this section.

“cross-border class”  
« *catégorie transfrontalière* »

“cross-border class”, in respect of an investment, means a class of shares of the capital stock of a CRIC or qualifying substitute corporation if, immediately after the dividend time in respect of the investment,

(a) the parent, or a non-resident corporation that does not deal at arm's length with the parent, owns at least one share of the class; and

(b) no more than 30% of the issued and outstanding shares of the class are owned by one or more persons resident in Canada that do not deal at arm's length with the parent.

“dividend time”  
« *moment du dividende* »

“dividend time”, in respect of an investment, means

(a) if the CRIC is controlled by the parent at the investment time, the investment time; or

(b) in any other case, the earlier of

(i) the first time, after the investment time, at which the CRIC is controlled by the parent, and

(ii) the day that is one year after the day that includes the investment time.

“qualifying substitute corporation”  
« *société de substitution admissible* »

“qualifying substitute corporation”, at any time in respect of a CRIC, means a corporation resident in Canada



(a) that is, at that time, controlled by the parent or by a non-resident corporation that does not deal at arm's length with the parent;

(b) that has, at that time, an equity percentage (as defined in subsection 95(4)) in the CRIC; and

(c) shares of the capital stock of which are, at that time, owned by the parent or another non-resident corporation with which the parent does not, at that time, deal at arm's length.

**(4) Section 212.3 of the Act is amended by adding the following after subsection (5):**

Sequential  
investments —  
paragraph  
(10)(f)

(5.1) In the case of an investment (in this subsection referred to as the “second investment”) in a subject corporation by a CRIC described in paragraph (10)(f), the total referred to in paragraph (2)(a) in respect of the second investment is to be reduced by the total referred to in paragraph (2)(a) in respect of a prior investment (in this subsection referred to as the “first investment”) in the subject corporation by another corporation resident in Canada if

(a) the first investment is an investment that is described in paragraph (10)(a) or (b) and to which paragraph (2)(a) applies;

(b) immediately after the investment time in respect of the first investment, the other corporation is not controlled by the parent; and

(c) the other corporation becomes, after the time that is immediately after the investment time in respect of the first investment and as part of a transaction or event or series of transactions or events that includes the making of the first investment, controlled by the parent because of the second investment.

**(5) Subsection 212.3(6) of the Act is repealed.**

**(6) Section 212.3 of the Act is amended by adding the following before subsection (7):**

Anti-avoidance  
rule —  
cross-border  
class

(6) A particular class of shares of the capital stock of a CRIC or a qualifying substitute corporation that, in the absence of this subsection, would be a cross-border class in respect of an investment is deemed not to be a cross-border class in respect of the investment if

(a) a particular corporation resident in Canada that does not deal at arm's length with the parent

(i) acquires shares of the particular class (or shares that are substituted for those shares) as part of a transaction or event or series of transactions or events that includes the investment, or

(ii) owns shares of the particular class (or shares that are substituted for those shares) and, as part of a transaction or event or series of transactions or events that includes the investment,

(A) the paid-up capital in respect of the particular class is increased otherwise than as a result of an acquisition described in subparagraph (i), and

(B) the increase in paid-up capital in respect of the particular class can reasonably be considered to be connected to funding provided to the particular corporation or

another corporation resident in Canada (other than the corporation that issued the particular class) by the parent or a non-resident person that does not deal at arm's length with the parent, unless

(I) the funding results in an increase, equal to the amount funded, in the paid-up capital of shares of a class of the capital stock of the particular corporation, or the other corporation, that is a cross-border class in respect of the investment, and

(II) the increase referred to in subclause (I) occurred at or before the time of the increase to the paid-up capital in respect of the particular class; and

(b) it can reasonably be considered that one of the main reasons for the acquisition or for the funding, as the case may be, was to increase the amount of a deduction required under paragraph (7)(b) or (c) in computing the paid-up capital in respect of shares of the particular class held by the particular corporation.

**(7) Subsection 212.3(7) of the Act is replaced by the following:**

(7) If paragraph (2)(a) applies to an investment in a subject corporation made by a CRIC,

(a) where the CRIC demonstrates — in respect of one or more classes of shares of the capital stock of the CRIC, or of a qualifying substitute corporation, all the issued and outstanding shares of which are owned, immediately after the dividend time in respect of the investment, by persons that deal at arm's length with the CRIC — that an amount of paid-up capital in respect of each of the classes arose as a consequence of one or more transfers of property, directly or indirectly, to the CRIC and that all of the property transferred was used by the CRIC to make, in whole or in part, the investment (or, in the case of an investment described in paragraph (10)(f), the direct acquisition referred to in that paragraph), then

(i) the amount, determined without reference to this subsection, of the dividend deemed under paragraph (2)(a) to have been paid and received, is reduced by the lesser of

(A) that amount, and

(B) the total of all amounts of paid-up capital so demonstrated by the CRIC, and

(ii) in computing the paid-up capital in respect of each class described in this paragraph, at any time after the dividend time, there is to be deducted an amount equal to the portion of the amount determined under subparagraph (i) that can reasonably be considered to relate to that class;

(b) where the amount, determined without reference to this paragraph, of the dividend deemed under paragraph (2)(a) to have been paid and received is equal to or greater than the total of all amounts each of which is an amount of paid-up capital immediately after the dividend time, determined without reference to this paragraph, of a cross-border class in respect of the investment, then

(i) the amount of the dividend is reduced by the total referred to in this paragraph, and

Reduction of  
deemed  
dividend

(ii) in computing, at any time after the dividend time, the paid-up capital in respect of each cross-border class in respect of the investment, there is to be deducted an amount equal to the paid-up capital in respect of that class immediately after the dividend time, determined without reference to this paragraph;

(c) where paragraph (b) does not apply and there is at least one cross-border class in respect of the investment,

(i) the amount, determined without reference to this paragraph, of the dividend is reduced to nil,

(ii) in computing, at any time after the dividend time, the paid-up capital in respect of a particular cross-border class in respect of the investment, there is to be deducted the amount, if any, that when added to the total of all amounts that are deducted under this paragraph in computing the paid-up capital of other cross-border classes, results in the greatest total reduction because of this paragraph, immediately after the dividend time, of the paid-up capital in respect of shares of cross-border classes that are owned by the parent or another non-resident corporation with which the parent does not, at the dividend time, deal at arm's length,

(iii) if the proportion of the shares of a particular class owned, in aggregate, by the parent and non-resident corporations that do not deal at arm's length with the parent is equal to the proportion so owned of one or more other cross-border classes (in this subparagraph all those classes, together with the particular class, referred to as the "relevant classes"), then the proportion that the reduction under subparagraph (ii) to the paid-up capital in respect of the particular class is of the paid-up capital, determined immediately after the dividend time and without reference to this paragraph, in respect of that class is to be equal to the proportion that the total reduction under subparagraph (ii) to the paid-up capital in respect of all the relevant classes is of the total paid-up capital, determined immediately after the dividend time and without reference to this paragraph, of all the relevant classes, and

(iv) the total of all amounts each of which is an amount to be deducted under subparagraph (ii) in computing the paid-up capital of a cross-border class is to be equal to the amount by which the dividend is reduced under subparagraph (i); and

(d) if the amount of the dividend is reduced because of any of subparagraphs (a)(i), (b)(i) and (c)(i),

(i) the CRIC shall file with the Minister in prescribed manner a form containing prescribed information and the amounts of the paid-up capital, determined immediately after the dividend time and without reference to this subsection, of each class of shares that is described in paragraph (a) or that is a cross-border class in respect of the investment, the paid-up capital of the shares of each of those classes that are owned by the parent or another non-resident corporation that does not, at the dividend time, deal at arm's length with the parent, and the reduction under any of subparagraphs (a)(ii), (b)(ii) and (c)(ii) in respect of each of those classes, and

(ii) if the form is not filed on or before the fifteenth day of the month following the month that includes the dividend time, the CRIC is deemed to have paid to the parent, and the parent is deemed to have received from the CRIC, at the dividend time, a dividend equal to the total of all amounts each of which is the amount of a reduction because of any of subparagraphs (a)(i), (b)(i) and (c)(i).

**(8) Subparagraph 212.3(8)(a)(ii) of the Act is replaced by the following:**

(ii) the total that would be determined under subparagraph (i) if this Act were read without reference to paragraph (2)(b) and subsections (7) and (9), and

**(9) Subparagraph 212.3(8)(b)(i) of the Act is replaced by the following:**

(i) the total of all amounts required by paragraph (2)(b) or subsection (7) to be deducted in computing the paid-up capital in respect of the class before that time

**(10) Subsection 212.3(9) of the Act is replaced by the following:**

Paid-up capital  
reinstatement

(9) If, in respect of an investment in a subject corporation made by a CRIC that is described in any of paragraphs (10)(a) to (f), an amount is deducted under paragraph (2)(b) or subsection (7) in computing the paid-up capital in respect of a class of shares of the capital stock of a particular corporation and, at a time subsequent to the investment time, there is a reduction of paid-up capital referred to in subparagraph (b)(i) or a receipt of property referred to in the description of A in subparagraph (b)(ii), then the paid-up capital in respect of the class is to be increased, immediately before the subsequent time, by the lesser of

(a) the amount, if any, by which

(i) the total of all amounts deducted, before the subsequent time, under paragraph (2)(b) or subsection (7), in respect of the investment, in computing the paid-up capital in respect of the class

exceeds

(ii) the total of all amounts added under this subsection, in respect of the investment, to the paid-up capital in respect of the class before the time that is immediately before the subsequent time, and

(b) an amount that

(i) if the investment is described in paragraph (10)(a), (b) or (f), the paid-up capital in respect of the class is reduced at the subsequent time as part of or because of a distribution of property by the particular corporation and the property (in this paragraph referred to as the “distributed shares”) is shares of the capital stock of the subject corporation or shares of the capital stock of a foreign affiliate of the particular corporation that were substituted for shares of the capital stock of the subject corporation, is equal to the amount determined by the formula

A/B

where

A is

(A) if the investment is described in paragraph (10)(b), the portion of the fair market value, immediately before the subsequent time, of the distributed shares that can reasonably be considered to relate to the contribution of capital that is the investment, and

(B) if the investment is described in paragraph (10)(a) or (f), the lesser of

(I) the portion of the fair market value, immediately before the subsequent time, of the distributed shares that can reasonably be considered to relate to the shares (in this paragraph referred to as the “acquired shares”) of the capital stock of the subject corporation that were acquired on the investment (other than any portion described in clause (A)), and

(II) the proportion of the amount determined under subparagraph (a)(i) that the amount determined under subclause (I) is of the fair market value, immediately before the subsequent time, of the acquired shares, or the portion of the fair market value of shares that were substituted for the acquired shares that can reasonably be considered to relate to the acquired shares, and

B is

(A) if the particular corporation is, immediately after the dividend time, a qualifying substitute corporation in respect of the CRIC, the particular corporation’s equity percentage (as defined in subsection 95(4)) in the CRIC immediately after the dividend time, and

(B) in any other case, 100%, and

(ii) in any other case, is equal to the amount determined by the formula

$$A \times B/C$$

where

A is the amount that is equal to the fair market value of property that the particular corporation demonstrates has been received at the subsequent time by it or by a corporation resident in Canada that was not dealing at arm’s length with the particular corporation at that time (in this subparagraph referred to as the “recipient corporation”)

(A) as proceeds from the disposition of the acquired shares, or other shares to the extent that the proceeds from the disposition of those other shares can reasonably be considered to relate to the acquired shares or to shares of the capital stock of the subject corporation in respect of which an investment described in paragraph (10)(b) was made, other than

(I) the fair market value of shares of the capital stock of another foreign affiliate of the taxpayer acquired by the recipient corporation as consideration for the disposition and as an investment to which subsection (16) or (18) applies, and

(II) proceeds from a disposition of shares to a corporation resident in Canada for which the acquisition of the shares is an investment to which subsection (16) or (18) applies,

(B) as a reduction of paid-up capital or dividend in respect of a class of shares of the capital stock of the subject corporation or the portion, of a reduction of paid-up capital or dividend in respect of a class of shares of the capital stock of a foreign affiliate of the particular corporation that were substituted for shares of the capital stock of the subject corporation, that can reasonably be considered to relate to the subject shares, or

(C) if the investment is described in paragraph (10)(c) or (d) or subparagraph (10)(e)(i),

(I) as a repayment of or as proceeds from the disposition of the debt obligation or amount owing, other than

1. if the debt obligation or amount owing was acquired by another foreign affiliate of the taxpayer, the portion of the fair market value of property received by the particular corporation as a result of an investment by the particular corporation that is described in paragraphs (10)(a) to (f) to which subsection (16) or (18) applies, or

2. as proceeds from a disposition to a corporation resident in Canada and that is affiliated with the particular corporation, and where subsection (16) or (18) applies to the other corporation in respect of its acquisition, or

(II) as interest on the debt obligation or amount owing,

B is the amount determined under paragraph (a) in respect of the class, and

C is the total of all amounts each of which is an amount determined under paragraph (a) in respect of all classes of shares of the capital stock of the particular corporation or of any corporation that does not deal at arm's length with the particular corporation.

Exchange of  
debt obligation  
for shares

(9.1) For the purposes of subsection (9), if at any time a debt obligation that relates to a particular investment described in paragraph (10)(c) or (d) or subparagraph (10)(e)(i) is exchanged for shares of a subject corporation and as part of the exchange there is an acquisition of shares described in subparagraph (18)(b)(i), then all amounts, in respect of the particular investment, deducted under paragraph (2)(b) or subsection (7) from, or added under subsection (9) to, the paid-up capital in respect of a class of shares before that time are deemed to have been deducted or added, as the case may be, in respect of the acquisition of the shares and not the particular investment.

Continuity for  
paid-up capital  
reinstatement

(9.2) If at any particular time shares (in this subsection referred to as the "new shares") of a class of the capital stock of a corporation resident in Canada are acquired, in a transaction to which any of sections 51, 85, 85.1, 86 and 87 apply, in exchange for a share (in this subsection referred to as the "old share") of a class of the capital stock of a particular cor-

poration that is either the corporation or another corporation resident in Canada, then for the purposes of subsections (8) and (9),

- (a) if the corporation that issues the new shares is not the particular corporation, it is deemed to be the same corporation as, and a continuation of, the particular corporation;
- (b) the new shares are deemed to be the same share, and of the same class of the capital stock of the particular corporation, as the old share; and
- (c) if the old share remains outstanding after the exchange, it is deemed to be a share of a different class of the capital stock of the particular corporation.

**(11) Paragraph 212.3(10)(c) of the Act is amended by striking out “or” at the end of subparagraph (i), by adding “or” at the end of subparagraph (ii) and by adding the following after subparagraph (ii):**

- (iii) because a dividend has been declared, but not yet paid, by the subject corporation;

**(12) Subsection 212.3(15) of the Act is replaced by the following:**

(15) For the purposes of this section and paragraph 128.1(1)(c.3),

(a) a CRIC or a taxpayer to which paragraph 128.1(1)(c.3) applies (in this paragraph referred to as the “specific corporation”), that would, in the absence of this subsection, be controlled at any time

(i) by more than one non-resident corporation is deemed not to be controlled at that time by any such non-resident that controls at that time another non-resident corporation that controls at that time the specific corporation, unless the application of this paragraph would otherwise result in no non-resident corporation controlling the specific corporation, and

(ii) by a particular non-resident corporation is deemed not to be controlled at that time by the particular corporation if the particular corporation is controlled at that time by another corporation that is at that time

(A) resident in Canada, and

(B) not controlled by any non-resident person; and

(b) if at any time a corporation would not, in the absence of this subsection, be controlled by any non-resident corporation, and a related group (determined without reference to paragraph 251(5)(b)), each member of which is a non-resident corporation, is in a position to control the corporation, the corporation is deemed to be controlled at that time by

(i) the member of the group that has the greatest direct equity percentage (within the meaning assigned by subsection 95(4)) in the corporation at that time, or

(ii) where no member of the group has a direct equity percentage in the corporation that is greater than that of every other member, the member determined by the corporation or, if the corporation does not make a determination, by the Minister.

**(13) The portion of paragraph 212.3(16)(b) of the Act before subparagraph (i) is replaced by the following:**

Control

(b) officers of the CRIC, or of a corporation resident in Canada that did not, at the investment time, deal at arm's length with the CRIC, had and exercised the principal decision-making authority in respect of the making of the investment and a majority of those officers were, at the investment time, persons each of whom was resident, and working principally,

**(14) Paragraph 212.3(16)(c) of the Act is replaced by the following:**

(c) at the investment time, it is reasonably expected that

(i) officers of the CRIC, or of a corporation resident in Canada that does not deal at arm's length with the CRIC, will have and exercise the ongoing principal decision-making authority in respect of the investment,

(ii) a majority of those officers will be persons each of whom will be resident, and working principally, in Canada or in a country in which a connected affiliate is resident, and

(iii) the performance evaluation and compensation of the officers of the CRIC, or of the corporation resident in Canada that does not deal at arm's length with the CRIC, who are resident, and work principally, in Canada, or in a country in which a connected affiliate is resident, will be based on the results of operations of the subject corporation to a greater extent than will be the performance evaluation and compensation of any officer of a non-resident corporation (other than the subject corporation, a corporation controlled by the subject corporation or a connected affiliate) that does not deal at arm's length with the CRIC.

**(15) Subsection 212.3(17) of the Act is replaced by the following:**

Dual officers

(17) For the purposes of paragraphs (16)(b) and (c), any person who is an officer of the CRIC, or of a corporation resident in Canada that does not deal at arm's length with the CRIC, and of a non-resident corporation that does not, at the investment time, deal at arm's length with the CRIC (other than the subject corporation, a subject subsidiary corporation or a connected affiliate) is deemed to not be resident, and to not work principally, in a country in which a connected affiliate is resident.

**(16) The portion of subsection 212.3(18) of the Act before paragraph (b) is replaced by the following:**

Exception —  
corporate  
reorganiza-  
tions

(18) Subject to subsections (18.1) to (20), subsection (2) does not apply to an investment in a subject corporation made by a CRIC if

(a) the investment is described in paragraph (10)(a) or (d) and is an acquisition of shares of the capital stock, or a debt obligation, of the subject corporation

(i) from a corporation resident in Canada (in this paragraph referred to as the “disposing corporation”) to which the CRIC is, immediately before the investment time, related (determined without reference to paragraph 251(5)(b)), and

(A) each shareholder of the disposing corporation is



(I) immediately before the investment time, either the CRIC or a corporation resident in Canada that is related to the parent, and

(II) at no time that is in the period during which the series of transactions or events that includes the making of the investment occurs and that is before the investment time, dealing at arm's length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent, or

(B) the disposing corporation is, at no time that is in the period and that is before the investment time, dealing at arm's length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent, or

(ii) on an amalgamation described in subsection 87(1) of two or more corporations (each of which is in this subparagraph referred to as a "predecessor corporation") to form the CRIC if

(A) all of the predecessor corporations are, immediately before the amalgamation, related to each other (determined without reference to paragraph 251(5)(b)), and

(B) either

(I) none of the predecessor corporations are, at any time that is in the period during which the series of transactions or events that includes the making of the investment occurs and that is before the investment time, dealing at arm's length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent, or

(II) if the condition in subclause (I) is not satisfied in respect of a predecessor corporation, each shareholder of that predecessor is

1. immediately before the investment time, either the CRIC or a corporation resident in Canada that is related to the parent, and

2. at no time that is in the period and that is before the investment time, dealing at arm's length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent;

**(17) Paragraph 212.3(18)(b) is amended by striking out "or" at the end of subparagraph (vi), by adding "or" at the end of subparagraph (vii) and by adding the following after subparagraph (vii):**

(viii) as a result of a disposition of the shares by the CRIC to a partnership and to which subsection 97(2) applies;

**(18) Paragraph 212.3(18)(c) of the Act is replaced by the following:**

(c) the investment is an indirect acquisition referred to in paragraph (10)(f) that results from a direct acquisition of shares of the capital stock of another corporation resident in Canada

(i) from a corporation (in this paragraph referred to as the “disposing corporation”) to which the CRIC is, immediately before the investment time, related (determined without reference to paragraph 251(5)(b)), and

(A) each shareholder of the disposing corporation is

(I) immediately before the investment time, either the CRIC or a corporation resident in Canada that is related to the parent, and

(II) at no time that is in the period during which the series of transactions or events that includes the making of the investment occurs and that is before the investment time, dealing at arm’s length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent, or

(B) the disposing corporation is, at no time that is in the period and that is before the investment time, dealing at arm’s length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent,

(ii) on an amalgamation described in subsection 87(1) of two or more corporations (each of which is in this subparagraph referred to as a “predecessor corporation”) to form the CRIC, or a corporation of which the CRIC is a shareholder, if

(A) all of the predecessor corporations are, immediately before the amalgamation, related to each other (determined without reference to paragraph 251(5)(b)), and

(B) either

(I) none of the predecessor corporations are, at any time that is in the period during which the series of transactions or events that includes the making of the investment occurs and that is before the investment time, dealing at arm’s length (determined without reference to paragraph 251(5)(b)) with the parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent, or

(II) if the condition in subclause (I) is not satisfied in respect of a predecessor corporation, each shareholder of that predecessor is

1. immediately before the investment time, either the CRIC or a corporation resident in Canada that is related to the parent, and

2. at no time that is in the period and that is before the investment time, dealing at arm’s length (determined without reference to paragraph 251(5)(b)) with the

parent or a non-resident corporation that participates in the series and is, at any time that is in the period and that is before the investment time, related to the parent,

- (iii) in an exchange to which subsection 51(1) applies,
- (iv) in the course of a reorganization of the capital of the other corporation to which subsection 86(1) applies,
- (v) to the extent that an investment (other than one described in paragraph (10)(f)) is made in the subject corporation by the other corporation, or by a particular corporation resident in Canada to which the CRIC and the other corporation are related at the investment time, using property transferred, directly or indirectly, by the CRIC to the other corporation or the particular corporation, as the case may be, if the two investments
  - (A) occur within 90 days of each other, and
  - (B) are part of the same series of transactions or events, or
- (vi) as a result of a disposition of the shares by the CRIC to a partnership and to which subsection 97(2) applies; or

**(19) Paragraph 212.3(18)(d) of the Act is replaced by the following:**

(d) the investment is an acquisition of shares of the capital stock of the subject corporation that is described in paragraph (10)(a), or an indirect acquisition referred to in paragraph (10)(f) that results from a direct acquisition of shares of the capital stock of another corporation resident in Canada, where

- (i) the shares are acquired by the CRIC in exchange for a bond, debenture or note, and
- (ii) subsection 51(1) would apply to the exchange if the terms of the bond, debenture or note conferred on the holder the right to make the exchange.

**(20) Section 212.3 of the Act is amended by adding the following after subsection (18):**

Exchange —  
pertinent loan  
or  
indebtedness

(18.1) Subsection (18) does not apply to an investment that is an acquisition of property if the property can reasonably be considered to have been received by the CRIC as repayment in whole or in part, or in settlement, of a pertinent loan or indebtedness.

**(21) The portion of subsection 212.3(19) of the Act before paragraph (a) is replaced by the following:**

Preferred  
shares

(19) Subparagraph (1)(b)(ii) applies, and subsection (16) and paragraphs (18)(b) and (d) do not apply, to an acquisition of shares of the capital stock of a subject corporation by a CRIC if, having regard to all the terms and conditions of the shares and any agreement in respect of the shares, the shares may not reasonably be considered to fully participate in the profits of the subject corporation and any appreciation in the value of the subject corporation, unless the subject corporation would be a subsidiary wholly-owned corporation of the CRIC throughout the period during which the series of transactions or events that includes the

acquisition occurs if the CRIC owned all of the shares of the capital stock of the subject corporation that are owned by any of

**(22) Paragraph 212.3(22)(a) of the Act is amended by striking out “and” at the end of subparagraph (i) and by adding the following after subparagraph (ii):**

(iii) each shareholder of the new corporation is deemed not to acquire indirectly any shares as a result of the amalgamation; and

**(23) Subsection 212.3(23) of the Act is replaced by the following:**

Indirect  
investment

(23) Subsection (2) applies to an investment in a subject corporation made by a CRIC to which, in the absence of this subsection, subsection (2) would not apply because of subsection (16) or (24), to the extent that one or more properties received by the subject corporation from the CRIC as a result of the investment, or property substituted for any such property, may reasonably be considered to have been used by the subject corporation, directly or indirectly as part of a series of transactions or events that includes the making of the investment, in a transaction or event to which subsection (2) would have applied if the CRIC had entered into the transaction, or participated in the event, as the case may be, instead of the subject corporation.

**(24) Subsection 212.3(24) of the Act is replaced by the following:**

Indirect  
funding

(24) Subsection (2) does not apply to an investment in a subject corporation made by a CRIC to which, in the absence of this subsection, subsection (2) would apply, if the CRIC demonstrates that

(a) all the properties received by the subject corporation from the CRIC as a result of the investment were used, at a particular time that is within 30 days after the investment time and at all times after the particular time, by the subject corporation

(i) to derive income from activities that can reasonably be considered to be directly related to active business activities carried on by a particular corporation and all of the income is income from an active business because of subparagraph 95(2)(a)(i), or

(ii) to make a loan or acquire a property, all or substantially all of the income from which is, or would be, if there were income from the loan or property, derived from amounts paid or payable, directly or indirectly, to the subject corporation by a particular corporation and is, or would be, income from an active business because of subparagraph 95(2)(a)(ii);

(b) the particular corporation was, at the particular time, a controlled foreign affiliate of the CRIC for the purposes of section 17; and

(c) the particular corporation is, throughout the period that begins at the investment time and during which the series of transactions or events that includes the activities of, or the making of the loan or acquisition of property by, the subject corporation occurs, a corporation in which an investment made by the CRIC would not be subject to subsection (2) because of subsection (16).

**(25) Subject to subsections (26) and (27), subsections (1) to (5), (7) to (18) and (21) to (24) apply in respect of transactions and events that occur after March 28, 2012, except that**

**(a) an election referred to in subsection 212.3(3) of the Act, as enacted by subsection (3), is deemed to have been filed on a timely basis if the election is filed on or before the filing-due date of the electing CRIC for its taxation year that includes the day on which this Act receives royal assent;**

**(b) in respect of transactions and events that occur before ANNOUNCEMENT DATE, subsection 212.3(4) of the Act, as enacted by subsection (3), is to be read without reference to paragraph (b) of the definition “cross-border class”;**

**(c) a form referred to in paragraph 212.3(7)(d) of the Act, as enacted by subsection (7), is deemed to have been filed on a timely basis if the form is filed on or before the day that is 30 days after the day on which this Act receives royal assent;**

**(d) in respect of transactions and events that occur before ANNOUNCEMENT DATE, the reference to “at the dividend time” in subparagraph 212.3(7)(d)(ii), as enacted by subsection (7), is to be read as a reference to the time that is the later of the dividend time and the time that is immediately after the day on which this Act receives royal assent.**

**(e) in respect of transactions and events that occur before August 16, 2013**

**(i) subparagraph 212.3(9)(b)(ii) of the Act, as enacted by subsection (10), is to be read without reference to subclause (A)(I) in the description of A,**

**(ii) subsection 212.3(15) of the Act, as enacted by subsection (12), is to be read without reference to paragraph (b), and**

**(iii) the portion of subsection 212.3(18) of the Act before paragraph (a), as enacted by subsection (16), is to be read as follows:**

**(18) Subject to subsections (19) and (20), subsection (2) does not apply to an investment in a subject corporation made by a CRIC if**

**(f) in respect of transactions and events that occur before ANNOUNCEMENT DATE**

**(i) clause 212.3(18)(a)(i)(B) of the Act, as enacted by subsection (16), is to be read as follows:**

**(B) the disposing corporation is, at no time that is in the period and that is before the investment time, dealing at arm’s length (determined without reference to paragraph 251(5)(b)) with the CRIC, or**

**(ii) subclause 212.3(18)(a)(ii)(B)(I) of the Act, as enacted by subsection (16), is to be read as follows:**

**(I) none of the predecessor corporations deal at arm’s length (determined without reference to paragraph 251(5)(b)) with another predecessor corporation at any time**

that is in the period during which the series of transactions or events that includes the making of the investment occurs and that is before the investment time, or

**(iii) clause 212.3(18)(c)(i)(B) of the Act, as enacted by subsection (18), is to be read as follows:**

(B) the disposing corporation is, at no time that is in the period and that is before the investment time, dealing at arm's length (determined without reference to paragraph 251(5)(b)) with the CRIC,

**(iv) subclause 212.3(18)(c)(ii)(B)(I) of the Act, as enacted by subsection (18), is to be read as follows:**

(I) none of the predecessor corporations deal at arm's length (determined without reference to paragraph 251(5)(b)) with another predecessor corporation at any time that is in the period during which the series of transactions or events that includes the making of the investment occurs and that is before the investment time, or

**(26) If an election is made under subsection 49(3) of the *Jobs and Growth Act, 2012* (S.C. 2012, c. 31), section 212.3 of the *Income Tax Act* applies in the manner set out in that subsection in respect of transactions and events that occur after March 28, 2012 and before August 14, 2012.**

**(27) If a taxpayer elects in writing under this subsection and files the election with the Minister of National Revenue on or before the day that is the later of the taxpayer's filing-due date for its taxation year that includes the day on which this Act receives royal assent and the day that is one year after the day on which this Act receives royal assent, then, in respect of transactions and events that occur before August 16, 2013, subsection 212.3(9) of the Act, as enacted by subsection (10), is to be read as follows:**

(9) If, in respect of an investment in a subject corporation made by a CRIC that is described in any of paragraphs (10)(a) to (f), an amount is required by paragraph (2)(b) or subsection (7) to be deducted in computing the paid-up capital in respect of a class of shares of the capital stock of a particular corporation, and the paid-up capital in respect of the class is reduced at a time subsequent to the investment time, then the paid-up capital in respect of the class is to be increased, immediately before the subsequent time, by the least of

(a) the amount by which the paid-up capital of the class is reduced at the subsequent time,

(b) the amount, if any, by which

(i) the total of all amounts each of which is required, before the subsequent time, by paragraph (2)(b) or subsection (7) to be deducted, in respect of the investment, in computing the paid-up capital in respect of the class

exceeds

(ii) the total of all amounts required under this subsection to be added, in respect of the investment, to the paid-up capital of the class before the subsequent time, and

(c) an amount that

(i) if the paid-up capital of the class is reduced at the subsequent time as part of or because of a distribution of property by the particular corporation and the property is shares of the capital stock of the subject corporation (in this paragraph referred to as the “subject shares”) or shares of the capital stock of a foreign affiliate of the particular corporation that were substituted for the subject shares, is equal to the fair market value of the subject shares, or the portion of the fair market value of the substituted shares that may reasonably be considered to relate to the subject shares, as the case may be, at the subsequent time,

(ii) is equal to the fair market value of property that the particular corporation demonstrates it has received directly or indirectly after the investment time and no more than 180 days before the subsequent time

(A) as proceeds from the disposition of the subject shares, or as the portion of the proceeds from the disposition of the substituted shares that may reasonably be considered to relate to the subject shares,

(B) as a dividend or qualifying return of capital, within the meaning assigned by subsection 90(3), in respect of a class of subject shares, or the portion of a dividend or reduction of paid-up capital in respect of a class of substituted shares that may reasonably be considered to relate to the subject shares, or

(C) if the investment is described in paragraph (10)(c) or (d) or subparagraph (10)(e)(i),

(I) as a repayment of or as proceeds from the disposition of the debt obligation, or amount owing, in connection with the investment, or

(II) as interest on the debt obligation or amount owing, or

(iii) if neither subparagraph (i) nor (ii) applies, is equal to nil.

**(28) Subsection (6) applies in respect of transactions and events that occur on or after ANNOUNCEMENT DATE.**

**(29) Subsections (19) and (20) apply in respect of transactions and events that occur after August 15, 2013.**

**50. (1) Paragraph 219.1(3)(b) of the Act is replaced by the following:**

(b) an amount is required by paragraph 212.3(2)(b) or subsection 212.3(7) to be deducted in computing the paid-up capital in respect of a class of shares of the capital stock of the corporation because of an investment in a subject corporation made by a CRIC that is described in any of paragraphs 212.3(10)(a) to (f);

**(2) Paragraph 219.1(4)(a) of the Act is replaced by the following:**

(a) the total of all amounts each of which is an amount by which the paid-up capital of a class of shares of the capital stock of the corporation was required by paragraph 212.3(2)(b) or subsection 212.3(7) to be reduced in respect of an investment in a subject corporation made by the CRIC that is described in any of paragraphs 212.3(10)(a) to (f),

**(3) Paragraph 219.1(4)(b) of the Act is amended by striking out “or” at the end of subparagraph (i), by adding “or” at the end of subparagraph (ii) and by adding the following after subparagraph (ii):**

(iii) the fair market value of a debt obligation, other than a pertinent loan or indebtedness (as defined in subsection 212.3(11)), of a subject corporation that is owned by the corporation immediately before the emigration time.

**(4) Subsections (1) to (3) apply to corporations that cease to be resident in Canada after March 28, 2012.**

**51. (1) Paragraph 220(4.51)(a) of the Act is replaced by the following:**

(a) the total amount of those taxes that would be payable for the year by a trust resident in Canada (other than a graduated rate estate or a qualified disability trust as defined in subsection 122(3)) the taxable income of which for the year is \$50,000, and

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

**52. (1) Section 227 of the Act is amended by adding the following after subsection 227(6.1):**

(6.2) If, in respect of an investment described in subsection 212.3(10), a corporation is deemed by subparagraph 212.3(7)(d)(ii) to pay a dividend and the corporation subsequently complies with the requirements of subparagraph 212.3(7)(d)(i) in respect of the investment,

(a) subject to paragraph (b), the Minister shall, on written application made on a particular day that is, or is no more than two years after, the day on which the form described in subparagraph 212.3(7)(d)(i) is filed, pay to the corporation an amount equal to the lesser of

(i) the total of all amounts, if any, paid to the Receiver General, on or prior to the particular day, on behalf of a person and in respect of the liability of the person to pay an amount under Part XIII in respect of the dividend, and

(ii) the amount that the person was liable to pay in respect of the dividend under Part XIII;

(b) where the corporation or the person is or is about to become liable to make a payment to Her Majesty in right of Canada, the Minister may apply the amount otherwise payable under paragraph (a) to that liability and notify the corporation, and, if applicable, the person, of that action; and

(c) for the purposes of this Part (other than subparagraph (a)(i)), if the amount described in subparagraph (a)(ii) exceeds the amount described in subparagraph (a)(i), the corporation is deemed to pay that excess to the Receiver General on the day on which the form described in subparagraph 212.3(7)(d)(i) is filed.

**(2) Subsection (1) applies in respect of transactions and events that occur after March 28, 2012.**

Foreign  
affiliate  
dumping —  
late-filed form



**53. (1) Subparagraph (f)(vi) of the definition “disposition” in subsection 248(1) of the Act is replaced by the following:**

(vi) if the transferor is an amateur athlete trust, a cemetery care trust, an employee trust, a trust deemed by subsection 143(1) to exist in respect of a congregation that is a constituent part of a religious organization, a related segregated fund trust (in this paragraph having the meaning assigned by section 138.1), a trust described in paragraph 149(1)(o.4) or a trust governed by an eligible funeral arrangement, an employees profit sharing plan, a registered disability savings plan, a registered education savings plan, a registered supplementary unemployment benefit plan or a TFSA, the transferee is the same type of trust, and

**(2) Paragraph (a) of the definition “personal trust” in subsection 248(1) of the Act is replaced by the following:**

(a) a graduated rate estate, or

**(3) The portion of paragraph (b) of the definition “personal trust” in subsection 248(1) of the Act before subparagraph (i) is replaced by the following:**

(b) a trust in which no beneficial interest was acquired for consideration payable directly or indirectly to

**(4) Subsection 248(1) of the Act is amended by adding the following in alphabetical order:**

“graduated rate estate”  
« succession assujettie à l'imposition à taux progressifs »

“graduated rate estate”, of an individual at any time, means the estate that arose on and as a consequence of the individual’s death if

(a) that time is no more than 36 months after the death,

(b) the estate is at that time a testamentary trust,

(c) the individual’s Social Insurance Number (or if the individual had not, before the death, been assigned a Social Insurance Number, such other information as is acceptable to the Minister) is provided in the estate’s return of income under Part I for the taxation year that includes that time and for each of its earlier taxation years that ended after 2015,

(d) the estate designates itself as the graduated rate estate of the individual in its return of income under Part I for its first taxation year that ends after 2015, and

(e) no other estate designates itself as the graduated rate estate of the individual in a return of income under Part I for a taxation year that ends after 2015;

**(5) The portion of subsection 248(25.1) of the Act before paragraph (a) is replaced by the following:**

Trust-to-trust transfers

(25.1) If, at any time, a particular trust transfers property to another trust (other than a trust governed by a registered retirement savings plan or by a registered retirement income

fund) in circumstances to which paragraph (f) of the definition “disposition” in subsection (1) applies, without affecting the personal liabilities under this Act of the trustees of either trust or the application of subsection 104(5.8),

**(6) Section 248 of the Act is amended by adding the following after subsection (28):**

Farming or  
fishing  
business

(29) For the purposes of subsection 40(1.1) and sections 70, 73 and 110.6, if at any time a person or partnership carries on a farming business and a fishing business, a property used at that time principally in a combination of the activities of the farming business and the fishing business is deemed to be used at that time principally in the course of carrying on a farming or fishing business.

**(7) Subsections (1) to (3) and (5) apply to the 2016 and subsequent taxation years.**

**(8) Subsection (4) comes into force or is deemed to have come into force on December 31, 2015.**

**(9) Subsection (6) applies in respect of property disposed of, or transferred, in the 2014 and subsequent taxation years.**

**54. (1) Paragraphs 249(1)(b) and (c) of the Act are replaced by the following:**

(b) in the case of a graduated rate estate, the period for which the accounts of the estate are made up for purposes of assessment under this Act; and

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

**(2) Section 249 of the Act is amended by adding the following after subsection (4):**

Trust  
transition from  
graduated rates

(4.1) For a particular trust that is created by will or that is an estate that arose on and as a consequence of a death,

(a) its taxation year that otherwise includes a particular time is deemed to end immediately before the particular time if

(i) in the case of a trust created by will, the particular time is immediately after 2015, or

(ii) in the case of an estate, the particular time is the first time after 2015 at which the estate is not a graduated rate estate; and

(b) if the particular trust exists at the particular time,

(i) a new taxation year of the particular trust is deemed to begin at the particular time, and

(ii) for the purpose of determining the particular trust’s fiscal period after the particular time, the particular trust is deemed not to have established a fiscal period before that time.

**(3) Subsection 249(5) of the Act is replaced by the following:**

Graduated rate  
estate

(5) The period for which the accounts of a graduated rate estate are made up for the purposes of an assessment under this Act may not exceed 12 months, and no change in the

time when such a period ends may be made for the purposes of this Act without the concurrence of the Minister.

**(4) Subsection 249(6) of the Act is repealed.**

**(5) Subsections (1) and (3) apply to the 2016 and subsequent taxation years.**

**(6) Subsection (2) comes into force or is deemed to have come into force on December 31, 2015.**

**(7) Subsection (4) applies to transactions and events that occur after 2015.**

**55. (1) The portion of paragraph 249.1(1)(b) of the Act before clause (ii)(B) is replaced by the following:**

(b) in the case of

(i) an individual (other than an individual to whom section 149 or 149.1 applies or a trust),

(i.1) a trust (other than a mutual fund trust if the fiscal period is one to which paragraph 132.11(1)(c) applies or a graduated rate estate),

(ii) a partnership of which

(A) an individual (other than an individual to whom section 149 or 149.1 applies or a graduated rate estate),

**(2) Subparagraph 249.1(4)(c)(ii) of the Act is replaced by the following:**

(ii) who is a member of a partnership no member of which is a graduated rate estate,

**(3) Paragraph 249.1(4)(d) of the Act is replaced by the following:**

(d) in the case of an individual who is a member of a partnership a member of which is a graduated rate estate, an election in prescribed form to have paragraph (1)(b) not apply is filed with the Minister by the individual on or before the earliest of the filing-due dates of the members of the partnership for a taxation year that includes the first day of the first fiscal period of the business that begins after 1994.

**(4) Clause 249.1(6)(b)(i)(B) of the Act is replaced by the following:**

(B) who is a member of a partnership no member of which is a graduated rate estate,

**(5) Subparagraph 249.1(6)(b)(ii) of the Act is replaced by the following:**

(ii) in the case of an individual who is a member of a partnership a member of which is a graduated rate estate, by the individual on or before the earliest of the filing-due dates of the members of the partnership for a taxation year that includes the first day of the first fiscal period of the business that begins after the beginning of the particular year.

**(6) Subsections (1) to (5) apply to the 2016 and subsequent taxation years.**

**56. (1) Subparagraphs 256(1.2)(f)(i) to (iii) of the Act are replaced by the following:**

(ii) where a beneficiary's share of the accumulating income or capital therefrom depends on the exercise by any person of, or the failure by any person to exercise, any discretionary power, those shares are deemed to be owned at that time by the beneficiary,

(iii) in any case where subparagraph (ii) does not apply, a beneficiary is deemed at that time to own the proportion of those shares 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, and

**(2) Subsection (1) applies to the 2016 and subsequent taxation years.**

INCOME TAX REGULATIONS

**57. Subsection 300(2) of the *Income Tax Regulations* is replaced by the following:**

(2) For the purposes of this section, if the continuance of the annuity payments under a contract depends in whole or in part on the survival of an individual,

(a) the total of the payments expected to be made under the contract is

(i) in the case of a contract that provides for equal payments and does not provide for a guaranteed period of payment, to be equal to the product obtained by multiplying the total of the annuity payments expected to be received throughout a year under the contract by the complete expectations of life determined

(A) using the table of mortality known as the *1971 Individual Annuity Mortality Table* as published in Volume XXIII of the *Transactions of the Society of Actuaries*, if the annuity rates in respect of the contract were fixed and determined before 2017, and

(I) annuity payments under the contract commenced before 2017, or

(II) on December 31, 2016, the contract would be a prescribed annuity contract if paragraph 304(1)(c) were read without reference to its subparagraph (i) and the contract cannot be terminated other than on the death of an individual on whose life payments under the contract are contingent, and

(B) in any other case, using the table of mortality known as the *Annuity 2000 Basic Table* as published in the *Transactions of Society of Actuaries, 1995-96 Reports*, and

(ii) in any other case, to be calculated in accordance with subparagraph (i) with such modifications as the circumstances may require;

(b) the age of the individual on any particular date as of which a calculation is being made is

(i) if the life insured was determined by the insurer that issued the contract to be a substandard life at the time the contract was issued and the *Annuity 2000 Basic Table* as published in the *Transactions of Society of Actuaries, 1995-96 Reports* applies to determine the total of the payments expected to be made under the contract, the age that is equal to the total of the age used for the purpose of determining the annuity rate

under the policy at the date of issue of the contract and the number determined by subtracting the calendar year in which the contract was issued from the calendar year in which the particular date occurs, and

(ii) in any other case, determined by subtracting the calendar year of the individual's birth from the calendar year in which the particular date occurs; and

(c) if, in the event of the death of the individual before the annual payments total a stated sum, the contract provides that the unpaid balance of the stated sum is to be paid in a lump sum or instalments, then for the purpose of determining the expected term of the contract, the contract is deemed to provide for the continuance of the payments under the contract for a minimum term certain equal to the nearest whole number of years required to complete the payment of the stated sum.

**58. (1) Clause 304(1)(c)(iii)(A) of the Regulations is replaced by the following:**

(A) is

(I) an individual other than a trust,

(II) a trust described in paragraph 104(4)(a) of the Act (in this paragraph referred to as a "specified trust"),

(III) a trust that is a qualified disability trust (as defined in subsection 122(3) of the Act) for the taxation year in which the annuity is issued, or

(IV) if the annuity is issued before 2016, a trust that is a testamentary trust at the time the annuity is issued,

**(2) Subclauses 304(1)(c)(iv)(B)(II)2 and 3 of the Regulations are replaced by the following:**

2. in the case of a qualified disability trust, for the life of an individual who is an electing beneficiary (as defined in subsection 122(3) of the Act) of the trust for the taxation year in which the annuity is issued,

3. in the case of a trust (other than a qualified disability trust or specified trust) where the annuity is issued before October 24, 2012, for the life of an individual who is entitled to receive income from the trust, and

4. in the case of a trust (other than a qualified disability trust or specified trust) where the annuity is issued after October 23, 2012, for the life of an individual who was entitled when the contract was first held to receive all of the trust's income that is from an amount received by the trust on or before the individual's death as a payment under the annuity,

**(3) Subclause 304(1)(c)(iv)(C)(III) of the Regulations is replaced by the following:**

(III) if the holder is a qualified disability trust, an individual who is an electing beneficiary of the trust for the taxation year in which the annuity is issued, and

(IV) if the holder is a trust (other than a qualified disability trust or specified trust) and the annuity is issued before 2016, the individual who was the youngest beneficiary under the trust when the contract was first held,

**(4) Subclause 304(1)(c)(iv)(E)(IV) of the Regulations is replaced by the following:**

(IV) if the holder is a trust, other than a specified trust, and the contract is first held after October 2011, on the earlier of

1. the time at which the trust ceases to be a testamentary trust, and
2. the death of the individual referred to in subclause (B)(II) or (C)(III) or (IV), as the case may be, in respect of the trust, and

**(5) Subsections (1) to (4) apply to the 2016 and subsequent taxation years.**

**59. (1) Paragraph 306(1)(b) of the Regulations is replaced by the following:**

(b) assuming that the terms and conditions of the policy do not change from those in effect on the last policy anniversary of the policy at or before that time and, where necessary, making reasonable assumptions about all other factors (including, in the case of a participating life insurance policy within the meaning assigned by subsection 138(12) of the Act, the assumption that the amounts of dividends paid will be as shown in the dividend scale),

(i) if the policy is issued before 2017, it is reasonable to expect that the condition in paragraph (a) will be met on each policy anniversary of the policy on which the policy could remain in force after that time and before the endowment date of the exemption test policies issued in respect of the policy, and

(ii) if the policy is issued after 2016, it is reasonable to expect – without reference to any automatic adjustments under the policy that may be made after that time to ensure that the policy is an exempt policy and, where applicable, making projections using the most recent values that are used to calculate the accumulating fund in respect of the policy or in respect of each exemption test policy issued in respect of a coverage under the policy, as the case may be – that the condition in paragraph (a) will be met on the policy's next policy anniversary;

**(2) Subsections 306(3) and (4) of the Regulations are replaced by the following:**

(3) For the purposes of this section and section 307,

(a) in the case of a life insurance policy issued before 2017, a separate exemption test policy is deemed, subject to subsection (7), to be issued in respect of the life insurance policy

- (i) on the date of issue of the life insurance policy, and
- (ii) on each policy anniversary of the life insurance policy on which
  - (A) the amount of the benefit on death under the life insurance policy exceeds

(B) 108% of the amount of the benefit on death under the life insurance policy on the later of the life insurance policy's date of issue and the date of the life insurance policy's preceding policy anniversary, if any; and

(b) in the case of a life insurance policy issued after 2016, a separate exemption test policy is deemed, subject to subsection (7), to be issued in respect of each coverage under the life insurance policy

(i) on the date of

(A) issue of the life insurance policy, if the coverage is issued before the first policy anniversary of the life insurance policy,

(B) issue of the coverage, if the coverage is issued on a policy anniversary of the life insurance policy, or

(C) the life insurance policy's preceding policy anniversary, if the coverage is issued on any date that is after the policy's first policy anniversary and that is not a policy anniversary,

(ii) on each policy anniversary of the life insurance policy on which

(A) the amount of the benefit on death under the coverage on that policy anniversary exceeds

(B) 108% of the amount of the benefit on death under the coverage, on the later of the coverage's date of issue and the date of the life insurance policy's preceding policy anniversary (or, if there is no preceding policy anniversary, the coverage's date of issue), and

(iii) on each policy anniversary of the life insurance policy – except to the extent that another exemption test policy has been issued on that date under this subparagraph in respect of a coverage under the life insurance policy – on which

(A) the amount by which the fund value benefit under the life insurance policy on that policy anniversary exceeds the fund value benefit under the life insurance policy on the life insurance policy's preceding policy anniversary (or, if there is no preceding policy anniversary, the date of issue of the policy),

exceeds

(B) the amount by which

(I) 8% of the amount of the benefit on death under the life insurance policy on the life insurance policy's preceding policy anniversary (or, if there is no preceding policy anniversary, the date of issue of the policy),

exceeds

(II) the total of all amounts each of which is, in respect of a coverage under the policy, the lesser of

1. the amount by which the amount of the benefit on death under the coverage on that policy anniversary exceeds the amount of the benefit on death under the coverage on the later of the coverage's date of issue and the date of the life insurance policy's preceding policy anniversary (or, if there is no preceding policy anniversary, the coverage's date of issue), and
2. 8% of the amount of the benefit on death under the coverage on the later of the coverage's date of issue and the date of the life insurance policy's preceding policy anniversary (or, if there is no preceding policy anniversary, the coverage's date of issue).

(4) For the purpose of determining whether the condition in paragraph (1)(a) is met on a policy anniversary of a life insurance policy, each exemption test policy issued in respect of the life insurance policy, or in respect of a coverage under the life insurance policy, is deemed

(a) to have a benefit on death that is uniform throughout the term of the exemption test policy and that, subject to subsection (5), is equal to

(i) if the date on which the exemption test policy is issued is determined by subparagraph (3)(a)(i), the amount by which the amount on that policy anniversary of the benefit on death under the life insurance policy exceeds the total of all amounts each of which is the amount, if any, on that policy anniversary of the benefit on death under another exemption test policy issued on or before that policy anniversary in respect of the life insurance policy,

(ii) if the date on which the exemption test policy is issued is determined by subparagraph (3)(a)(ii), the amount of the excess referred to in that subparagraph on that date in respect of the life insurance policy,

(iii) if the date on which the exemption test policy is issued is determined by subparagraph (3)(b)(i), the amount determined by the formula

$$A + B - C$$

where

A is the amount on that policy anniversary of the benefit on death under the coverage,

B is

(A) if the benefit on death under the life insurance policy includes a fund value benefit on that policy anniversary, the portion of the fund value benefit on that policy anniversary that is equal to the lesser of

(I) the maximum amount of the fund value benefit that could be payable on that policy anniversary if no other coverage were offered under the life insurance policy and the life insurance policy were an exempt policy, and

(II) the amount by which the fund value benefit on that policy anniversary exceeds the total of all amounts each of which is the portion of the fund value benefit allocated to other coverages under the life insurance policy, and



- (B) in any other case, nil, and
- C is the total of all amounts each of which is the amount, if any, on that policy anniversary of the benefit on death under another exemption test policy issued on or before that policy anniversary in respect of the coverage,
- (iv) if the date on which the exemption test policy is issued is determined by subparagraph (3)(b)(ii), the amount of the excess referred to in that subparagraph on that date in respect of the coverage, and
- (v) if the date on which the exemption test policy is issued is determined by subparagraph (3)(b)(iii), the lesser of
- (A) the amount by which the amount determined under clause (3)(b)(iii)(A) exceeds the amount determined under clause (3)(b)(iii)(B) on that date in respect of the coverage, and
- (B) the amount determined in respect of the coverage under subclause (A)(I) of the description of B in subparagraph (iii) on that date; and
- (b) to pay the amount of its benefit on death on the earlier of
- (i) if the life insurance policy
- (A) is issued before 2017, the date of death of the individual whose life is insured under the life insurance policy, or
- (B) is issued after 2016,
- (I) if two or more lives are jointly insured under the coverage, the date at which the benefit would be payable as a result of the death of any of the lives, and
- (II) in any other case, the date of death of the individual whose life is insured under the coverage, and
- (ii) the exemption test policy's endowment date.
- (5) For the purpose of determining the amount of a benefit on death under an exemption test policy,
- (a) if the exemption test policy is issued in respect of a life insurance policy issued before 2017 and at any time the amount of a benefit on death under the life insurance policy is reduced, a particular amount that is equal to the reduction is to be applied at that time to reduce the amount of the benefit on death under each exemption test policy issued before that time in respect of the life insurance policy (other than the exemption test policy the date of issue of which is determined under subparagraph (3)(a)(i)) in the order in which the dates of their issuance are proximate to that time, by an amount equal to the lesser of
- (i) the portion, if any, of the particular amount not applied to reduce the benefit on death under one or more other such exemption test policies, and
- (ii) the amount, immediately before that time, of the benefit on death under the relevant exemption test policy; and

(b) if the exemption test policy is issued in respect of a coverage under a life insurance policy issued after 2016 and at any time there is a particular reduction in the amount of a benefit on death under the coverage, or the portion, if any, of the fund value benefit referred to in clause (A) of the description of B in subparagraph (4)(a)(iii) in respect of the coverage, the amount of the benefit on death under each exemption test policy issued before that time in respect of the coverage (other than the exemption test policy the date of issue of which is determined under subparagraph (3)(b)(i)) is reduced at that time by an amount equal to the least of

- (i) the particular reduction,
- (ii) the amount, immediately before that time, of the benefit on death under the relevant exemption test policy, and
- (iii) the portion, if any, of the particular reduction not applied to reduce the benefit on death under one or more other such exemption test policies issued on or after the date of issue of the relevant exemption test policy.

(6) Subsection (7) applies at any time in respect of a life insurance policy if

- (a) that time is on its tenth or a later policy anniversary;
- (b) the accumulating fund (computed without regard to any amount payable in respect of a policy loan) in respect of the policy at that time exceeds 250% of the accumulating fund (computed without regard to any amount payable in respect of a policy loan) in respect of the policy on its third preceding policy anniversary; and
- (c) where that time is after 2016,
  - (i) the accumulating fund (computed without regard to any amount payable in respect of a policy loan) in respect of the policy at that time exceeds the total of all amounts each of which is
    - (A) if the policy is issued before 2017, 3/20 of the accumulating fund, at that time, in respect of an exemption test policy issued in respect of the policy, and
    - (B) if the policy is issued after 2016, 3/8 of the accumulating fund, at that time, in respect of an exemption test policy issued in respect of a coverage under the policy, and
  - (ii) subsection (7) did not apply on any of the policy's six preceding policy anniversaries.

(7) If this subsection applies at any time in respect of a life insurance policy, each exemption test policy issued before that time in respect of the life insurance policy is at and after that time deemed to be issued (except for purposes of this subsection, paragraph (4)(a) and subsection (5))

- (a) on the later of
  - (i) the date of the third preceding policy anniversary described in paragraph (6)(b) in respect of the policy, and

(ii) the date on which it was deemed by subsection (3) to be issued (determined immediately before that time); and

(b) not at any other time.

(8) A life insurance policy that would, in the absence of this subsection, cease (other than by reason of its conversion into an annuity contract) on a policy anniversary of the policy to be an exempt policy is deemed to be an exempt policy on that policy anniversary if

(a) had that policy anniversary occurred on the particular day that is 60 days after that policy anniversary, the policy would have been an exempt policy on the particular day; or

(b) the person whose life is insured under the policy dies on that policy anniversary or within 60 days after that policy anniversary.

(9) A life insurance policy (other than an annuity contract or deposit administration fund policy) issued before December 2, 1982 is deemed to be an exempt policy at all times from the date of its issue until the first time after December 1, 1982 at which

(a) a prescribed premium is paid by a taxpayer in respect of an interest, last acquired before December 2, 1982, in the policy; or

(b) an interest in the policy is acquired by a taxpayer from the person who held the interest continuously since December 1, 1982.

**60. (1) The portion of subsection 307(1) of the Regulations before paragraph (b) is replaced by the following:**

**307. (1)** For the purposes of this Part and sections 12.2 and 148 of the Act, “accumulating fund”, at any particular time, means

(a) in respect of a taxpayer’s interest in an annuity contract (other than a contract issued by a life insurer), the amount that is the greater of

(i) the amount, if any, by which the cash surrender value of the taxpayer’s interest at that time exceeds the amount payable, if any, in respect of a loan outstanding at that time made under the contract in respect of the interest, and

(ii) the amount, if any, by which

(A) the present value at that time of future payments to be made out of the contract in respect of the taxpayer’s interest

exceeds

(B) the total of

(I) the present value at that time of future premiums to be paid under the contract in respect of the taxpayer’s interest, and

(II) the amount payable, if any, in respect of a loan outstanding at that time, made under the contract in respect of the taxpayer’s interest;

**(2) The portion of subsection 307(1) of the Regulations after subparagraph (b)(ii) is replaced by the following:**

is multiplied by

(iii) the taxpayer's proportionate interest in the policy; and

(c) in respect of an exemption test policy,

(i) if the particular time is during the exemption test policy's pay period, the amount determined by the formula

$$A \times B/C$$

where

A is the amount that would be determined under subparagraph (ii) in respect of the exemption test policy

(A) if the exemption test policy's pay period is determined by subparagraph (b)(i) or (ii) of the definition "pay period" in section 310, on the first policy anniversary that is on or after the day on which the individual whose life is insured would, if the individual survived, attain the age of 105 years, and

(B) in any other case, on the exemption test policy's policy anniversary represented by the adjectival form of the number of years in its pay period,

B is the number of years since the exemption test policy was issued, and

C is the number of years in the exemption test policy's pay period,

(ii) if the particular time is after the exemption test policy's pay period and before its endowment date, the amount that is the present value at the particular time of the future benefit on death under the exemption test policy, and

(iii) if the particular time is on or after the exemption test policy's endowment date and the relevant life insurance policy is issued after 2016, the amount that is the benefit on death under the exemption test policy at the particular time.

**(3) The portion of subsection 307(2) of the Regulations before subparagraph (a)(i) is replaced by the following:**

(2) For the purposes of subsection (1), when computing the accumulating fund in respect of

(a) an interest described in paragraph (1)(a), the amounts determined under clauses (1)(a)(ii)(A) and (B) are to be computed using,

**(4) Paragraph 307(2)(b) of the Regulations and the portion of paragraph 307(2)(c) of the Regulations before subparagraph (i) are replaced by the following:**

(b) an interest described in paragraph (1)(b) in respect of a life insurance policy issued before 2017 or an annuity contract, if an interest rate used for a period by a life insurer in computing the relevant amounts in paragraph 1403(1)(a) or (b) is determined under paragraph 1403(1)(c), (d) or (e), as the case may be, and that rate is less than an interest rate

so determined for a subsequent period, the single rate that could, if it applied for each period, have been used in determining the premiums for the policy is to be used;

(c) an exemption test policy issued in respect of a life insurance policy issued before 2017,

**(5) The portion of subsection 307(2) of the Regulations after clause (c)(ii)(A) is replaced by the following:**

(B) where, in respect of the life insurance policy, the particular period over which the amount determined under clause (B) of the description of A in subparagraph 1401(1)(c)(ii) does not extend to the exemption test policy's endowment date, the weighted arithmetic mean of the interest rates used to determine the amount is to be used for the period that is after the particular period and before that date,

(iii) notwithstanding subparagraphs (i) and (ii), no rate of interest used for the purpose of determining the accumulating fund in respect of an exemption test policy issued in respect of the life insurance policy is to be less than

(A) if the life insurance policy is issued after April 1985, 4% per annum, and

(B) if the life insurance policy is issued before May 1985, 3% per annum, and

(iv) each amount of a benefit on death is to be determined net of any portion in respect of the benefit on death of the exemption test policy related to a segregated fund; and

(d) an exemption test policy issued in respect of a coverage under a life insurance policy issued after 2016,

(i) the rates of interest and mortality used and the age of the individual whose life is insured under the coverage are to be the same as those used in computing amounts under paragraph 1401(1)(c) in respect of the policy, and

(ii) each amount of a benefit on death is to be determined net of any portion in respect of the benefit on death of the exemption test policy related to a segregated fund.

**(6) Subsections 307(3) and (4) of the Regulations are repealed.**

**(7) Subsection 307(5) of the Regulations is amended by adding “and” at the end of paragraph (a), by striking out “and” at the end of paragraph (b) and by repealing paragraph (c).**

**61. Subsections 308(1) and (1.1) of the Regulations are replaced by the following:**

**308.** (1) For the purposes of subparagraph 20(1)(e.2)(ii) and paragraph (a) of the description of L in the definition “adjusted cost basis” in subsection 148(9) of the Act, the net cost of pure insurance for a year in respect of a taxpayer's interest in a life insurance policy is

(a) if, determined at the end of the year, the policy was issued before 2017, the amount determined by the formula

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

where

A is the probability, computed on the basis of the rates of mortality under the 1969-75 mortality tables of the Canadian Institute of Actuaries published in Volume XVI of the *Proceedings of the Canadian Institute of Actuaries*, or on the basis described in subsection (1.1), that an individual who has the same relevant characteristics as the individual whose life is insured will die in the year,

B is the benefit on death in respect of the interest at the end of the year, and

C is the accumulating fund (determined without regard to any amount payable in respect of the policy loan) in respect of the interest at the end of the year or the interest's cash surrender value at the end of the year, depending on the method regularly followed by the life insurer in computing amounts under this subsection; and

(b) if, determined at the end of the year, the policy was issued after 2016, the total of all amounts each of which is an amount determined in respect of a coverage in respect of the interest by the formula

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

where

A is the probability, computed on the basis of the rates of mortality determined in accordance with paragraph 1401(4)(b), or on the basis described in subsection (1.2), that an individual whose life is insured under the coverage will die in the year,

B is the benefit on death under the coverage in respect of the interest at the end of the year, and

C is the amount determined by the formula

$$D + E$$

where

D is the portion, in respect of the coverage in respect of the interest, of the amount that would be the present value, determined for the purposes of section 307, on the last policy anniversary that is on or before the last day of the year, of the fund value of the coverage if the fund value of the coverage were equal to the fund value of the coverage at the end of the year, and

E is the portion, in respect of the coverage in respect of the interest, of the amount that would be determined, on that policy anniversary, for paragraph (a) of the description of C in the definition “net premium reserve” in subsection 1401(3) in respect of the coverage, if the benefit on death under the coverage, and the fund value of the coverage, on that policy anniversary were equal to the benefit on death under the coverage and the fund value of the coverage, respectively, at the end of the year.

(1.1) If premiums for a life insurance policy do not depend directly on smoking or sex classification, the probability referred to in paragraph (1)(a) may be determined using rates

of mortality otherwise determined, provided that for each age for the policy, the expected value of the aggregate net cost of pure insurance, calculated using such rates of mortality, is equal to the expected value of the aggregate net cost of pure insurance, calculated using the rates of mortality under the 1969-75 mortality tables of the Canadian Institute of Actuaries published in Volume XVI of the *Proceedings of the Canadian Institute of Actuaries*.

(1.2) If premiums or costs of insurance charges for a coverage under a life insurance policy do not depend directly on smoking or sex classification, the probability referred to in paragraph (1)(b) may be determined using rates of mortality otherwise determined, provided that for each age for the coverage, the expected value of the aggregate net cost of pure insurance, calculated using such rates of mortality, is equal to the expected value of the aggregate net cost of pure insurance, calculated using the rates of mortality that would be calculated under paragraph (1)(b) in respect of the coverage using the mortality tables described in paragraph 1401(4)(b).

**62. (1) The definition “benefit on death” in section 310 of the Regulations is replaced by the following:**

“benefit on death”  
« prestation de décès »

“benefit on death” has the same meaning as in subsection 1401(3).

**(2) Section 310 of the Regulations is amended by adding the following in alphabetical order:**

“adjusted purchase price”  
« prix d’achat rajusté »

“adjusted purchase price”, of a taxpayer’s interest in an annuity contract at any time, means, subject to subsections 300(3) and (4), the amount that would be determined at that time in respect of the interest under the definition “adjusted cost basis” in subsection 148(9) of the Act if the formula in that definition were read without reference to K.

“coverage”  
« protection »

“coverage”, under a life insurance policy,

(a) for the purposes of section 306, means all life insurance (other than a fund value benefit) under the policy in respect of a specific life, or two or more specific lives jointly insured; and

(b) for the purposes of sections 307 and 308, has the same meaning as in subsection 1401(3).

“endowment date”  
« date d’échéance »

“endowment date”, of an exemption test policy, means

(a) where the exemption test policy is issued in respect of a life insurance policy issued before 2017, the later of

(i) 10 years after the date of issue of the life insurance policy, and

(ii) the first policy anniversary that is on or after the day on which the individual whose life is insured under the life insurance policy would, if the individual survived, attain the age of 85 years; and

	<p>(b) where the exemption test policy is issued in respect of a coverage under a life insurance policy issued after 2016,</p> <p>(i) if two or more lives are jointly insured under the coverage, the date that would be determined under subparagraph (ii) using the equivalent single age, determined on the coverage's date of issue and in accordance with accepted actuarial principles and practices, that reasonably approximates the mortality rates of those lives, and</p> <p>(ii) in any other case, the later of</p> <p>(A) the earlier of</p> <p>(I) 15 years after the date of issue of the exemption test policy, and</p> <p>(II) the first policy anniversary that is on or after the day on which the individual whose life is insured under the coverage would, if the individual survived, attain the age of 105 years, and</p> <p>(B) the first policy anniversary that is on or after the day on which the individual whose life is insured under the coverage would, if the individual survived, attain the age of 90 years.</p>
<p>"fund value benefit" « <i>bénéfice au titre de la valeur du fonds</i> »</p>	<p>"fund value benefit", has the same meaning as in subsection 1401(3).</p>
<p>"fund value of a coverage" « <i>valeur du fonds d'une protection</i> »</p>	<p>"fund value of a coverage", has the same meaning as in subsection 1401(3).</p>
<p>"pay period" « <i>période de paiement</i> »</p>	<p>"pay period", of an exemption test policy, means</p> <p>(a) where the exemption test policy is issued in respect of a life insurance policy issued before 2017,</p> <p>(i) if on the date of issue of the exemption test policy, the individual whose life is insured has attained the age of 66 years but not the age of 75 years, the period that starts on that date and that ends after the number of years obtained when the number of years by which the age of the individual exceeds 65 years is subtracted from 20,</p> <p>(ii) if on the date of issue of the exemption test policy, the individual whose life is insured has attained the age of 75 years, the 10-year period that starts on that date, and</p> <p>(iii) in any other case, the 20-year period that starts on the date of issue of the exemption test policy; and</p> <p>(b) where the exemption test policy is issued in respect of a coverage under a life insurance policy issued after 2016,</p>



(i) subject to subparagraph (ii), if the individual whose life is insured under the coverage would, if the individual survived, attain the age of 105 years within the eight-year period that starts on the date of issue of the exemption test policy, the period that starts on that date and that ends on the first policy anniversary that is on or after the day on which the individual would, if the individual survived, attain the age of 105 years,

(ii) if two or more lives are jointly insured under the coverage and an individual of an age equal to the equivalent single age on the date of the issue of the coverage would, if the individual survived, attain the age of 105 years within the eight-year period that starts on the date of issue of the exemption test policy, the period that starts on that date and that ends on the first policy anniversary that is on or after the day on which the individual would, if the individual survived, attain the age of 105 years, and

(iii) in any other case, the eight-year period that starts on the date of issue of the exemption test policy.

**63. (1) Subsection 1104(13) of the Regulations is amended by adding the following in alphabetical order:**

“producer gas”  
« gaz de  
gazéification »

“producer gas” means fuel the composition of which, excluding its water content, is all or substantially all non-condensable gases that is generated primarily from eligible waste fuel using a thermo-chemical conversion process and that is not generated using any fuels other than eligible waste fuel or fossil fuel.

**(2) Paragraph 1104(17)(a) of the Regulations is replaced by the following:**

(a) the property is included in Class 43.1 because of its subparagraph (c)(i) or is described in any of subparagraphs (d)(viii), (ix), (xi), (xiii), (xiv) and (xvi) of Class 43.1 and paragraph (a) of Class 43.2; and

**(3) Subsection (1) is deemed to have come into force on February 11, 2014.**

**(4) Subsection (2) applies to property acquired after February 10, 2014.**

**64. (1) The portion of subsection 1401(1) of the Regulations before subparagraph (c.1)(i) is replaced by the following:**

**1401.** (1) For the purposes of applying section 307 and subsection 211.1(3) of the Act at any time, the amounts determined under this subsection are,

(a) in respect of a deposit administration fund policy, the total of the insurer’s liabilities under the policy calculated in the manner that

(i) if the insurer is required to file an annual report with its relevant authority for a period that includes that time, is required to be used in preparing that report, and

(ii) in any other case, is required to be used in preparing its annual financial statements for the period that includes that time;

(b) in respect of a group term life insurance policy that provides insurance for a period not exceeding 12 months, the unearned portion of the premium paid by the policyholder

for the policy at that time determined by apportioning the premium paid by the policyholder equally over the period to which that premium pertains;

(c) in respect of a life insurance policy, other than a policy referred to in paragraph (a) or (b), the greater of

(i) the amount determined by the formula

$$A - B$$

where

A is

(A) if the policy is issued after 2016 and is not an annuity contract, the cash surrender value of the policy at that time determined without reference to surrender charges, and

(B) in any other case, the cash surrender value of the policy at that time, and

B is the total of all amounts each of which is an amount payable at that time in respect of a policy loan in respect of the policy, and

(ii) the amount determined by the formula

$$A - (B + C)$$

where

A is

(A) if the policy is issued after 2016 and is not an annuity contract, the net premium reserve in respect of the policy at that time, and

(B) in any other case, the present value at that time of the future benefits provided by the policy,

B is

(A) if the policy is issued after 2016 and is not an annuity contract, nil, and

(B) in any other case, the present value at that time of any future modified net premiums in respect of the policy, and

C is the total of all amounts each of which is an amount payable at that time in respect of a policy loan in respect of the policy;

(c.1) in respect of a group life insurance policy, the amount (other than an amount in respect of which a deduction may be claimed by the insurer under subsection 140(1) of the Act because of subparagraph 138(3)(a)(v) of the Act in computing the insurer's income for its taxation year that includes that time) in respect of a dividend, refund of premiums or refund of premium deposits provided for under the terms of the policy that will be used by the insurer to reduce or eliminate a future adverse claims experience under the policy or that will be paid or unconditionally credited to the policyholder by the insurer or applied in discharge, in whole or in part, of a liability of the policyholder to pay premiums to the insurer, which is the least of

**(2) Subparagraphs 1401(1)(c.1)(ii) and (iii) of the Regulations are replaced by the following:**

(ii) 25% of the amount of the premium payable under the terms of the policy for the 12-month period ending at that time, and

(iii) the amount of the reserve or liability in respect of such a dividend, refund of premiums or refund of premium deposits that

(A) if the insurer is required to file an annual report with its relevant authority for a period that includes that time, is used in preparing that report, and

(B) in any other case, is used in preparing its annual financial statements for the period that includes that time; and

**(3) Subparagraph 1401(1)(d)(iv) of the Regulations is replaced by the following:**

(iv) an additional risk in respect of the conversion of a term policy or the conversion of the benefits under a group policy into another policy after that time,

**(4) Subparagraph 1401(1)(d)(ix) of the Regulations is replaced by the following:**

(ix) a benefit, risk or guarantee in respect of which an amount has been claimed under any other paragraph of this subsection by the insurer as a deduction in computing its income for its taxation year that includes that time,

**(5) Subparagraph 1401(1)(d)(xi) of the Regulations is replaced by the following:**

(xi) the reserve in respect of the benefit, risk or guarantee that

(A) if the insurer is required to file an annual report with its relevant authority for a period that includes that time, is used in preparing that report, and

(B) in any other case, is used in preparing its annual financial statements for the period that includes that time.

**(6) Section 1401 of the Regulations is amended by adding the following after subsection (2):**

(3) The following definitions apply in this section.

“benefit on death”  
« *prestation de décès* »

“benefit on death” includes the amount of an endowment benefit but does not include

(a) any additional amount payable as a result of accidental death; and

(b) where interest, if any, on an amount held on deposit by an insurer is included in computing the income of a policyholder for a taxation year, the amount held on deposit and interest on the deposit.

“coverage”  
« *protection* »

“coverage”, under a life insurance policy, means each life insurance (other than a fund value benefit) under the policy in respect of a specific life, or two or more specific lives jointly insured, and in respect of which a particular schedule of premium or cost of insurance rates applies. For greater certainty, each such insurance is a separate coverage.

<p>“fund value benefit” « <i>bénéfice au titre de la valeur du fonds</i> »</p>	<p>“fund value benefit”, under a life insurance policy at any time, means a benefit under the policy the amount of which is the amount by which the fund value of the policy at that time exceeds the total of all amounts each of which is a fund value of a coverage under the policy at that time.</p>
<p>“fund value of a coverage” « <i>valeur du fonds d'une protection</i> »</p>	<p>“fund value of a coverage”, under a life insurance policy at any time, means the total of all amounts each of which is the amount at that time of an investment account in respect of the policy that reduces the net amount at risk as determined for the purpose of calculating the cost of insurance charges for the coverage during the period over which those charges are incurred or would be incurred if they were to apply until the termination of the coverage.</p>
<p>“fund value of a life insurance policy” « <i>valeur du fonds d'une police d'assurance-vie</i> »</p>	<p>“fund value of a life insurance policy”, at any time, means the total of all amounts each of which is the amount at that time of an investment account in respect of the policy and, for greater certainty,</p> <p>(a) includes, where interest, if any, on an amount held on deposit by an insurer is not included in computing the income of a policyholder for a taxation year, the amount held on deposit and interest on the deposit; and</p> <p>(b) excludes, where interest, if any, on an amount held on deposit by an insurer is included in computing the income of a policyholder for a taxation year, the amount held on deposit and interest on the deposit.</p>
<p>“future benefits to be provided” « <i>prestations futures à verser</i> »</p>	<p>“future benefits to be provided”, in respect of a coverage under a life insurance policy at any time, means</p> <p>(a) if there is a fund value of the coverage at that time, each benefit on death that would be payable under the coverage at a particular time after that time determined as if the amount of the benefit were equal to the amount by which the benefit on death at that time exceeds the fund value of the coverage at that time; and</p> <p>(b) in any other case, each benefit on death payable under the coverage at a particular time after that time.</p>
<p>“future net premiums or cost of insurance charges” « <i>frais d'assurance ou primes nets futurs</i> »</p>	<p>“future net premiums or cost of insurance charges”, in respect of a coverage at any time, means</p>

(a) for the purposes of paragraph (a) of the description of C in the definition “net premium reserve” in this subsection, each amount determined by the formula

$$A \times B/C$$

where

A is future premiums or cost of insurance charges in respect of the coverage at that time,

B is the present value at the date of issue of the coverage of future benefits to be provided in respect of the coverage on that date, and

C is the present value at the date of issue of the coverage of future premiums or costs of insurance charges in respect of the coverage on that date; and

(b) for the purposes of paragraph (b) of the description of C in the definition “net premium reserve” in this subsection,

(i) each amount determined by the formula

$$A \times (B + C)/(D + E)$$

where

A is future premiums or cost of insurance charges in respect of the coverage at that time,

B is the present value at the date of issue of the coverage of future benefits to be provided in respect of the coverage on the particular day that is one year after that date and, if the coverage has a fund value on that date, determined as if the fund value of the coverage were nil on that date,

C is the present value at the date of issue of the coverage of future benefits to be provided in respect of the coverage on the particular day that is two years after that date and, if the coverage has a fund value on that date, determined as if the fund value of the coverage were nil on that date,

D is the present value at the date of issue of the coverage of future premiums or costs of insurance charges in respect of the coverage on the particular day that is one year after that date and, if the coverage has a fund value on that date, determined as if the fund value of the coverage were nil on that date, and

E is the present value at the date of issue of the coverage of future premiums or costs of insurance charges in respect of the coverage on the particular day that is two years after that date and, if the coverage has a fund value on that date, determined as if the fund value of the coverage were nil on that date, and

(ii) notwithstanding subparagraph (i), in respect of the second year of the coverage, the amount determined by the formula

$$(A + B)/2$$

where

A is the amount determined under subparagraph (i), and

<p>“future premiums or cost of insurance charges” « <i>fraîs d’assurance ou primes futurs</i> »</p>	<p>B is the amount of a one-year term insurance premium or cost of insurance that would be payable in respect of the coverage if the benefit on death were equal to the amount by which the benefit on death at the end of the first year of the coverage exceeds the fund value of the coverage, if any, at the end of the first year of the coverage.</p> <p>“future premiums or cost of insurance charges”, in respect of a coverage at any time, means</p>
	<p>(a) if there is a fund value of the coverage at that time, each cost of insurance charge in respect of the coverage that would be incurred at a particular time after that time determined as if the net amount at risk under the coverage after that time were equal to the amount by which the benefit on death under the coverage at that time exceeds the fund value of the coverage at that time; and</p> <p>(b) in any other case, each premium in respect of the coverage that is fixed and determined on the date of issue of the coverage that will become payable, or each cost of insurance charge in respect of the coverage that will be incurred, as the case may be, at a particular time after that time.</p>
<p>“interpolation time” « <i>moment d’interpolation</i> »</p>	<p>“interpolation time”, of a coverage, means the time that is the earlier of</p> <p>(a) the time that is eight years after the date of issue of the coverage; and</p> <p>(b) the first time at which no premiums are payable or cost of insurance charges are incurred, as the case may be, in respect of the coverage.</p>
<p>“net premium reserve” « <i>provision pour primes nettes</i> »</p>	<p>“net premium reserve”, in respect of a life insurance policy at any time, means the amount determined by the formula</p>
	$A + B + C$
<p>where</p>	
<p>A</p>	<p>is the total of all amounts, if any, each of which is the present value at that time of the fund value of a coverage under the policy at that time,</p>
<p>B</p>	<p>is the amount, if any, of the fund value benefit under the policy at that time, and</p>
<p>C</p>	<p>is</p>
	<p>(a) in applying paragraph (1)(c) for the purposes of section 307, the total of all amounts each of which is, in respect of a coverage under the policy,</p>

(i) if that time is at or after the interpolation time of the coverage, the amount determined by the formula

$$D - E$$

where

D is the present value at that time of future benefits to be provided in respect of the coverage at that time, and

E is the present value at that time of future net premiums or cost of insurance charges in respect of the coverage at that time, and

(ii) if that time is before the interpolation time of the coverage, the amount determined by the formula

$$F/G \times (H - I)$$

where

F is the number of years that the coverage has been in effect as of that time,

G is the number of years that the coverage would have been in effect if that time were the interpolation time,

H is the present value at the interpolation time of future benefits to be provided in respect of the coverage at the interpolation time and, if the coverage has a fund value at that time, determined as if the amount of the benefit on death under the coverage at the interpolation time were equal to the amount by which the benefit on death at that time exceeds the fund value of the coverage at that time, and

I is the present value at the interpolation time of future net premiums or cost of insurance charges in respect of the coverage at the interpolation time and, if the coverage has a fund value at that time, determined as if the net amount at risk under the coverage after the interpolation time were equal to the amount by which the benefit on death at that time exceeds the fund value of the coverage at that time; and

(b) in applying paragraph (1)(c) for the purposes of subsection 211.1(3) of the Act, the total of all amounts each of which is, in respect of a coverage under the policy, the amount determined by the formula

$$J - K$$

where

J is the present value at that time of future benefits to be provided in respect of the coverage at that time, and

K is the present value at that time of future net premiums or cost of insurance charges in respect of the coverage at that time.

“policy anniversary”  
« anniversaire  
de la police »

“policy anniversary” has the same meaning as in section 310.

(4) In applying paragraph (1)(c) for the purposes of section 307 in respect of a life insurance policy (other than an annuity contract) issued after 2016, the following rules apply:

(a) in computing present values

- (i) an annual interest rate of 3.5% is to be used, and
- (ii) mortality rates are to be used;

(b) in determining the mortality rates that apply to a life insured under a coverage under the policy,

(i) if a single life is insured under the coverage,

(A) the age that is to be used is the age of the life insured at the time at which the coverage was issued, or that which is attained on the birthday of the life insured nearest to the time at which the coverage was issued, depending on the method used by the insurer that issued the policy in determining the premium or cost of insurance rates in respect of the life insured,

(B) if the life insured was determined by the insurer that issued the policy to be a standard life at the time the coverage was issued, the *Proposed CIA Mortality Tables, 1986-1992* included in the *May 17, 1995 Canadian Institute of Actuaries Memorandum*, extended to include select mortality rates from age 81 to age 90 developed using the methodology used by the Canadian Institute of Actuaries to derive select mortality rates from age 71 to age 80, applicable for an individual who has the same relevant characteristics as the life insured, are to be used, and

(C) if the life insured was determined by the insurer that issued the policy to be a substandard life at the time the coverage was issued, the mortality rates that apply are to be equal to, depending on the method used by the insurer for the purpose of determining the premium or cost of insurance rates in respect of the coverage,

(I) the lesser of one and the product of the rating attributed to the life by the insurer and the mortality rates that would be determined under clause (B) if the life were not a substandard life, or

(II) the mortality rates that would have been determined under clause (B) had the life insured been a standard life and the age of the life insured been the age used by the life insurer for the purpose of determining the premium or cost of insurance rates in respect of the coverage, and

(ii) if two or more lives are jointly insured under the coverage, the mortality rates to be used are those determined by applying the methodology used by the insurer that issued the policy to estimate the mortality rates of the lives jointly insured for the purpose of determining the premium or cost of insurance rates in respect of the coverage to the *Proposed CIA Mortality Tables, 1986-1992* included in the *May 17, 1995 Cana-*



*dian Institute of Actuaries Memorandum*, extended to include select mortality rates from age 81 to age 90 developed using the methodology used by the Canadian Institute of Actuaries to derive select mortality rates from age 71 to age 80; and

(c) in determining the net premium reserve in respect of the policy, the present value of future net premiums or cost of insurance charges is to be calculated as if a premium or cost of insurance charge payable or incurred on a policy anniversary were payable or incurred, as the case may be, one day after the policy anniversary.

(5) In applying paragraph (1)(c) for the purposes of subsection 211.1(3) of the Act in respect of a life insurance policy (other than an annuity contract)

(a) if the policy is issued after 2016,

(i) the rates of interest, mortality and lapses described in subsection 1403(1) are to be used in computing present values, determined as if

(A) subsections 1403(2) to (8) did not apply, and

(B) the reference to “premiums for the policy” in paragraph 1403(1)(e) were read as “premiums or cost of insurance charges in respect of a coverage under the policy”, and

(ii) subparagraph (1)(c)(i) is to be read without reference to “determined without reference to surrender charges”; and

(iii) in determining the net premium reserve in respect of the policy, the present value of future net premiums or cost of insurance charges is to be calculated as if a premium or cost of insurance charge payable or incurred on a policy anniversary were payable or incurred, as the case may be, one day after the policy anniversary; and

(b) if the policy is issued before 2017 and at a particular time after 2016 life insurance – in respect of a life, or two or more lives jointly insured, and in respect of which a particular schedule of premium or cost of insurance rates applies – is converted into another type of life insurance under the policy or is added to the policy, then that insurance is deemed to be a separate life insurance policy issued at the particular time unless

(i) the insurance is part of a rider deemed by subsection 211(2) of the Act to be a separate life insurance policy issued at the particular time, or

(ii) in the case of insurance added to the policy,

(A) the insurance is medically underwritten to obtain a reduction in the premium or cost of insurance rates under the policy or before 2017, or

(B) the insurance is paid for with policy dividends or is reinstated.

**65. The portion of subsection 1403(1) of the Regulations before paragraph (a) is replaced by the following:**

**1403.** (1) Subject to subsections (2) and (3), for the purposes of applying paragraph 1401(1)(c) in respect of a life insurance policy issued before 2017 or an annuity contract, a

modified net premium and an amount determined by paragraph 1401(1)(c) are to be computed

**66. (1) Clause (c)(i)(A) of Class 43.1 of Schedule II to the Regulations is replaced by the following:**

(A) is used by the taxpayer, or by a lessee of the taxpayer, to generate electrical energy, or both electrical and heat energy, using only fuel that is eligible waste fuel, fossil fuel, producer gas, spent pulping liquor or any combination of those fuels, and

**(2) Subparagraph (d)(ix) of Class 43.1 of Schedule II to the Regulations is replaced by the following:**

(ix) equipment used by the taxpayer, or by a lessee of the taxpayer, for the sole purpose of generating heat energy, primarily from the consumption of eligible waste fuel, producer gas or a combination of those fuels and not using any fuel other than eligible waste fuel, fossil fuel or producer gas, including such equipment that consists of fuel handling equipment used to upgrade the combustible portion of the fuel and control, feedwater and condensate systems, and other ancillary equipment, but not including equipment used for the purpose of producing heat energy to operate electrical generating equipment, buildings or other structures, heat rejection equipment (such as condensers and cooling water systems), fuel storage facilities, other fuel handling equipment and property otherwise included in Class 10 or 17,

**(3) Subparagraph (d)(xiv) of Class 43.1 of Schedule II to the Regulations is replaced by the following:**

(xiv) property that is used by the taxpayer, or by a lessee of the taxpayer, primarily for the purpose of generating electricity using kinetic energy of flowing water or wave or tidal energy (otherwise than by diverting or impeding the natural flow of the water or by using physical barriers or dam-like structures), including support structures, control, conditioning and battery storage equipment, submerged cables and transmission equipment, but not including buildings, distribution equipment, auxiliary electricity generating equipment, property otherwise included in Class 10 and property that would be included in Class 17 if that class were read without reference to its subparagraph (a.1)(i),

**(4) Paragraph (d) of Class 43.1 of Schedule II to the Regulations is amended by replacing “and” with “or” at the end of subparagraph (xv) and by adding the following after subparagraph (xv):**

(xvi) equipment used by the taxpayer, or by a lessee of the taxpayer, primarily for the purpose of generating producer gas (other than producer gas that is to be converted into liquid biofuels or chemicals), including related piping (including fans and compressors), air separation equipment, storage equipment, equipment used for drying or shredding eligible waste fuel, ash-handling equipment, equipment used to upgrade the producer gas into biomethane and equipment used to remove non-combustibles and contaminants from the producer gas, but not including buildings or other structures, heat rejection equipment (such as condensers and cooling water systems), equipment

used to convert producer gas into liquid biofuels or chemicals and property otherwise included in Class 10 or 17, and

**(5) Subsections (1) to (4) apply to property acquired after February 10, 2014 that has not been used or acquired for use before February 11, 2014.**

## PART 2

### SALES TAX

#### EXCISE TAX ACT

**67. (1) The definition “participating employer” in subsection 123(1) of the *Excise Tax Act* is replaced by the following:**

“participating  
employer”  
« employeur  
participant »

“participating employer” of a pension plan means

(a) in the case of a registered pension plan, an employer that has made, or is required to make, contributions to the pension plan in respect of the employer’s employees or former employees, or payments under the pension plan to the employer’s employees or former employees, and includes an employer prescribed for the purposes of the definition “participating employer” in subsection 147.1(1) of the *Income Tax Act*, and

(b) in the case of a pooled registered pension plan, an employer that

(i) has made, or is required to make, contributions to the pension plan in respect of all or a class of its employees or former employees, or

(ii) has remitted, or is required to remit, to the PRPP administrator of the pension plan contributions made by members (as defined in subsection 147.5(1) of the *Income Tax Act*) of the pension plan under a contract with the PRPP administrator in respect of all or a class of its employees;

**(2) The portion of the definition “pension plan” in subsection 123(1) of the Act before paragraph (c) is replaced by the following:**

“pension plan”  
« régime de  
pension »

“pension plan” means a registered pension plan or a pooled registered pension plan

(a) that governs a person that is a trust or that is deemed to be a trust for the purposes of the *Income Tax Act*,

(b) in respect of which a corporation

(i) is incorporated and operated either

(A) solely for the administration of the plan, or

(B) for the administration of the plan and for no other purpose other than acting as trustee of, or administering, a trust governed by a retirement compensation arrangement (as defined in subsection 248(1) of the *Income Tax Act*), where the terms of the

arrangement provide for benefits only in respect of individuals who are provided with benefits under the plan,

(ii) in the case of a registered pension plan, is accepted by the Minister, under subparagraph 149(1)(o.1)(ii) of the *Income Tax Act*, as a funding medium for the purpose of the registration of the plan under that Act, and

(iii) in the case of a pooled registered pension plan, is a corporation

(A) that is described in paragraph 149(1)(o.2) of the *Income Tax Act*, and

(B) all of the shares, and rights to acquire shares, of the capital stock of which are owned, at all times since the date on which it was incorporated, by the plan, or

**(3) Subsection 123(1) of the Act is amended by adding the following in alphabetical order:**

“PRPP administrator”  
« administrateur de RPAC »

“PRPP administrator” of a pooled registered pension plan has the meaning assigned by the definition “administrator” in subsection 147.5(1) of the *Income Tax Act*;

“pooled registered pension plan”  
« régime de pension agréé collectif »

“pooled registered pension plan” has the same meaning as in paragraph 149(5)(a);

“registered pension plan”  
« régime de pension agréé »

“registered pension plan” has the same meaning as in paragraph 149(5)(a);

**(4) Subsections (1) to (3) are deemed to have come into force on December 14, 2012.**

**68. (1) Paragraph 149(5)(a) of the Act is amended by adding the following after subparagraph (i):**

(i.1) a pooled registered pension plan,

**(2) Subsection (1) applies in respect of any taxation year of a person that ends on or after December 14, 2012.**

**69. (1) The definition “excluded activity” in subsection 172.1(1) of the Act is amended by striking out the word “or” at the end of paragraph (d) and adding the following after paragraph (d)**

(d.1) if the pension plan is a pooled registered pension plan, compliance by a participating employer of the pension plan as a PRPP administrator of the pension plan with requirements under the *Pooled Registered Pension Plans Act* or a similar law of a province, provided the activity is undertaken exclusively for the purpose of making a taxable supply of a service to a pension entity of the pension plan that is to be made

(i) for consideration that is not less than the fair market value of the service, and

(ii) at a time when no election under subsection 157(2) made jointly by the participating employer and the pension entity is in effect; or

**(2) Subsection (1) applies in respect of any fiscal year of a person ending on or after December 14, 2012.**

**70. (1) The definition “pension contribution” in subsection 261.01(1) of the Act is repealed.**

**(2) The definition “pension rebate amount” in subsection 261.01(1) of the Act is replaced by the following:**

“pension  
rebate  
amount”  
« *montant de  
rembourse-  
ment de  
pension* »

“pension rebate amount” of a pension entity of a pension plan for a claim period of the pension entity means the amount determined by the formula

$$A \times B$$

where

A is

(a) if the pension plan is a registered pension plan, 33%,

(b) if the pension plan is a pooled registered pension plan and either employer contributions or employee PRPP contributions were made to the pension plan in the particular calendar year that is the last calendar year ending on or before the last day of the claim period, the amount (expressed as a percentage) determined by the formula

$$33\% \times (C/D)$$

where

C is the total of all amounts, each of which is determined for an employer that made employer contributions to the pension plan in the particular calendar year by the formula

$$C_1 + C_2$$

where

C<sub>1</sub> is the total of all amounts, each of which is an employer contribution made by the employer to the pension plan in the particular calendar year, and

C<sub>2</sub> is the total of all amounts, each of which is an employee PRPP contribution made by an employee of the employer to the pension plan in the particular calendar year, and

D is the total of all amounts contributed to the pension plan in the particular calendar year,

(c) if the pension plan is a pooled registered pension plan, neither employer contributions nor employee PRPP contributions were made to the pension plan in the par-

particular calendar year that is the last calendar year ending on or before the last day of the claim period and it is reasonable to expect that employer contributions will be made to the pension plan in a following calendar year, the amount (expressed as a percentage) determined for the first calendar year in which employer contributions are reasonably expected to be made to the pension plan following the particular calendar year by the formula

$$33\% \times (E/F)$$

where

E is the total of all amounts, each of which is determined for an employer reasonably expected to make employer contributions to the pension plan in that first calendar year by the formula

$$E_1 + E_2$$

where

E<sub>1</sub> is the total of all amounts, each of which is an employer contribution reasonably expected to be made by the employer to the pension plan in that first calendar year, and

E<sub>2</sub> is the total of all amounts, each of which is an employee PRPP contribution reasonably expected to be made by an employee of the employer to the pension plan in that first calendar year, and

F is the total of all amounts reasonably expected to be contributed to the pension plan in that first calendar year, or

(d) if the pension plan is a pooled registered pension plan and paragraphs (b) and (c) do not apply, 0%; and

B is the total of all amounts, each of which is an eligible amount of the pension entity for the claim period.

**(3) Paragraph (a) of the definition “qualifying employer” in subsection 261.01(1) of the Act is replaced by the following:**

(a) if employer contributions were made to the pension plan in the immediately preceding calendar year, made employer contributions to the pension plan in that year; and

**(4) Paragraphs (a) and (b) of the definition “qualifying pension entity” in subsection 261.01(1) of the Act are replaced by the following:**

(a) listed financial institutions made 10% or more of the total employer contributions to the pension plan in the last preceding calendar year in which employer contributions were made to the pension plan; or

(b) it can reasonably be expected that listed financial institutions will make 10% or more of the total employer contributions to the pension plan in the next calendar year in which employer contributions will be required to be made to the pension plan.

**(5) Subsection 261.01(1) of the Act is amended by adding the following in alphabetical order:**

“employee PRPP contribution”  
« cotisation RPAC de salarié »

“employee PRPP contribution” made by an employee of an employer to a pooled registered pension plan means a contribution by the employee to the plan that

(a) may be deducted by the employee under paragraph 60(i) of the *Income Tax Act* in computing their income; and

(b) is remitted by the employer to the PRPP administrator of the plan under a contract with the PRPP administrator in respect of all or a class of the employees of the employer.

“employer contribution”  
« cotisation d’employeur »

“employer contribution” means a contribution by an employer to a pension plan that may be deducted by the employer under paragraph 20(1)(q) of the *Income Tax Act* in computing its income.

**(6) Subparagraph (i) of the description of C in paragraph 261.01(6)(a) of the Act is replaced by the following:**

(i) in the case where employer contributions were made to the pension plan in the calendar year that immediately precedes the calendar year that includes the last day of the claim period (in this paragraph referred to as the “preceding calendar year”), the amount determined by the formula

D/E

where

D is the total of all amounts, each of which is

(A) an employer contribution made by the qualifying employer to the pension plan in the preceding calendar year, or

(B) an employee PRPP contribution made by an employee of the qualifying employer to the pension plan in the preceding calendar year, if the qualifying employer made employer contributions to the pension plan in the preceding calendar year, and

E is the total of all amounts, each of which is

(A) if the pension plan is a registered pension plan, an employer contribution made to the pension plan in the preceding calendar year, or

(B) if the pension plan is a pooled registered pension plan, an amount contributed to the pension plan in the preceding calendar year,

**(7) Paragraph (a) of the description of C in subsection 261.01(9) of the Act is replaced by the following:**

(a) in the case where employer contributions were made to the pension plan in the calendar year (in this subsection referred to as the “preceding calendar year”) that im-

mediately precedes the calendar year that includes the last day of the claim period, the amount determined by the formula

$$E/F$$

where

E is the total of all amounts, each of which is

(A) an employer contribution made by the qualifying employer to the pension plan in the preceding calendar year, or

(B) an employee PRPP contribution made by an employee of the qualifying employer to the pension plan in the preceding calendar year, if the qualifying employer made employer contributions to the pension plan in the preceding calendar year, and

F is the total of all amounts, each of which is

(A) if the pension plan is a registered pension plan, an employer contribution made to the pension plan in the preceding calendar year, or

(B) if the pension plan is a pooled registered pension plan, an amount contributed to the pension plan in the preceding calendar year,

**(8) Subsections (1) to (5) are deemed to have come into force on December 14, 2012.**

**(9) Subsections (6) and (7) apply in respect of any claim period of a person ending on or after December 14, 2012.**

#### **SELECTED LISTED FINANCIAL INSTITUTIONS ATTRIBUTION METHOD (GST/HST) REGULATIONS**

**71. (1) Paragraph (a) of the definition “manager” in subsection 1(1) of the *Selected Listed Financial Institutions Attribution Method (GST/HST) Regulations* is replaced by the following:**

(a) in the case of a pension entity of a registered pension plan, the administrator, as defined in subsection 147.1(1) of the *Income Tax Act*, of the pension plan;

(a.1) in the case of a pension entity of a pooled registered pension plan, the PRPP administrator of the pension plan; and

**(2) Subsection (1) is deemed to have come into force on December 14, 2012.**



