

# LEGISLATIVE PROPOSALS RELATING TO THE INCOME TAX ACT AND THE INCOME TAX REGULATIONS AND TO RELATED LEGISLATION

## Income Tax Act

### **1 (1) Subsection 12(1) of the *Income Tax Act* is amended by adding the following after paragraph (d.1):**

**(d.2)** any amount deducted under paragraph 20(1)(m.3) as a reserve in computing the taxpayer's income for the immediately preceding taxation year;

### **(2) Subparagraphs 12(1)(z.7)(i) and (ii) of the Act are replaced by the following:**

**(i)** if the taxpayer acquires a property under a derivative forward agreement in the year, the portion of the amount by which the fair market value of the property at the time it is acquired by the taxpayer exceeds the cost to the taxpayer of the property that is attributable to an underlying interest other than an underlying interest referred to in subparagraphs (b)(i) to (iii) of the definition of *derivative forward agreement* in subsection 248(1), or

**(ii)** if the taxpayer disposes of a property under a derivative forward agreement in the year, the portion of the amount by which the *proceeds of disposition* (within the meaning assigned by subdivision c) of the property exceeds the fair market value of the property at the time the agreement is entered into by the taxpayer that is attributable to an underlying interest other than an underlying interest referred to in clauses (c)(i)(A) to (C) of the definition of *derivative forward agreement* in subsection 248(1).

### **(3) Subsection (1) applies in respect of bonds issued after 2000.**

### **(4) Subsection (2) applies to acquisitions and dispositions of property that occur on or after ANNOUNCEMENT DATE.**

### **2 (1) Paragraph 15(1.4)(e) of the Act is replaced by the following:**

**(e)** if a non-resident corporation (in this paragraph referred to as the *original corporation*) governed by the laws of a foreign jurisdiction is divided under those laws into two or more non-resident corporations and, as a consequence of the division, a shareholder of the original corporation acquires at any time one or more shares of another corporation (in this paragraph referred to as the *new corporation*), except to the extent that any of subparagraphs (1)(a.1)(i) to (iii) and paragraph (1)(b) applies to the acquisition of the shares (determined without reference to this paragraph),

**(i)** if all the shares of the new corporation are received by the shareholders of one or more classes of shares of the original corporation on a pro rata basis,

**(A)** the original corporation is deemed at that time to have distributed the shares of the new corporation to those shareholders,

**(B)** the total amount of the distribution in respect of a class of shares of the original corporation is deemed to be the total fair market value of the shares of the new corporation distributed in respect of that class,

**(C)** any gain or loss of the original corporation from the distribution of the shares of the new corporation is deemed to be nil,

**(D)** each share of the new corporation acquired by a shareholder on the distribution is deemed to be received at that time by the shareholder as a dividend in kind in respect of the class of shares of the original corporation to which the distribution of that share relates, and

(E) each property that was, immediately before that time, owned by the original corporation and that becomes property of the new corporation as a consequence of the division is deemed to be

(I) disposed of by the original corporation immediately before that time for proceeds of disposition equal to the property's fair market value, and

(II) acquired by the new corporation at a cost equal to the amount determined under subclause (I) to be the original corporation's proceeds of disposition, and

(ii) in any other case, the original corporation is deemed at that time to have conferred a benefit on the shareholder equal to the value at that time of the shares of the new corporation acquired by the shareholder.

**(2) Subsection (1) applies in respect of divisions of non-resident corporations that occur after October 23, 2012.**

**3 (1) Paragraph 18(12)(b) of the Act is replaced by the following:**

(b) if the conditions set out in subparagraph (a)(i) or (a)(ii) are met, the amount for the work space that is deductible in computing the individual's income for the year from the business shall not exceed the individual's income for the year from the business, computed without reference to the amount and section 34.1; and

**(2) Subsection (1) applies to the 2011 and subsequent taxation years.**

**4 (1) Subsection 20(1) of the Act is amended by adding the following after paragraph (m.2):**

**(m.3)** the unamortized amount at the end of the year in respect of the amount that was received in excess of the principal amount of a bond (in this paragraph referred to as the *premium*) received by the issuer in the year, or a previous year, for issuing the bond (in this paragraph referred to as the *new bond*) where

(i) the terms of the new bond are identical to the terms of bonds previously issued by the taxpayer (in this paragraph referred to as the *old bonds*), except for the date of issuance and total principal amount of the bonds,

(ii) the old bonds were part of an issuance (in this paragraph referred to as the *original issuance*) of bonds by the taxpayer,

(iii) the interest rate on the old bonds was reasonable at the time of the original issuance,

(iv) the new bond is issued on the re-opening of the original issuance,

(v) the amount of the premium at the time of issuance of the new bond is reasonable, and

(vi) the amount of the premium has been included in the taxpayer's income for the year or a previous taxation year;

**(2) Clauses (i)(A) and (B) of the description of A in paragraph 20(1)(xx) of the Act are replaced by the following:**

**(A)** if the taxpayer acquires a property under the agreement in the year or a preceding taxation year, the portion of the amount by which the cost to the taxpayer of the property exceeds the fair market value of the property at the time it is acquired by the taxpayer that is attributable to an underlying interest other than an underlying interest referred to in subparagraphs (b)(i) to (iii) of the definition of *derivative forward agreement* in subsection 248(1), or

**(B)** if the taxpayer disposes of a property under the agreement in the year or a preceding taxation year, the portion of the amount by which the fair market value of the property at the time the agreement is entered into by the taxpayer exceeds the *proceeds of disposition* (within the meaning assigned by subdivision c) of the property that is attributable to an underlying interest other than an underlying interest referred to in clauses (c)(i)(A) to (C) of the definition of *derivative forward agreement* in subsection 248(1), and

**(3) Subsection (1) applies in respect of bonds issued after 2000.**

**(4) Subsection (2) applies in respect of acquisitions and dispositions of property that occur on or after ANNOUNCEMENT DATE.**

**5 (1) Subclause 37(8)(a)(ii)(B)(II) of the English version of the Act is replaced by the following:**

**(II)** an expenditure of a current nature for the prosecution of scientific research and experimental development in Canada directly undertaken on behalf of the taxpayer,

**(2) Subsection 37(11) of the Act is replaced by the following:**

**Filing requirement**

**(11)** A prescribed form must be filed by a taxpayer with the Minister in respect of any expenditure, that would be incurred by the taxpayer in a taxation year that begins after 1995 if this Act were read without reference to subsection 78(4), that is claimed by the taxpayer for the year as a deduction under this section, on or before the day that is 12 months after the taxpayer's filing due-date for the taxation year, containing

**(a)** prescribed information in respect of the expenditure; and

**(b)** *claim preparer information*, as defined in subsection 162(5.3).

**Failure to file**

**(11.1)** Subject to subsection (12), if the prescribed information in respect of an expenditure referred to in paragraph (11)(a) is not contained in the form referred to in subsection (11), no amount in respect of the expenditure may be deducted under subsection (1).

**(3) Subsection (1) applies in respect of expenditures incurred after ANNOUNCEMENT DATE.**

**6 (1) Clause 39(1)(c)(iv)(B) of the Act is replaced by the following:**

**(B)** a bankrupt that was a small business corporation at the time it last became a bankrupt, or

**(2) Subsection 39(2.1) of the Act is replaced by the following:**

**Upstream loan — transitional set-off**

**(2.1)** If at any time a corporation resident in Canada or a partnership of which such a corporation is a member (such corporation or partnership referred to in this subsection and subsection (2.2) as the *borrowing party*) has received a loan from, or become indebted to, a creditor that is a foreign affiliate (referred to in this subsection and subsection (2.2) as a *creditor affiliate*) of a qualifying entity, or that is a partnership (referred to in this subsection as a *creditor partnership*) of which such an affiliate is a member, and the loan or indebtedness is at a later time repaid, in whole or in part, then the amount of the borrowing party's capital gain or capital loss determined, in the absence of this subsection, under subsection (2) in respect of the repayment, is to be reduced

**(a)** in the case of a capital gain

**(i)** if the creditor is a creditor affiliate, by an amount, not exceeding that capital gain, that is equal to twice the amount that would — in the absence of subparagraph 40(2)(g)(ii) and paragraph 95(2)(g.04) and on the assumption that the creditor affiliate's capital loss in respect of the repayment of the loan or indebtedness were a capital gain of the creditor affiliate, the creditor affiliate had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year — be the total of all amounts each of which is an amount that would be included in computing a qualifying entity's income under subsection 91(1) for its taxation year that includes the last day of the taxation year of the creditor affiliate that includes the later time, or

**(ii)** if the creditor is a creditor partnership, by an amount, not exceeding that capital gain, that is equal to twice the amount that is the total of each amount, determined in respect of a particular member of the creditor partnership that is a foreign affiliate of a qualifying entity, that would — in the absence of subparagraph 40(2)(g)(ii) and paragraph 95(2)(g.04) and on the assumption that the creditor partnership's capital loss in respect of the repayment of the loan or indebtedness were a capital gain of the creditor partnership, the particular member had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year — be the total of all amounts each of which is an amount that would be included in computing a qualifying entity's income under subsection 91(1) for its taxation year that includes the last day of the taxation year of the particular member that includes the last day of the creditor partnership's fiscal period that includes that later time; and

**(b)** in the case of a capital loss

**(i)** if the creditor is a creditor affiliate, by an amount, not exceeding that capital loss, that is equal to twice the amount, in respect of the creditor affiliate's capital gain in respect of the repayment of the loan or indebtedness, that would — in the absence of paragraph 95(2)(g.04) and on the assumption that the creditor affiliate had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year — be the total of all amounts each of which is an amount that would be included in computing a qualifying entity's income under subsection 91(1) for its taxation year that includes the last day of the taxation year of the creditor affiliate that includes the later time, or

**(ii)** if the creditor is a creditor partnership, by an amount, not exceeding that capital loss, that is equal to twice the amount, in respect of the creditor partnership's capital gain in respect of the repayment of the loan or indebtedness, that is the total of each amount, determined in respect of a particular member of the creditor partnership that is a foreign affiliate of a qualifying entity, that would — in the absence of paragraph 95(2)(g.04) and on the assumption that the particular member had no other income, loss, capital gain or capital loss for any taxation year, and no other foreign affiliate of a qualifying entity had any income, loss, capital gain or capital loss for any taxation year — be the total of all amounts each of which is an amount that would be included in computing a qualifying entity's income under subsection 91(1) for its taxation year that includes the last day of the taxation year of the particular member that includes the last day of the creditor partnership's fiscal period that includes the later time.

### **Qualifying entity**

**(2.2)** For purposes of subsection (2.1), *qualifying entity* means

**(a)** in the case of a borrowing party that is a corporation,

**(i)** the borrowing party,

**(ii)** a corporation resident in Canada of which

**(A)** the borrowing party is a subsidiary wholly-owned corporation, or

**(B)** a corporation described in this paragraph is a subsidiary wholly-owned corporation,

**(iii)** a corporation resident in Canada

**(A)** each share of the capital stock of which is owned by

**(I)** the borrowing party, or

**(II)** a corporation that is described in this subparagraph or subparagraph (ii), or

**(B)** all or substantially all of the capital stock of which is owned by one or more corporations resident in Canada that are borrowing parties in respect of the creditor affiliate because of subsection 90(7), or

**(iv)** a partnership each member of which is

(A) a corporation described in any of subparagraphs (i) to (iii), or

(B) another partnership described in this subparagraph; and

(b) in the case of a borrowing party that is a partnership,

(i) the borrowing party,

(ii) if each member — determined as if each member of a partnership that is a member of another partnership is a member of that other partnership — of the borrowing party is either a particular corporation resident in Canada (in this paragraph referred to as the *parent*) or a corporation resident in Canada that is a *subsidiary wholly-owned corporation*, as defined in subsection 87(1.4), of the parent,

(A) the parent, or

(B) a corporation resident in Canada that is a *subsidiary wholly-owned corporation*, as defined in subsection 87(1.4), of the parent, or

(iii) a partnership each member of which is any of

(A) the borrowing party,

(B) a corporation described in subparagraph (ii), and

(C) another partnership described in this subparagraph.

**(3) Subsection (1) applies in respect of bankruptcies that occur after April 26, 1995.**

**(4) Subsection (2) applies to portions of loans received and indebtedness incurred on or before August 19, 2011 that remain outstanding on that date and that are repaid, in whole or in part, on or before August 19, 2016.**

**7 (1) Paragraphs 40(3)(d) and (e) of the Act are replaced by the following:**

(d) for the purposes of section 93 and subsections 116(6) and (6.1), the property is deemed to have been disposed of by the taxpayer at that time, and

(e) for the purposes of subsection 2(3) and sections 110.6 and 150, the property is deemed to have been disposed of by the taxpayer in the year.

**(2) Paragraph 40(3.1)(b) of the Act is replaced by the following:**

(b) for the purposes of subsection 2(3), section 110.6, subsections 116(6) and (6.1) and section 150, the interest is deemed to have been disposed of by the member at that time.

**(3) Subsections (1) and (2) apply in respect of gains from dispositions that occur on or after ANNOUNCEMENT DATE.**

**8 (1) Clause 53(2)(c)(i)(C) of the Act is replaced by the following:**

(C) subsections 100(4), 112(3.1), (4), (4.2) as it read in its application to dispositions of property that occurred before April 27, 1995 and (5.2),

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

**9 (1) Paragraph 56(1)(z.3) of the Act is replaced by the following:**

**Pooled registered pension plan**

**(z.3)** any amount required by section 147.5 to be included in computing the taxpayer's income for the year other than an amount distributed under a PRPP as a return of all or a portion of a contribution to the plan to the extent that the amount

**(i)** is a payment described under clause 147.5(3)(d)(ii)(A) or (B), and

**(ii)** is not deducted in computing the taxpayer's income for the year or a preceding taxation year; and

**(2) Subsection (1) is deemed to have come into force on December 14, 2012.**

**10 (1) Clause 56.4(7)(b)(ii)(A) of the Act is replaced by the following:**

**(A)** under which the vendor or the vendor's eligible corporation disposes of property (other than property described in clause (B) or subparagraph (i)) to the purchaser, or the purchaser's eligible corporation, for consideration that is received or receivable by the vendor, or the vendor's eligible corporation, as the case may be, or

**(2) Subclause 56.4(7)(c)(i)(B)(I) of the Act is replaced by the following:**

**(I)** under which the vendor or the vendor's eligible corporation disposes of property (other than property described in subclause (II) or clause (A)) to the eligible individual, or the eligible individual's corporation, for consideration that is received or receivable by the vendor, or the vendor's eligible corporation, as the case may be, or

**(3) Subparagraphs 56.4(7)(g)(i) and (ii) of the Act are replaced by the following:**

**(i)** in the case of subparagraph (b)(i), the vendor, or the vendor's eligible corporation, if it is required to include the goodwill amount in computing its income, and the purchaser, or the purchaser's eligible corporation, if it incurs the expenditure that is the goodwill amount to the vendor or the vendor's eligible corporation, as the case may be, or

**(ii)** in the case of clause (c)(i)(A), the vendor, or the vendor's eligible corporation, if it is required to include the goodwill amount in computing its income, and the eligible individual, or the eligible individual's eligible corporation, if it incurs the expenditure that is the goodwill amount to the vendor or the vendor's eligible corporation, as the case may be.

**(4) Subsections (1) to (3) apply to restrictive covenants granted on or after ANNOUNCEMENT DATE.**

**11 (1) The definition *eligible pension income* in subsection 60.03(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)** the lesser of

**(i)** the total of all amounts received by the individual in the year on account of a retirement income security benefit payable to the individual under Part 2 of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, and

**(ii)** the amount, if any, by which the *defined benefit limit* (as defined in subsection 8500(1) of the *Income Tax Regulations*) for the year multiplied by 35 exceeds the total of the amounts determined under paragraphs (a) and (b). (*revenu de pension déterminé*)

**(2) Subsection (1) applies to the 2015 and subsequent taxation years.**

**12 (1) Subsection 62(2) of the Act is replaced by the following:**

### **Moving expenses of students**

**(2)** There may be deducted in computing a taxpayer's income for a taxation year the amount, if any, that the taxpayer would be entitled to deduct under subsection (1) if the definition *eligible relocation* in subsection 248(1) were read without reference to subparagraph (a)(i) of that definition and if the word "both" in paragraph (c) of that definition were read as "either or both".

**(2) Subsection (1) applies to taxation years that end after October 2011.**

**13 (1) Paragraph 75(3)(d) of the Act is replaced by the following:**

**(d)** by a trust if

**(i)** the trust acquired the property, or other property for which the property is a substitute, from a particular individual,

**(ii)** the particular individual acquired the property or the other property, as the case may be, in respect of another individual as a consequence of the operation of subsection 122.61(1) or under section 4 of the *Universal Child Care Benefit Act*, and

**(iii)** the trust has no *beneficiaries* (as defined in subsection 108(1)) who may for any reason receive directly from the trust any of the income or capital of the trust other than individuals in respect of whom the particular individual acquired property as a consequence of the operation of a provision described in subparagraph (ii).

**(2) Subsection (1) applies to taxation years that end on or after ANNOUNCEMENT DATE.**

**14 (1) Section 80.03 of the English version of the Act is amended by adding the following before subsection (2):**

#### **Definitions**

**80.03 (1)** In this section, *commercial debt obligation*, *commercial obligation*, *distress preferred share*, *forgiven amount* and *person* have the meanings assigned by subsection 80(1).

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

**15 (1) Subsection 87 of the Act is amended by adding the following after subsection (8.3):**

#### **Taxable Canadian property — conditions for rollover**

**(8.4)** Subsection (8.5) applies at any time if

**(a)** there is at that time a foreign merger of two or more predecessor foreign corporations (within the meaning assigned by subsection (8.1), if that subsection and subsection (8.2) were read without reference to the expression "otherwise than as a result of the distribution of property to one corporation on the winding-up of another corporation") that were, immediately before that time, resident in the same country and related to each other (determined without reference to paragraph 251(5)(b));

**(b)** because of the foreign merger,

**(i)** a predecessor foreign corporation (referred to in this subsection and subsection (8.5) as the *disposing predecessor foreign corporation*) disposes of a property that is, at that time, a taxable Canadian property (other than treaty-protected property) of the disposing predecessor foreign corporation that is a share (referred to in this subsection and subsection (8.5) as the *subject share*) of the capital stock of a corporation resident in Canada, and

**(ii)** the subject share becomes property of a corporation that is a new foreign corporation for the purposes of subsection (8.1);

(c) no shareholder (except any predecessor foreign corporation) that owned shares of the capital stock of a predecessor foreign corporation immediately before the foreign merger received consideration for the disposition of those shares on the foreign merger, other than shares of the capital stock of the new corporation;

(d) the corporation resident in Canada is not, at any time in the 24-month period beginning at that time, as part of a transaction or event, or series of transactions or events including the foreign merger, subject to a loss restriction event; and

(e) the new foreign corporation and the disposing predecessor foreign corporation jointly elect in accordance with prescribed rules.

**Foreign merger – taxable Canadian property rollover**

**(8.5)** If this subsection applies at any time,

(a) the subject share is deemed to have been disposed of at that time by the disposing predecessor foreign corporation to the new foreign corporation (that is referred to in subparagraph (8.4)(b)(ii)) for proceeds of disposition equal to the adjusted cost base of the subject share to the disposing predecessor foreign corporation immediately before that time; and

(b) the cost of the subject share to the new foreign corporation is the amount that is deemed by paragraph (a) to be the proceeds of disposition of the subject share.

**(2) Subsection (1) applies to foreign mergers that occur on or after ANNOUNCEMENT DATE.**

**16 (1) The portion of paragraph 88(1)(e.2) of the Act before subparagraph (i) is replaced by the following:**

(e.2) paragraphs 87(2)(c), (d.1), (e.1), (e.3), (g) to (l), (1.21) to (u), (x), (z.1), (z.2), (aa), (cc), (ll), (nn), (pp), (rr) and (tt) to (ww), subsection 87(6) and, subject to section 78, subsection 87(7) apply to the winding-up as if the references in those provisions to

**(2) Subsection (1) applies to taxation years that end after 2001.**

**17 (1) The portion of paragraph (a) of the definition *capital dividend account* in subsection 89(1) of the Act before subparagraph (i) is replaced by the following:**

(a) the amount, if any, by which the total of

**(2) Paragraph (a) of the definition *capital dividend account* in subsection 89(1) of the Act is amended by adding “and” at the end of subparagraph (i) and by adding the following after subparagraph (i):**

(i.1) all amounts each of which is an amount in respect of a distribution made in the period by a trust to the corporation in respect of capital gains of the trust equal to the lesser of

(A) the amount, if any, by which

(I) the amount of the distribution

exceeds

(II) the amount designated under subsection 104(21) by the trust (other than a designation to which subsection 104(21.4), as it read in its application to the corporation’s last taxation year that began before November 2011, applied) in respect of the net taxable capital gains of the trust attributable to those capital gains, and

(B) the amount determined by the formula

$$A \times B$$

where



- A is the fraction or whole number determined when 1 is subtracted from the reciprocal of the fraction under paragraph 38(a) applicable to the trust for the year, and
- B is the amount referred to in subclause (A)(II),

**(3) The definition *capital dividend account* in subsection 89(1) of the Act is amended by adding “and” at the end of paragraph (e) and by repealing paragraph (f).**

**(4) Subsections (1) to (3) apply in respect of trust distributions made on or after ANNOUNCEMENT DATE.**

**18 (1) Section 90 of the Act is amended by adding the following after subsection (6)**

**Upstream Loan Continuity – Reorganizations**

**(6.1)** Subsection (6.11) applies at any time if

- (a)** immediately before that time, a person or partnership (referred to in this subsection and subsection (6.11) as the *original debtor*) owes an amount in respect of a loan or indebtedness (referred to in this subsection and subsection (6.11) as the *pre-transaction loan*) to another person or partnership (referred to in this subsection and subsection (6.11) as the *original creditor*);
- (b)** the pre-transaction loan was, at the time it was made or entered into, a loan or indebtedness that is described in subsection (6); and
- (c)** in the course of an amalgamation, a merger, a winding-up or a liquidation and dissolution,
  - (i)** the amount owing in respect of the pre-transaction loan becomes owing at that time by another person or partnership (the amount owing after that time and the other person or partnership are referred to in subsection (6.11) as the *post-transaction loan payable* and the *new debtor*, respectively),
  - (ii)** the amount owing in respect of the pre-transaction loan becomes owing at that time to another person or partnership (the amount owing after that time and the other person or partnership are referred to in subsection (6.11) as the *post-transaction loan receivable* and the *new creditor*, respectively), or
  - (iii)** the taxpayer in respect of which the original debtor was a specified debtor at the time referred to in paragraph (b)
    - (A)** ceases to exist, or
    - (B)** merges with one or more corporations to form one corporate entity (referred to in subsection (6.11) as the *new corporation*).

**Upstream Loan Continuity – Reorganizations**

**(6.11)** If this subsection applies at any time, for the purposes of subsections (6) and (7) to (15) and 39(2.1) and (2.2) and paragraph 95(2)(g.04),

- (a)** if the condition in subparagraph (6.1)(c)(i) is met,
  - (i)** the post-transaction loan payable is deemed to be the same loan or indebtedness as the pre-transaction loan, and
  - (ii)** the new debtor is deemed to be same debtor as, and a continuation of, the original debtor;
- (b)** if the condition in subparagraph (6.1)(c)(ii) is met,
  - (i)** the post-transaction loan receivable is deemed to be the same loan or indebtedness as the pre-transaction loan, and

(ii) the new creditor is deemed to be same creditor as, and a continuation of, the original creditor;

(c) if the condition in clause (6.1)(c)(iii)(A) is met, any entity that held an interest in the taxpayer immediately before the winding-up is deemed to be the same entity as, and a continuation of, the taxpayer; and

(d) if the condition in clause (6.1)(c)(iii)(B) is met, the new corporation is deemed to be the same corporation as, and a continuation of, the taxpayer.

**(2) The portion of subsection 90(7) of the Act before paragraph (a) is replaced by the following:**

**Back-to-back loans**

(7) For the purposes of this subsection and subsections (6), (8) to (15) and 39(2.1) and (2.2) and paragraph 95(2)(g.04), if at any time a person or partnership (referred to in this subsection as the *intermediate lender*) makes a loan to another person or partnership (in this subsection referred to as the *intended borrower*) because the intermediate lender received a loan from another person or partnership (in this subsection referred to as the *initial lender*)

**(3) Subparagraph 90(9)(a)(ii) of the Act is replaced with the following:**

(ii) the income of the corporation under subsection 91(5), in respect of the taxable surplus of a foreign affiliate of the corporation, unless the specified debtor is a person or partnership described in subclause (i)(D)(I) or (II);

**(4) Paragraph (b) of the definition *specified debtor* in subsection 90(15) of the Act is replaced by the following:**

(b) a person with which the taxpayer does not, at that time, deal at arm's length, other than

(i) a non-resident corporation that is at that time a *controlled foreign affiliate*, within the meaning assigned by section 17, of the taxpayer, or

(ii) a non-resident corporation (other than a corporation that is described in subparagraph (i)) that is, at that time, a foreign affiliate of the taxpayer, if each share of the capital stock of the affiliate is owned at that time by any of

(A) the taxpayer,

(B) persons resident in Canada,

(C) non-resident persons that deal at arm's length with the taxpayer,

(D) persons described in subparagraph (i),

(E) partnerships, each member of which is described in any of clauses (A) to (F), and

(F) a corporation each shareholder of which is described in any of clauses (A) to (F);

**(5) Subsection (1) applies to transactions and events that occur on or after ANNOUNCEMENT DATE. However, if a taxpayer files an election with the Minister before 2017, subsection (1) applies in respect of the taxpayer as of August 20, 2011.**

**(6) Subsection (2) applies in respect of loans received and indebtedness incurred after August 19, 2011. However, subsection 90(7) of the Act, as amended by subsection (2), also applies in respect of any portion of a particular loan received or a particular indebtedness incurred on or before August 19, 2011 that remains outstanding on August 19, 2014 as if that portion were a separate loan or indebtedness that was received or incurred, as the case may be, on August 20, 2014 in the same manner and on the same terms as the particular loan or indebtedness.**

**(7) Subsection (3) applies in respect of loans received and indebtedness incurred after August 19, 2011; however, subparagraph 90(9)(a)(ii) of the Act, as enacted by subsection (3), also applies in respect of**

any portion of a particular loan received or a particular indebtedness incurred on or before August 19, 2011 that remains outstanding on August 19, 2014 as if that portion were a separate loan or indebtedness that was received or incurred, as the case may be, on August 20, 2014 in the same manner and on the same terms as the particular loan or indebtedness. In respect of loans received and indebtedness incurred prior to ANNOUNCEMENT DATE, subparagraph 90(9)(a)(ii) of the Act, as enacted by subsection (3), is to be read without reference to “unless the specified debtor is a person or partnership described in subclause (i)(D)(I) or (II)”.

**(8) Subsection (4) applies in respect of loans received and indebtedness incurred after August 19, 2011 and in respect of any portion of a particular loan received or indebtedness incurred on or before August 19, 2011 that remained outstanding on August 19, 2014.**

**19 (1) Section 91 of the Act is amended by adding the following after subsection (1):**

**Conditions for application of subsection (1.2)**

**(1.1)** Subsection (1.2) applies at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada if

**(a)** an amount would be included under subsection (1) in computing the income of the taxpayer, in respect of a share of the particular affiliate or another foreign affiliate of the taxpayer that has an *equity percentage* (as defined in subsection 95(4)) in the particular affiliate, for the taxation year of the particular affiliate (determined without reference to subsection (1.2)) that includes the particular time, if that taxation year ended at the particular time; and

**(b)** immediately after the particular time, there is an acquisition or disposition of shares of the capital stock of a foreign affiliate of the taxpayer that results in a change to the surplus entitlement percentage of the taxpayer in respect of the particular affiliate (determined as if the taxpayer were a corporation resident in Canada), unless

**(i)** the change is a decrease in the surplus entitlement percentage of the taxpayer (determined as if the taxpayer were a corporation resident in Canada) in respect of the particular affiliate and, as a result of the acquisition or disposition, one or more taxpayers, each of which is a taxable Canadian corporation that does not deal at arm's length with the taxpayer immediately after the particular time, have increases to their surplus entitlement percentages in respect of the particular affiliate that are, in total, equal to the reduction in the taxpayer's surplus entitlement percentage in respect of the particular affiliate immediately after the particular time,

**(ii)** the acquisition or disposition is on an *amalgamation* as defined in subsection 87(1), or

**(iii)** if one or more such acquisitions or dispositions in respect of which the conditions in subparagraphs (i) and (ii) are not satisfied occur in a particular taxation year of the particular affiliate (determined without reference to this subsection and subsection (1.2)), the percentage determined by the following formula is not greater than 5%:

$$A - B$$

where

**A** is the total of all amounts each of which is the decrease in the surplus entitlement percentage of the taxpayer in respect of the particular affiliate resulting from such acquisition or disposition in the particular year (other than an acquisition or disposition described in subparagraph (i) or (ii)), and

**B** is the total of all amounts each of which is the increase in the surplus entitlement percentage of the taxpayer in respect of the particular affiliate resulting from such acquisition or disposition in the particular year (other than an acquisition from a person that does not deal at arm's length with the taxpayer).

**Deemed year-end**

**(1.2)** If this subsection applies at a particular time in respect of a foreign affiliate of a particular taxpayer resident in Canada, then for the purposes of this section and section 92,

**(a)** in respect of the particular taxpayer and each corporation or partnership that is connected to the particular taxpayer, the affiliate's taxation year that would, in the absence of this subsection, have included the particular time is

deemed to have ended at the time (referred to in this section as the *stub-period end time*) that is immediately before the particular time;

(b) if the affiliate is, immediately after the particular time, a foreign affiliate of the particular taxpayer or a corporation or partnership that is connected to the particular taxpayer, the affiliate's next taxation year after the stub-period end time is deemed, in respect of the taxpayer or the connected corporation or partnership, as the case may be, to begin immediately after the particular time; and

(c) in determining the foreign accrual property income of the affiliate for that taxation year in respect of the particular taxpayer or a corporation or partnership that is connected to the particular taxpayer, all transactions or events that occur at the particular time are deemed to occur at the stub-period end time.

#### **Connected – meaning**

(1.3) For the purposes of subsection (1.2),

(a) a corporation is connected to the particular taxpayer if, at or immediately after the particular time, it is resident in Canada and does not deal at arm's length with the taxpayer; and

(b) a partnership is connected to the particular taxpayer if, at or immediately after the particular time, the particular taxpayer or a corporation described in paragraph (a) is, directly or indirectly through one or more partnerships, a member of the partnership.

#### **Election for application of subsection (1.2)**

(1.4) If the conditions in subsection (1.1) are not met at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada, subsection (1.2) applies in respect of the particular affiliate at that time if

(a) the conditions in paragraph (1.1)(a) are met in respect of the particular affiliate at the particular time;

(b) immediately after the particular time there is a disposition of shares of the capital stock of the particular affiliate or another foreign affiliate of the taxpayer that had an *equity percentage* (as defined in subsection 95(4)) in the particular affiliate by

(i) the taxpayer, or

(ii) a controlled foreign affiliate of the taxpayer, if the shares are not excluded property of the controlled foreign affiliate immediately after the particular time; and

(c) the taxpayer and all specified corporations jointly elect, by filing with the Minister in prescribed manner a form containing prescribed information on or before the day that is the earliest filing-due date for all taxpayers making the election in respect of the taxation year in which the transaction to which the election relates occurred, and for this purpose, a *specified corporation* means a corporation that at or immediately after the particular time meets the following conditions:

(i) the corporation is resident in Canada,

(ii) the corporation does not deal at arm's length with the taxpayer, and

(iii) the particular affiliate is a foreign affiliate of the corporation, or of a partnership of which the corporation is, directly or indirectly through one or more partnerships, a member.

#### **Election for application of subsection (1.2)**

(1.5) A particular taxpayer resident in Canada may elect, by filing with the Minister in prescribed manner a form containing prescribed information on or before the particular taxpayer's filing-due date for its taxation year that includes a particular time, to have subsection (1.2) apply at the particular time in respect of a particular foreign affiliate of the particular taxpayer if

(a) immediately after the particular time, there is an acquisition or disposition of shares of the capital stock of a foreign affiliate of another taxpayer that results in a decrease to the surplus entitlement percentage of the other taxpayer in respect of the particular affiliate;

(b) as a result of the acquisition or disposition described in paragraph (a), subsection (1.2) applies to the other taxpayer resident in Canada in respect of the particular affiliate;

(c) the surplus entitlement percentage of the particular taxpayer in respect of the particular affiliate increases as a result of the acquisition or disposition described in paragraph (a);

(d) subsection (1.2) does not apply, in the absence of this subsection, to the particular taxpayer in respect of the acquisition or disposition; and

(e) the particular affiliate is a foreign affiliate of the particular taxpayer at the particular time.

**(2) Subsection 91(4.5) of the Act is replaced by the following:**

**Exception – hybrid entities**

**(4.5)** For the purposes of subparagraph (4.1)(a)(i), a specified owner in respect of the taxpayer is not to be considered, under the relevant foreign tax law, to own less than all of the shares of the capital stock of a corporation that are considered to be owned for the purposes of this Act solely because the specified owner or the corporation is not treated as a corporation under the relevant foreign tax law.

**(3) Subsection (1) is deemed to have come into force on July 12, 2013, except that**

(a) an election referred to in subsection 91(1.4) of the Act, as enacted by subsection (1), is deemed to have been filed by the particular taxpayer and all *specified corporations* (within the meaning assigned by subsection 91(1.4) of the Act) referred to in that subsection on a timely basis if the election is filed on or before the earliest filing-due date, for all taxpayers making the election, for the respective taxation year that includes the day on which this Act receives Royal Assent;

(b) an election referred to in subsection 91(1.5) of the Act, as enacted by subsection (1), is deemed to have been filed by the particular taxpayer referred to in that subsection on a timely basis if the election is filed on or before the filing-due date for the particular taxpayer for its taxation year that includes the day on which this Act receives Royal Assent.

**(4) Subsection (2) applies in respect of the computation of foreign accrual tax applicable to an amount included in computing a taxpayer's income under subsection 91(1), for a taxation year of the taxpayer that ends after October 24, 2012, in respect of a foreign affiliate of the taxpayer.**

**20 (1) Clause 94(3)(b)(ii)(A) of the Act is replaced by the following:**

**(A)** the trust's income for the particular taxation year (other than income from sources in Canada) is deemed to be from sources in that country and not to be from any other source, and

**(2) Subsection (1) applies to taxation years that end on or after ANNOUNCEMENT DATE.**

**21 (1) The definition *trust company* in subsection 95(1) of the Act is replaced by the following:**

*trust company* includes a corporation that is resident in Canada and that is a *loan company* as defined in subsection 2(1) of the *Canadian Payments Act*. (*société de fiducie*)

**(2) The portion of paragraph 95(2)(a.1) of the Act after subparagraph (ii) and before subparagraph (iii) is replaced by the following:**

unless more than 90% of the gross revenue of the affiliate for the year from the sale of property (other than a property the income from the sale of which is not included in computing the income from a business other than an active busi-

ness of the affiliate under this paragraph because of subsection (2.31)) is derived from the sale of such property (other than a property described in subparagraph (ii) the cost of which to any person is a cost referred to in subparagraph (i)) to persons with whom the affiliate deals at arm's length (which, for this purpose, includes a sale of property to a non-resident corporation with which the affiliate does not deal at arm's length for sale to persons with whom the affiliate deals at arm's length) and, where this paragraph applies to include income of the affiliate from the sale of property in the income of the affiliate from a business other than an active business,

**(3) Paragraph 95(2)(f.13) of the Act is replaced by the following:**

**(f.13)** where the calculating currency of a foreign affiliate of a taxpayer is a currency other than Canadian currency, the foreign affiliate shall determine the amount included in computing its foreign accrual property income, in respect of the taxpayer for a taxation year of the foreign affiliate, attributable to its capital gain or taxable capital gain, from the disposition of an excluded property in the taxation year, in Canadian currency by converting the amount of the capital gain, or taxable capital gain, otherwise determined under subparagraph (f.12)(i) using its calculating currency for the taxation year into Canadian currency using the rate of exchange quoted by the Bank of Canada on the day on which the disposition was made, or another rate of exchange that is acceptable to the Minister;

**(4) Paragraph 95(2)(f.15) of the Act is replaced by the following:**

**(f.15)** for the purposes of applying subparagraph (f)(i), the references in subsection 39(2) to “Canadian currency” are to be read as “the taxpayer’s calculating currency”

**(i)** in respect of a debt obligation owing by a foreign affiliate of a taxpayer, or a partnership of which the foreign affiliate is a member, that is a debt referred to in subparagraph (i)(i) or (ii), and

**(ii)** in respect of an agreement described in subparagraph (i)(iii) entered into by a foreign affiliate of a taxpayer, or a partnership of which the foreign affiliate is a member;

**(5) Paragraph 95(2)(g.04) of the Act is replaced by the following:**

**(g.04)** if at any time a corporation resident in Canada or a partnership of which such a corporation is a member (such corporation or partnership referred to in this paragraph as the *borrowing party*) has received a loan from, or become indebted to, a creditor that is a foreign affiliate (referred to in this paragraph as a *creditor affiliate*) of a *qualifying entity* (in this paragraph within the meaning assigned by subsection 39(2.2)), or that is a partnership (referred to in this paragraph as a *creditor partnership*) of which such an affiliate is a member, and the loan or indebtedness is at a later time repaid, in whole or in part, then the amount of the creditor affiliate’s or creditor partnership’s capital gain or capital loss, as the case may be, determined in the absence of this paragraph, in respect of the repayment, is to be reduced

**(i)** in the case of a capital loss

**(A)** if the creditor is a creditor affiliate, by an amount, not exceeding the amount of that capital loss so determined, that is determined by the formula

**A/B**

where

**A** is the amount by which the borrowing party’s capital gain is reduced under paragraph 39(2.1)(a) in respect of that repayment, and

**B** is the total of all participating percentages, determined at the end of the taxation year of the creditor affiliate that includes the later time, of shares of the capital stock of a foreign affiliate that are owned by qualifying entities and on which an amount would be included under subsection 91(1), on the assumptions that

**(I)** the capital loss of the creditor affiliate, determined in the absence of this paragraph, in respect of the repayment of the loan or indebtedness were a capital gain of the creditor affiliate, and

**(II)** neither the creditor affiliate nor any other foreign affiliate of a qualifying entity had any other income, gain or loss for any taxation year, and

**(B)** if the creditor is a creditor partnership, by an amount, not exceeding the capital loss so determined, that is equal to the amount determined by the formula

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

where

**A** is the amount by which the borrowing party's capital gain is reduced under paragraph 39(2.1)(a) in respect of that repayment,

**B** is the proportion that the amount of the capital loss of the creditor partnership in respect of the repayment of the loan or indebtedness, determined in the absence of this paragraph, that would be included in the determination of the income, gain or loss of the members of the creditor partnership that are foreign affiliates of qualifying entities is of the amount of the capital loss so determined, and

**C** is the total of all participating percentages, each of which is the participating percentage in respect of a share of the capital stock of a foreign affiliate of a qualifying entity, and that is owned by a qualifying entity, that is relevant in determining the amount that would be included in computing a qualifying entity's income under subsection 91(1), on the assumptions that

**(I)** the capital loss of the creditor partnership, determined in the absence of this paragraph, in respect of the repayment of the loan or indebtedness were a capital gain of the creditor partnership, and

**(II)** neither the creditor partnership nor any foreign affiliate of a qualifying entity had any other income, gain or loss for any taxation year, and

**(ii)** in the case of a capital gain,

**(A)** if the creditor is a creditor affiliate, by an amount, not exceeding that capital gain so determined, that is equal to the amount determined by the formula

$$A/B$$

where

**A** is the amount by which the borrowing party is required to reduce its capital loss under paragraph 39(2.1)(b) in respect of that repayment, and

**B** is the total of all participating percentages, determined at the end of the taxation year of the creditor affiliate that includes the later time, of shares of the capital stock of a foreign affiliate that are owned by qualifying entities and on which an amount would be included under subsection 91(1), on the assumption that neither the creditor affiliate nor any foreign affiliate of a qualifying entity had any other income, gain or loss for any taxation year other than its capital gain, determined in the absence of this paragraph, in respect of the repayment of the loan or indebtedness, and

**(B)** if the creditor is a creditor partnership, by an amount, not exceeding the capital loss so determined, that is equal to the amount determined by the following formula

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

where

**A** is the amount by which the borrowing party is required to reduce its capital loss under paragraph 39(2.1)(b) in respect of that repayment,

**B** is the proportion that the amount of the capital gain of the creditor partnership in respect of the repayment of the loan or indebtedness, determined in the absence of this paragraph, that would be included in the determination of the income, gain or loss of the members of the creditor partnership that are foreign affiliates of qualifying entities is of the amount of the capital gain so determined, and

**C** is the total of all participating percentages, each of which is the participating percentage in respect of a share of the capital stock of a foreign affiliate of a qualifying entity, and that is owned by a qualifying entity, that is relevant in determining the amount that would be included in computing a qualifying entity's income under subsection 91(1), on the assumption that neither the creditor partnership nor any foreign affiliate of a qualifying entity had any other income, gain or loss for any taxation year.

**(6) Subsection (1) is deemed to have come into force on October 24, 2001.**

**(7) Subsection (2) applies in respect of taxation years of a foreign affiliate of a taxpayer that end after October 2012.**

**(8) Subsection (3) comes into force, or is deemed to have come into force, on March 1, 2017.**

**(9) Subsection (4) applies in respect of taxation years of a foreign affiliate that begin after October 2, 2007.**

**(10) Subsection (5) applies in respect of portions of loans received and indebtedness incurred on or before August 19, 2011 that remain outstanding on that date and that are repaid, in whole or in part, on or before August 19, 2016.**

**22 (1) Section 98 of the Act is amended by adding the following after subsection (6):**

**Depreciable property – leasehold interests and options**

**(7)** For the purposes of paragraphs (3)(c) and (5)(c), a leasehold interest in a depreciable property and an option to acquire a depreciable property are depreciable properties.

**(2) Subsection (1) applies in respect of partnerships that cease to exist on or after ANNOUNCEMENT DATE.**

**23 (1) Paragraph 100(1)(a) of the Act is replaced by the following:**

**(a)** 1/2 of such portion of the taxpayer's capital gain for the year from the disposition as may reasonably be regarded as attributable to increases in the value of any partnership property of the partnership that is capital property (other than depreciable property) held directly by the partnership or held indirectly by the partnership through one or more other partnerships, and

**(2) Subsection (1) applies in respect of dispositions made after August 13, 2012.**

**24 The portion of the definition *eligible taxable capital gains* in subsection 108(1) of the Act before paragraph (a) is replaced by the following:**

*eligible taxable capital gains*, of a trust for a taxation year, means the lesser of

**25 (1) The portion of paragraph 110(1)(d) of the Act before subparagraph (ii) is replaced by the following:**

**Employee options**

**(d)** an amount equal to 1/2 of the amount of the benefit deemed by subsection 7(1) to have been received by the taxpayer in the year in respect of a security that a particular qualifying person has agreed after February 15, 1984 to sell or issue under an agreement, in respect of the transfer or other disposition of rights under the agreement or as a result of the death of the taxpayer because the taxpayer immediately before death owned a right to acquire the security under the agreement, if

**(i)** the security was acquired under the agreement

**(A)** by the taxpayer or a person not dealing at arm's length with the taxpayer in circumstances described in paragraph 7(1)(c), or

**(B)** in the case of a benefit deemed by paragraph 7(1)(e) to have been received by the taxpayer, within the first taxation year of the graduated rate estate of the taxpayer, by

**(i)** the graduated rate estate of the taxpayer,



(II) a person who is a *beneficiary* (as defined in subsection 108(1)) under the graduated rate estate of the taxpayer, or

(III) a person in whom the rights of the taxpayer under the agreement have vested as a result of the death,

(i.1) the security

(A) is a prescribed share at the time of its sale or issue, as the case may be,

(B) would have been a prescribed share if it were issued or sold to the taxpayer at the time the taxpayer disposed of rights under the agreement,

(B.1) in the case of a benefit deemed by paragraph 7(1)(e) to have been received by the taxpayer, would have been a prescribed share if it were issued or sold to the taxpayer immediately before the death of the taxpayer,

(C) would have been a unit of a mutual fund trust at the time of its sale or issue if those units issued by the trust that were not identical to the security had not been issued,

(D) would have been a unit of a mutual fund trust if

(I) it were issued or sold to the taxpayer at the time the taxpayer disposed of rights under the agreement, and

(II) those units issued by the trust that were not identical to the security had not been issued, or

(E) in the case of a benefit deemed by paragraph 7(1)(e) to have been received by the taxpayer, would have been a unit of a mutual fund trust if

(I) it were issued or sold to the taxpayer immediately before the death of the taxpayer, and

(II) those units issued by the trust that were not identical to the security had not been issued,

**(2) Paragraphs 110(1.1)(c) and (d) of the Act are replaced by the following:**

(c) the particular qualifying person provides the taxpayer or, if the taxpayer is deceased, the graduated rate estate of the taxpayer, with evidence in writing of the election; and

(d) the taxpayer or, if the taxpayer is deceased, the graduated rate estate of the taxpayer, files the evidence with the Minister with the taxpayer's return of income for the year in which a deduction under paragraph (1)(d) is claimed.

**(3) Subsections (1) and (2) apply in respect of acquisitions of securities and transfers or dispositions of rights occurring after 4:00 pm Eastern Standard Time on March 4, 2010, except that for taxation years ending before 2016, the reference to “graduated rate estate” is to be read as “estate”.**

**26 (1) The definition *exchange rate* in subsection 111(8) of the Act is replaced by the following:**

*exchange rate*, at any time in respect of a currency of a country other than Canada, means the rate of exchange between that currency and Canadian currency quoted by the Bank of Canada on the day that includes that time or, if that day is not a business day, on the day that immediately precedes that day, or a rate of exchange acceptable to the Minister; (*taux de change*)

**(2) Subsection (1) comes into force, or is deemed to have come into force, on March 1, 2017.**

**27 (1) Section 112 of the Act is amended by adding the following after subsection (10):**

**Interest in a partnership — cost reduction**

**(11)** In computing the cost to a taxpayer, at any time, of an interest in a partnership that is property (other than capital property) of the taxpayer, there is to be deducted an amount equal to the total of all amounts each of which is the taxpayer's share of any loss of the partnership from the disposition by the partnership, or another partnership of which the

partnership is directly or indirectly a member, of a share of the capital stock of a corporation (referred to in this subsection and subsection (12) as the *partnership loss*) in a fiscal period of the partnership that includes that time or a prior fiscal period, computed without reference to subsections (3.1), (4) and (5.2), to the extent that the taxpayer's share of the partnership loss has not previously reduced the taxpayer's cost of the interest in the partnership because of the application of this subsection.

#### **Application**

**(12)** For the purposes of subsection (11), if a taxpayer disposes of an interest in a partnership at any particular time, the taxpayer's share of a partnership loss is to be computed as if

**(a)** the fiscal period of each partnership of which the taxpayer is directly or indirectly a member had ended immediately before the time that is immediately before the particular time;

**(b)** any share of the capital stock of a corporation that was property of a partnership referred to in paragraph (a) at the particular time had been disposed of by the relevant partnership immediately before the end of that fiscal period for proceeds equal to its fair market value at the particular time; and

**(c)** each member of a partnership referred to in paragraph (a) were allocated a share of any loss (computed without reference to subsections (3.1), (4) and (5.2)) in respect of dispositions described in paragraph (b) determined by reference to the member's specified proportion for the fiscal period referred to in paragraph (a).

#### **Application**

**(13)** For the purposes of subsection (11), if a taxpayer (referred to as the *transferee* in this subsection) acquires an interest in a partnership at any time from another taxpayer (referred to as the *transferor* in this subsection), in computing the cost of the partnership interest to the transferee there is to be added an amount equal to the total of all amounts each of which is an amount deducted from the transferor's cost of the partnership interest because of subsection (11), other than an amount to which subsection (3.1) would apply.

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

**28 (1) The description of B in subsection 118(3) of the Act is replaced by the following:**

**B** is the lesser of

**(a)** \$2,000, and

**(b)** the total of

**(i)** the eligible pension income of the individual for the taxation year, and

**(ii)** the total of all amounts received by the individual in the year on account of a retirement income security benefit payable to the individual under Part 2 of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*.

**(2) Subsection (1) applies to the 2015 and subsequent taxation years.**

**29 (1) Paragraph 118.1(20)(b) of the Act is replaced by the following:**

**(b)** a credit union that is a shareholder or member of a body corporate or organization that is a central for the purposes of the *Canadian Payments Act*.

**(2) Subsection (1) is deemed to have come into force on October 24, 2001.**

**30 (1) Subsection 118.2(2) of the Act is amended by adding the following after paragraph (u):**

**(v)** the cost of marihuana purchased on behalf of the patient who is authorized to possess marihuana for medical purposes under the *Marihuana for Medical Purposes Regulations* or section 56 of the *Controlled Drugs and Substances Act* from

(i) a *licensed producer* (as defined in subsection 1(1) of the *Marihuana for Medical Purposes Regulations*), in accordance with a *medical document* (as defined in subsection 1(1) of the *Marihuana for Medical Purposes Regulations*),

(ii) a *health care practitioner* (as defined in subsection 1(1) of the *Marihuana for Medical Purposes Regulations*) in the course of treatment for a medical condition,

(iii) a hospital, under subsection 65(2.1) of the *Narcotics Control Regulations*, or

(iv) an individual who possesses an exemption for cultivation or production under section 56 of the *Controlled Drugs and Substances Act*.

**(2) Paragraph 118.2(2)(u) of the Act is repealed.**

**(3) Subsection (1) is deemed to have come into force on June 19, 2013.**

**31 (1) The formula in paragraph 122(1)(c) of the Act is replaced by the following:**

$$A - (B - C)$$

**(2) Paragraph 122(1)(c) of the Act is amended by striking out “and” at the end of the description of A, by adding “and” at the end of the description of B and by adding the following after the description of B:**

C is the total of all amounts each of which is an amount determined for clause (ii)(B) of the description of A in determining the amount for A for the year.

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

**32 (1) The formula  $(25/C) \times D$  in subparagraph (b)(i) of the description of element A of the formula A-B in subsection 122.51(2) of the Act is replaced by the following:**

$$(0.25/C) \times D$$

**(2) Subsection (1) applies to the 2005 and subsequent taxation years.**

**33 (1) The definition *pre-production mining expenditure* in subsection 127(9) of the English version of the Act is amended by adding “or” at the end of subparagraph (a)(i).**

**(2) Subparagraph (f.1)(i) of the definition *specified percentage* in subsection 127(9) of the Act is replaced by the following:**

(i) a qualified expenditure of a taxpayer under any of subsections (18) to (20), for the qualified expenditure incurred

(A) before 2015, 20%, and

(B) after 2014, 15%,

**(3) Subsection (1) is deemed to have come into force on March 21, 2013.**

**(4) Subsection (2) applies to repayments made after ANNOUNCEMENT DATE.**

**34 (1) Paragraph 129(1.1)(b) of the Act is replaced by the following:**

(b) was a bankrupt at any time during that taxation year of the particular corporation.

**(2) Subsection (1) applies in respect of bankruptcies that occur after April 26, 1995.**

**35 (1) Clause (b)(iii)(B) of the definition *retirement savings plan* in subsection 146(1) of the Act is replaced by the following:**

(B) a credit union that is a shareholder or member of a body corporate referred to as a “central” for the purposes of the *Canadian Payments Act*,

**(2) Subsection 146(21.2) of the Act is replaced by the following:**

**Specified pension plan — account**

**(21.2)** For the purposes of paragraph (8.2)(b), subsection (8.21), paragraphs (16)(a) and (b) and 18(1)(u), subparagraph (a)(i) of the definition *excluded right or interest* in subsection 128.1(10), paragraph (b) of the definition *excluded premium* in subsection 146.01(1), paragraph (c) of the definition *excluded premium* in subsection 146.02(1), subsections 146.3(14) and 147(19), section 147.3 and paragraphs 147.5(21)(c) and 212(1)(j.1) and (m) and for the purposes of any regulations made under subsection 147.1(18), an individual’s account under a specified pension plan is deemed to be a registered retirement savings plan under which the individual is the annuitant.

**(3) Subsection (1) is deemed to have come into force on October 24, 2001.**

**(4) Subsection (2) is deemed to have come into force on January 1, 2010, except that in its application before December 14, 2012, subsection 146(21.2) of the Act, as enacted by subsection (2), is to be read without reference to “147.5(21)(c) and”.**

**36 (1) Subparagraph 146.4(4)(f)(i) of the Act is replaced by the following:**

(i) the beneficiary is not a DTC-eligible individual in respect of the taxation year that includes that time, unless the contribution is a specified RDSP payment in respect of the beneficiary and, at that time, there is a valid election referred to in subsection (4.1) in respect of the beneficiary, or

**(2) Subsection (1) applies to the 2014 and subsequent taxation years.**

**37 (1) Subparagraph 147.3(13.1)(a)(i) of the Act is replaced by the following:**

(i) the total of all amounts each of which is an amount included under clause 56(1)(a)(i)(C), paragraph 56(1)(z.3), subsections 146(8), (8.3) or (12) or 146.3(5), (5.1) or (11) in computing the individual’s income for the year, to the extent that the amount is not a prescribed withdrawal,

**(2) Subsection (1) is deemed to have come into force on January 1, 2010, except that in its application before December 14, 2012, subparagraph 147.3(13.1)(a)(i) of the Act, as enacted by subsection (1), is to be read without reference to “paragraph 56(1)(z.3)”.**

**38 (1) Subsection 147.5(12) of the English version of the Act is replaced by the following:**

**Member’s account**

**(12)** For the purposes of paragraph 18(1)(u), subparagraph (a)(i) of the definition *excluded right or interest* in subsection 128.1(10), paragraph 146(8.2)(b), subsection 146(8.21), paragraphs 146(16)(a) and (b), subparagraph 146(21)(a)(i), paragraph (b) of the definition *excluded premium* in subsection 146.01(1), paragraph (c) of the definition *excluded premium* in subsection 146.02(1), subsections 146.3(14) and 147(19) to (21), section 147.3 and paragraphs 212(1)(j.1) and (m), and of regulations made under subsection 147.1(18), a member’s account under a PRPP is deemed to be a registered retirement savings plan under which the member is the annuitant.

**(2) Section 147.5 of the Act is amended by adding the following after subsection (32):**

**Contribution deemed not paid**

**(32.1)** Where a member of a PRPP or a participating employer in relation to the PRPP has, at any time in a taxation year, received a distribution from the member’s account under the PRPP that is a return of a contribution described in clause 147.5(3)(d)(ii)(A) or (B), the contribution is deemed not to have been a contribution made by the member or the participating employer, as the case may be, to the PRPP to the extent that the contribution is not deducted in computing the taxpayer’s income for the year or a preceding taxation year.

**(3) Subsections (1) and (2) are deemed to have come into force on December 14, 2012.**

**39 (1) Paragraph 148(2)(e) of the Act is replaced by the following:**

(e) a policyholder with an interest in a life insurance policy, issued after 2016, that gives rise to an entitlement (of the policyholder, beneficiary or assignee, as the case may be) to receive all or a portion of an excess described in subparagraph (iv) is deemed, at a particular 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, if

(i) the policy is an exempt policy,

(ii) a *benefit on death* (as defined in subsection 1401(3) of the *Income Tax Regulations*) under a *coverage* (as defined in section 310 of the *Income Tax Regulations* for the purposes of section 306 of the *Income Tax Regulations*) under the policy is paid at the particular time,

(iii) the payment results in the termination of the coverage but not the policy,

(iv) the amount of the *fund value benefit* (as defined in subsection 1401(3) of the *Income Tax Regulations*) paid at the particular time in respect of the coverage exceeds the amount

(A) in the case where there is no *policy anniversary* (as defined in section 310 of the *Income Tax Regulations*) before the date of death of the individual whose life is insured under the coverage, that would be determined – on the policy anniversary that is on or that first follows that date of death and as though the coverage were not terminated – 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*, and

(B) in any other case, that is determined – on the last policy anniversary before the date of the death of the individual whose life is insured under the coverage – 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* as it applies for the purpose of subparagraph 306(1)(b)(ii) of the *Income Tax Regulations*.

**(2) The portion of subsection 148(4.01) of the Act before paragraph (a) is replaced by the following:**

**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 immediately before a particular time by a taxpayer in respect of a policy loan in respect of a life insurance policy if

**(3) Paragraph 148(4.01)(b) of the Act is replaced by the following:**

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

**(4) Subparagraph 148(4.01)(d)(ii) of the Act is replaced by the following:**

(ii) described in subparagraph (i) of the description of C in paragraph (a) of the definition *proceeds of the disposition* in subsection (9); and

**(5) Paragraph (b) of the description of E.1 in the definition *adjusted cost basis* in subsection 148(9) of the Act is replaced by the following:**

(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 paragraph (a) of the definition *proceeds of the disposition* in this subsection), and

**(6) The portion of the description of O in the definition *adjusted cost basis* in subsection 148(9) of the Act before the formula is replaced by the following:**

**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 section 310 of the *Income Tax Regulations* for the purposes of section 306 of the *Income Tax Regulations*) under the policy is paid before that time as a consequence of the death of an individual whose life is insured under the coverage (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

**(7) The portion of the definition *adjusted cost basis* in subsection 148(9) of the Act after the description of P is replaced by the following:**

**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* (as defined in section 310 of the *Income Tax Regulations* for the purposes of section 306 of the *Income Tax Regulations*) on the termination,

**R** is the total of all amounts — each of which is in respect of a *coverage* (as defined in subsection 1401(3) of the *Income Tax Regulations*) in respect of a specific life or two or more specific lives jointly insured under the coverage referred to in the description of O — 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 total of all amounts — each of which is in respect of a *coverage* (as defined in subsection 1401(3) of the *Income Tax Regulations* and referred to in this description as a *particular coverage*) in respect of a specific life or two or more specific lives jointly insured under the coverage referred to in the description of O — 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 particular coverage, if the benefit on death under the particular coverage, and the *fund value of the coverage* (as defined in subsection 1401(3) of the *Income Tax Regulations*), on that policy anniversary were equal to the benefit on death under the particular 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* (as defined in subsection 1401(3) of the *Income Tax Regulations*) under the policy, the benefit on death under each *coverage* (as defined in subsection 1401(3) of the *Income Tax Regulations*) and the fund value of each coverage (as defined in subsection 1401(3) of the *Income Tax Regulations*) 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 payment in respect of the fund value benefit under the policy paid in respect of the *coverage* (as defined in section 310 of the *Income Tax Regulations* for the purposes of section 306 of the *Income Tax Regulations*) on the termination;

**(8) The portion of subsection 148(11) of the Act before paragraph (b) is replaced by the following:**

**Loss of grandfathering**

**(11)** For the purposes of determining at and after a particular time whether a life insurance policy (other than an annuity contract) issued before 2017 is treated as issued after 2016 under this section (other than this subsection) and sections 306 (other than subsections (9) and (10)), 307, 308, 310, 1401 and 1403 of the *Income Tax Regulations* (except as they apply for the purposes of subsection 211.1(3)), the policy is deemed to be a policy issued at the particular time if the particular time is 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

(a) if the insurance is term insurance, converted to permanent life insurance within the policy; or

**40 (1) Paragraph 181.1(3)(b) of the Act is replaced by the following:**

(b) that was a bankrupt at the end of the year;

**(2) Subsection (1) applies in respect of bankruptcies that occur after April 26, 1995.**

**41 (1) Paragraph 186.1(a) of the Act is replaced by the following:**

(a) that was, at any time in the year, a bankrupt; or

**(2) Subsection (1) applies in respect of bankruptcies that occur after April 26, 1995.**

**42 (1) Paragraph (a) of the description of J in subsection 204.2(1.2) of the Act is replaced by the following:**

(a) the total of all amounts each of which is an amount (other than the portion of it that reduces the amount on which tax is payable by the individual under subsection 204.1(1)) received by the individual in the year and before that time out of or under a pooled registered pension plan, a registered retirement savings plan, a registered retirement income fund or a specified pension plan and included in computing the individual's income for the year

**(2) Subsection (1) is deemed to have come into force on January 1, 2010, except that in its application before December 14, 2012, paragraph (a) of the description of J in subsection 204.2(1.2) of the Act, as enacted by subsection (1), is to be read without reference to “a pooled registered pension plan”.**

**43 (1) The portion of subparagraph 212(1)(h)(iii.1) of the Act before clause (A) is replaced by the following:**

(iii.1) the portion of the payment that is transferred by the payer on behalf of the non-resident person, pursuant to an authorization in prescribed form, to a pooled registered pension plan, registered pension plan, registered retirement savings plan, registered retirement income fund or specified pension plan and that

**(2) Subsection (1) is deemed to have come into force on January 1, 2010, except that in its application before December 14, 2012, the portion of subparagraph 212(1)(h)(iii.1) of the Act before clause (A), as enacted by subsection (1), is to be read without reference to “pooled registered pension plan”.**

**44 (1) Paragraph 212.3(1)(a) of the Act is replaced by the following:**

(a) the subject corporation is immediately after the investment time, or becomes as part of a transaction or event or series of transactions or events that includes the making of the investment, a foreign affiliate of

(i) the CRIC, or

(ii) a corporation that does not deal at arm's length with the CRIC (in this subsection referred to as the *other Canadian corporation*);

**(2) The portion of paragraph 212.3(1)(b) of the Act before subparagraph (ii) is replaced by the following:**

(b) the CRIC or the other Canadian corporation, if any, 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) if, at the investment time, the parent owned all shares of the capital stock of the CRIC and the other Canadian corporation that are owned — determined without reference to paragraph (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, each person that does not deal at arm's length with the parent and all of those partnerships, were immediate and absolute and the

parent and each of the other persons and partnerships had exercised those rights at the investment time — by the parent, persons that are not dealing at arm’s length with the parent and partnerships of which the parent or a non-resident person that is not dealing at arm’s length with the parent is a member (other than a limited partner within the meaning assigned by subsection 96(2.4)), the parent would own shares of the capital stock of the CRIC or the other Canadian corporation that

**(A)** give the holders of those shares 25% or more of all of the votes that could be cast at any annual meeting of the shareholders in respect of all shares of the capital stock of the CRIC or the other Canadian corporation, 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 or the other Canadian corporation,

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

**Election to not reduce deemed dividend**

**(7.1)** Subsection (7) does not apply in respect of an investment made by a CRIC if

**(a)** the investment was made after March 28, 2012 and before August 16, 2013;

**(b)** at the investment time, each share of the capital stock of the CRIC, and each qualifying substitute corporation in respect of the CRIC, that was not owned by the parent was owned by persons or partnerships with which the parent did not deal at arm’s length; and

**(c)** the CRIC files an election with the Minister before 2017 to have this subsection apply in respect of the investment.

**(4) Subsections (1) and (2) apply in respect of transactions or events that occur on or after ANNOUNCEMENT DATE. For this purpose, a portion of a particular amount owing by, or debt obligation of, a subject corporation is deemed to be a separate amount owing or debt obligation that became owing or was acquired, as the case may be, on January 1, 2017 in the same manner and on the same terms as the particular amount owing or debt obligation, if**

**(a) subsection 212.3(2) of the Act would not apply in respect of the separate amount owing or debt obligation absent the application of subsections (1) and (2);**

**(b) the particular amount owing or debt obligation became owing to, or was acquired by, a CRIC (as defined in subsection 212.3(1) of the Act)**

**(i) after March 28, 2012 and before ANNOUNCEMENT DATE, or**

**(ii) before March 29, 2012, if its maturity date was extended after March 28, 2012 and before ANNOUNCEMENT DATE; and**

**(c) the portion is the amount outstanding in respect of the particular amount owing or debt obligation on January 1, 2017.**

**(5) Subsection (3) is deemed to have come into force on March 29, 2012.**

**45 (1) Paragraph (b) of the definition *derivative forward agreement* in subsection 248(1) of the Act is amended by striking out “or” at the end of subparagraph (i), by replacing “and” at the end of subparagraph (ii) with “or” and by adding the following after subparagraph (ii):**

**(iii)** an underlying interest that relates to a purchase of currency, if it can reasonably be considered that the purchase is agreed to by the taxpayer in order to reduce its risk of fluctuations in the value of the currency in which a purchase or sale by the taxpayer of a capital property is denominated, in which an obligation that is a capital property of the taxpayer is denominated or from which a capital property of the taxpayer derives its value, and



**(2) Subparagraph (c)(i) of the definition *derivative forward agreement* in subsection 248(1) of the Act is amended by striking out “or” at the end of clause (A), by replacing “and” at the end of clause (B) with “or” and by adding the following after clause (B):**

**(C)** an underlying interest that relates to a sale of currency, if it can reasonably be considered that the sale is agreed to by the taxpayer in order to reduce its risk of fluctuations in the value of the currency in which a purchase or sale by the taxpayer of a capital property is denominated, in which an obligation that is a capital property of the taxpayer is denominated or from which a capital property of the taxpayer derives its value, and

**(3) Subsections (1) and (2) are deemed to have come into force on March 21, 2013.**

**46 (1) Section 249.1 of the Act is amended by adding the following after subsection (9):**

**When subsection (9) ceases to apply**

**(9.1)** If paragraph (1)(c) did not apply to the end of the fiscal period of a partnership on December 31 of a calendar year (in this subsection referred to as the *preceding year*) because subsection (9) applies to the partnership, and to each other partnership described in relation to the partnership by any of subparagraphs (1)(c)(ii) to (iv), (in this subsection referred to collectively as the *aligned multi-tier partnerships* and each individually as an *aligned multi-tier partnership*),

**(a)** subsection (9) ceases to apply for the purpose of applying paragraph (1)(c) to each of the aligned multi-tier partnerships in the calendar year following the preceding year (in this subsection referred to as the *current year*) if

**(i)** another partnership (in this subsection referred to as the *new partnership*) becomes in the current year a member of any of the aligned multi-tier partnerships, or any of the aligned multi-tier partnerships becomes in the current year a member of the new partnership, and

**(ii)** it is not the case that

**(A)** the fiscal period of the new partnership ends in the current year on the same day as the fiscal period of each of the aligned multi-tier partnerships, and

**(B)** each partner of each aligned multi-tier partnership — or a subsidiary wholly-owned corporation of such a partner — that is not itself a partnership is a partner of the aligned multi-tier partnership from the end of the last fiscal period ending in the preceding year until the time at which the new partnership becomes a member of an aligned multi-tier partnership, or any of the aligned multi-tier partnerships becomes a member of the new partnership, as the case may be; and

**(b)** if subsection (9) would have ceased to apply to the aligned multi-tier partnerships in the current year because of paragraph (a) if that paragraph were read without reference to its subparagraph (ii), the new partnership is deemed — for the purpose of applying paragraph (1)(c) to each of the aligned multi-tier partnerships and the new partnership in the current year and subsequent years — to have made the multi-tier alignment election referred to in subsection (9).

**(2) Subsection (1) applies to fiscal periods of partnerships that end after March 2014.**

**47 (1) Subsection 256(7) of the Act is amended by adding the following after paragraph (c.1):**

**(c.2)** subject to paragraph (a), if, at any particular time, as part of a series of transactions or events, two or more persons acquire shares of a corporation (in this paragraph referred to as the *acquiring corporation*) in exchange for or upon a redemption or surrender of interests in, or as a consequence of a distribution from, a partnership or trust, control of the acquiring corporation and of each corporation controlled by it immediately before the particular time is deemed to have been acquired by a person or group of persons at the particular time unless

**(i)** in respect of each of the corporations, a person affiliated with the partnership or trust owned immediately before the particular time shares of the particular corporation having a total fair market value of more than 50% of the fair market value of all the issued and outstanding shares of the particular corporation immediately before the particular time,

(ii) if all the *securities* (in this subparagraph as defined in subsection 122.1(1)) of the acquiring corporation that were acquired at or before the particular time as part of the series were acquired by one person, the person would

(A) not at the particular time control the acquiring corporation, and

(B) have at the particular time acquired securities of the acquiring corporation having a fair market value of not more than 50% of the fair market value of all the issued and outstanding shares of the acquiring corporation, or

(iii) paragraph (c.1) applies, or this paragraph or paragraph (c.1) previously applied, to deem an acquisition of control of the acquiring corporation upon an acquisition of shares that was part of the same series of transactions or events;

**(2) Subsection (1) applies to transactions completed on or after ANNOUNCEMENT DATE, other than transactions the parties to which are obligated to complete pursuant to the terms of an agreement in writing between the parties entered into before that date. However, for this purpose, the parties to a transaction shall be considered not to be obligated to complete the transaction if one or more of those parties may be excused from completing the transaction as a result of amendments to the Act.**

**48 (1) The definition *relevant spot rate* in subsection 261(1) of the Act is replaced by the following:**

*relevant spot rate*, for a particular day, means, in respect of a conversion of an amount from a particular currency to another currency,

(a) if the particular currency or the other currency is Canadian currency, the rate quoted by the Bank of Canada on the particular day (or, if the Bank of Canada ordinarily quotes such a rate, but there is no such rate quoted for the particular day, the closest preceding day for which such a rate is quoted) for the exchange of the particular currency for the other currency, or, in applying paragraphs (2)(b) and (5)(c), another rate of exchange that is acceptable to the Minister; and

(b) if neither the particular currency nor the other currency is Canadian currency, the rate — calculated by reference to the rates quoted by the Bank of Canada on the particular day (or, if the Bank of Canada ordinarily quotes such rates, but either of such rates is not quoted for the particular day, the closest preceding day for which both such rates are quoted) for the exchange of Canadian currency for each of those currencies — for the exchange of the particular currency for the other currency, or, in applying paragraphs (2)(b) and (5)(c), another rate of exchange that is acceptable to the Minister. (*taux de change au comptant*)

**(2) Subparagraph 261(5)(h)(ii) of the Act is replaced by the following:**

(ii) the reference in paragraph 95(2)(f.13) to “the rate of exchange quoted by the Bank of Canada on” is to be read, in respect of the foreign affiliate and the taxation year, and with such modifications as the context requires, as a reference to “the relevant spot rate for”.

**(3) Subsections (1) and (2) come into force, or are deemed to have come into force, on March 1, 2017.**

## Income Tax Regulations

**49 (1) The portion of paragraph 306(3)(a) of the *Income Tax Regulations* before subparagraph (i) is replaced by the following:**

(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

**(2) The portion of subparagraph 306(3)(a)(ii) of the Regulations before clause (A) is replaced by the following:**

(ii) on each policy anniversary of the life insurance policy on which

**(3) The portion of paragraph 306(3)(b) of the Regulations before clause (i)(A) is replaced by the following:**

(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

**(4) The portion of subparagraph 306(3)(b)(ii) of the Regulations before clause (A) is replaced by the following:**

(ii) on each policy anniversary of the life insurance policy on which

**(5) The portion of subparagraph 306(3)(b)(iii) of the Regulations before clause (A) is replaced by the following:**

(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

**(6) The portion of subsection 306(4) of the Regulations before paragraph (a) is replaced by the following:**

(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

**(7) The portion of subsection 306(5) of the Regulations before paragraph (a) is replaced by the following:**

(5) For the purpose of determining the amount of a benefit on death under an exemption test policy,

**(8) Paragraph 306(6)(b) of the Regulations is replaced by the following:**

(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

(i) in the case where the particular time at which the policy is issued is determined under subsection 148(11) of the Act and the policy's third preceding policy anniversary is before the particular time, the accumulating fund (computed without regard to any amount payable in respect of a policy loan and as though the policy were issued after 2016) in respect of the policy on that third preceding policy anniversary, and

(ii) in any other case, 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

**(9) Subparagraph 306(7)(a)(ii) of the Regulations is replaced by the following:**

(ii) the date on which it was deemed by subsection (3) or (10), as the case may be, to be issued (determined immediately before that time); and

**(10) Subsection 306(10) of the Regulations is replaced by the following:**

(10) Notwithstanding subsections (3) and (4), if a life insurance policy is issued for any purpose at a particular time determined under subsection 148(11) of the Act, then for the purposes of applying this section (other than this subsection and subsection (9)) and section 307 in respect of the life insurance policy at and after the particular time,

(a) in respect of each coverage issued before the particular time under the life insurance policy, a separate exemption test policy is deemed to be issued in respect of a coverage under the life insurance policy

- (i) on the date of issue of the life insurance policy, and
- (ii) on each policy anniversary that ends before the particular time 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;

(b) in respect of each coverage issued before the particular time under the life insurance policy, subsection (3) does not apply to deem an exemption test policy to be issued in respect of the policy, or in respect of a coverage under the policy, at any time before the particular time;

(c) in respect of each exemption test policy the date of issuance of which is determined under subparagraph (a)(i), the references in subparagraph (4)(a)(iii) and paragraph (5)(b) to "subparagraph (3)(b)(i)" are to be read as references to "subparagraph (10)(a)(i)";

(d) in respect of each exemption test policy the date of issuance of which is determined under subparagraph (a)(ii), subparagraph (4)(a)(iv) is to be read as follows:

(iv) if the date on which the exemption test policy is issued is determined by subparagraph (10)(a)(ii) at a time before a particular time, the portion of the amount – that amount being the amount that would be determined, at the time immediately before the particular time, under subparagraph (a)(ii), if the exemption test policy were issued in respect of the policy on the same date as the date determined for it under subparagraph (10)(a)(ii) – that can be reasonably allocated to the coverage in the circumstances (and for these purposes, an allocation is considered not to be reasonable if the total of the amounts determined for A and B in subparagraph (a)(iii) is less than the amount determined for C in that subparagraph in respect of the exemption test policy the date of issuance of which is determined under subparagraph (10)(a)(i) in respect of the coverage), and

and

(e) in applying paragraph (5)(b), the reference in that paragraph to "any time" is to be read as "any time at or after the particular time referred to in subsection (10) in respect of the life insurance policy".

**50 (1) The portion of subsection 404(1) of the French version of the Regulations before paragraph (a) is replaced by the following :**

**404 (1)** Malgré les paragraphes 402(3) et (4), le montant de revenu imposable qu'une banque est réputée avoir gagné au cours d'une année d'imposition dans une province où elle avait un établissement stable correspond au tiers du total des sommes suivantes :

**(2) Paragraphs 404(1)(a) and (b) of the Regulations are replaced by the following:**

(a) the proportion of its taxable income for the year that the total of the salaries and wages paid in the year by the bank to employees of its permanent establishment in the province is of the total of all salaries and wages paid in the year by the bank; and

(b) twice the proportion of its taxable income for the year that the total amount of loans and deposits of its permanent establishment in the province for the year is of the total amount of all loans and deposits of the bank for the year.

**(3) Subsections 404(2) and (3) of the Regulations are replaced by the following:**

(2) For the purposes of subsection (1), the amount of loans for a taxation year is 1/12 of the total of the amounts outstanding, on the loans made by the bank, at the close of business on the last day of each month in the year.

**(3)** For the purposes of subsection (1), the amount of deposits for a taxation year is 1/12 of the total of the amounts on deposit with the bank at the close of business on the last day of each month in the year.

**(4) Subsections (1) to (3) are deemed to have come into force on ANNOUNCEMENT DATE.**

**51 (1) The Regulations are amended by adding the following after section 404:**

**404.1 (1)** Notwithstanding subsections 402(3) and (4), the amount of taxable income that is deemed to have been earned by a federal credit union in a taxation year in a province in which it had a permanent establishment is 1/3 of the total of

**(a)** the proportion of its taxable income for the year that the total of the salaries and wages paid in the year by the federal credit union to employees of its permanent establishment in the province is of the total of all salaries and wages paid in the year by the federal credit union; and

**(b)** twice the proportion of its taxable income for the year that the total amount of loans and deposits of its permanent establishment in the province for the year is of the total amount of all loans and deposits of the federal credit union for the year.

**(2)** For the purposes of subsection (1), the amount of loans for a taxation year is 1/12 of the total of the amounts outstanding, on the loans made by the federal credit union, at the close of business on the last day of each month in the year.

**(3)** For the purposes of subsection (1), the amount of deposits for a taxation year is 1/12 of the total of the amounts on deposit with the federal credit union at the close of business on the last day of each month in the year.

**(4)** For the purposes of subsections (2) and (3), loans and deposits do not include bonds, stocks, debentures, items in transit and deposits in favour of Her Majesty in right of Canada.

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

**52 (1) The portion of section 412 of the Regulations before paragraph (a) is replaced by the following:**

**412** If part of the business of a corporation for a taxation year, other than a corporation described in any of sections 403, 404, 404.1, 405, 406, 407, 408, 409, 410 and 411, consisted of operations normally conducted by a corporation described in one of those sections, the corporation and the Minister may agree to determine the amount of taxable income deemed to have been earned in the year in a particular province to be the total of the amounts computed

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

**53 (1) Sections 806 and 806.1 of the Regulations are replaced by the following:**

**806** For the purposes of paragraph (c) of the definition *fully exempt interest* in subsection 212(3) of the Act, the Bank for International Settlements and the European Bank for Reconstruction and Development are prescribed.

**(2) Subsection (1) is deemed to have come into force on January 1, 2008.**

**54 The portion of paragraph 1401(5)(b) of the Regulations before subparagraph (i) is replaced by the following:**

**(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 added to the policy or is term insurance that is converted into permanent life insurance within the policy, then that insurance is deemed to be a separate life insurance policy issued at the particular time unless

**55 (1) The definitions *official receipt* and *other recipient of a gift* in section 3500 of the Regulations are replaced by the following:**

**official receipt** means a receipt for the purposes of paragraph 110.1(2)(a) or 118.1(2)(a) of the Act, containing information required by section 3501 or 3502; (*reçu officiel*)

**other recipient of a gift** means a person, to whom a gift is made by a taxpayer, referred to in any of paragraph 110.1(1)(c), subparagraph 110.1(2.1)(a)(ii) and paragraphs (a) and (d) of the definition **qualified donee** in subsection 149.1(1) of the Act; (*autre bénéficiaire d'un don*)

**56 Section 5600 of the Regulations is amended by striking out “and” at the end of paragraph (h), by adding “and” at the end of paragraph (i) and by adding the following after paragraph (i):**

(j) the distribution by BHP Billiton Limited, on May 24, 2015 to its common shareholders, of common shares of South32 Limited.

**57 (1) Subsection 5907(1.07) of the Regulations is replaced by the following:**

**(1.07)** For the purposes of paragraph (1.03)(a), a specified owner in respect of the particular corporation is not to be considered, under the relevant foreign tax law, to own less than all of the shares of the capital stock of another corporation that are considered to be owned for the purposes of the Act solely because the specified owner or the other corporation is not treated as a corporation under the relevant foreign tax law.

**(2) Subsection 5907(8) of the Regulations is replaced by the following:**

**(8)** For the purposes of computing the various amounts referred to in this section,

(a) the first taxation year of a foreign affiliate, of a corporation resident in Canada, that is formed as a result of a *foreign merger* (within the meaning assigned by subsection 87(8.1) of the Act) is deemed to have commenced at the time of the merger, and a taxation year of a *predecessor corporation* (within the meaning assigned by subsection 5905(3)) that would otherwise have ended after that time is deemed to have ended immediately before that time; and

(b) if subsection 91(1.2) of the Act applies at any particular time in respect of a foreign affiliate of a corporation, the various amounts are to be computed, in respect of attributed amounts for the stub period in respect of the particular time, as if

(i) the affiliate's taxation year that would have included the particular time ended at the stub-period end time in respect of the particular time, and

(ii) all transactions or events, giving rise to attributed amounts, that occurred at the particular time, occurred at the stub-period end time in respect of the particular time.

**(8.1)** The following definitions apply in paragraph 5907(8)(b).

**attributed amounts**, for a stub period, in respect of a particular time referred to in paragraph 8(b), of a foreign affiliate of a corporation, means

(a) the amounts of any income, gain or loss of the affiliate for the stub period that are relevant in determining amounts that are to be included or may be deducted under section 91 of the Act in respect of the affiliate for the particular stub period, in computing the income of the corporation;

(b) any portion of the affiliate's capital gain or capital loss – from a disposition, in the stub period or at the particular time referred to in paragraph (8)(b), of a property that is not an excluded property – that is not described in paragraph (a); and

(c) any income or profits tax paid to the government of a country, in respect of amounts described in paragraph (a) or (b). (*sommes attribuées*)

**stub period**, in respect of a particular time at which subsection 91(1.2) of the Act applies in respect of a foreign affiliate of a corporation, means a period that ends at the stub-period end time in respect of the particular time and begins immediately after the later of

- (a) the last time, if any, before the particular time that subsection 91(1.2) applied in respect of the affiliate; and
- (b) the end of the affiliate's last taxation year before the particular time. (*période tampon*)

**stub-period end time**, in respect of a particular time at which subsection 91(1.2) of the Act applies in respect of a foreign affiliate of a corporation, means the time that is immediately before the particular time. (*fin de la période tampon*)

**(3) Subsection (1) applies to income or profits tax paid, and amounts referred to in subsections 5907(1.1) and (1.2) of the Regulations, in respect of the income of a foreign affiliate of a corporation for taxation years of the foreign affiliate that end in taxation years of the corporation that end after October 24, 2012.**

**(4) Subsection (2) is deemed to have come into force on July 12, 2013, except that if at any time in the period that begins on July 12, 2013 and ends on the day that is immediately before ANNOUNCEMENT DATE, subsection 91(1.2) of the Act (as enacted by subsection 19(1)), applies in respect of a taxpayer, and the taxpayer and all corporations that are *connected* (within the meaning assigned by subsection 91(1.3) of the Act) to the taxpayer at the time file with the Minister an election in prescribed manner on or before the earliest of the filing-due date of the taxpayer and the connected corporations for their taxation year that includes the day on which this Act receives Royal Assent, for the taxpayer and connected corporations subsection (2) is deemed to have come into force on ANNOUNCEMENT DATE and not on July 12, 2013.**

**58 (1) The portion of subsection 6204(1) of the Regulations before paragraph (a) is replaced by the following:**

**6204 (1)** For the purposes of subparagraph 110(1)(d)(i.1) of the Act, a share is a prescribed share of the capital stock of a corporation at the time of its sale or issue, as the case may be, if, at that time,

**(2) Paragraph 6204(1)(b) of the Regulations is amended by striking out “or” at the end of subparagraph (ii), by adding “or” at the end of subparagraph (iii) and by adding the following after subparagraph (iii):**

- (iv) an exchange to which subsection 51(1) of the Act applies or a disposition to which subsection 86(1) of the Act applies, if no consideration is provided by the corporation for the share other than shares of the capital stock of the corporation that are prescribed shares; and

**(3) Subsection (1) applies in respect of acquisitions of securities and transfers or dispositions of rights that occur after 4:00 pm Eastern Standard Time on March 4, 2010.**

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

**59 (1) Section 6503 of the Regulations is replaced by the following:**

**6503** For the purposes of paragraphs 60(j.02) to (j.04) of the Act, subsection 41(5) of the *Canadian Forces Superannuation Act*, subsections 39(7) and 42(8) of the *Public Service Superannuation Act* and subsection 24(6) of the *Royal Canadian Mounted Police Superannuation Act* are prescribed.

**(2) Subsection (1) applies in respect of repayments made after March 2007.**

**60 (1) Section 7300 of the Regulations is amended by striking out “or” at the end of paragraph (b), by adding “or” at the end of paragraph (c) and by adding the following after paragraph (c):**

(d) an amount that is the portion of a student loan forgiven under a provincial program that would be a prescribed amount because of paragraph (c) if section 9.2 of the *Canada Student Financial Assistance Act* or 11.1 of the *Canada Student Loans Act* applied to loans under that program.

**(2) Subsection (1) is deemed to have come into force on January 1, 2013.**

**61 (1) Clause 8503(3)(a)(v)(A) of the Regulations is replaced by the following:**

(A) both

(I) subparagraph (v.1) does not apply, and

(II) benefits that are attributable to employment of the member with a former employer accrued to the member under a defined benefit provision of another registered pension plan, or

**(2) Paragraph 8503(3)(a) of the Regulations is amended by adding the following after subparagraph (v):**

(v.1) a portion — determined by reference to the proportion of property that has been transferred, as described in clause (B) — of a period in respect of which

(A) benefits that are attributable to employment of the member with a former employer accrued to the member under a defined benefit provision of another registered pension plan, and

(B) pursuant to the *Pension Benefits Standards Act, 1985* or a similar law of a province, a portion of property held in connection with the benefits described in clause (A) has been transferred to the provision and the balance of property is required to be transferred to the provision at a later date,

**(3) Subsections (1) and (2) apply in respect of transfers of property that occur after 2012.**

**62 (1) Subparagraph (d)(iv) of Class 43.1 of Schedule II to the Regulations is replaced by the following:**

(iv) heat recovery equipment used by the taxpayer, or by a lessee of the taxpayer, primarily for the purpose of conserving energy, reducing the requirement to acquire energy or extracting heat for sale, by extracting for reuse thermal waste that is generated directly in an industrial process (other than an industrial process that generates or processes electrical energy), including such equipment that consists of heat exchange equipment, compressors used to upgrade low pressure steam, vapour or gas, waste heat boilers and other ancillary equipment such as control panels, fans, instruments or pumps, but not including property that is employed in re-using the recovered heat (such as property that is part of the internal heating or cooling system of a building or electrical generating equipment), is a building or is equipment that recovers heat primarily for use for heating water in a swimming pool,

**(2) Subsection (1) applies to property acquired after March 3, 2010.**

## Economic Action Plan 2013 Act, No. 2

**63 If an individual has filed the election referred to in subsection 60(4) of the *Economic Action Plan 2013 Act, No. 2*, as and when allowed under that subsection, then for the individual**

**(a) the reference in paragraph 60(4)(a) of that Act to “2006” is to be read as “2003”; and**

**(b) the references in paragraph 60(4)(b) of that Act to “2005” and “2006” are to be read as “2002” and “2003”, respectively.**



## Regulations Amending the Income Tax Regulations (Omnibus, No. 3)

**64** The reference in subsection 29(14) of the *Regulations Amending the Income Tax Regulations (Omnibus, No. 3)* to “1984” is deemed to have always been a reference to “1994”.