

Legislative Proposals Relating to the Income Tax Act

1 (1) The portion of subparagraph (a)(i) before clause (A) of the definition *specified corporate income* in subsection 125(7) of the *Income Tax Act* is replaced by the following:

(i) the total of all amounts each of which is income (other than specified cooperative income) from an active business of the corporation for the year from the provision of services or property to a private corporation (directly or indirectly, in any manner whatever) if

(2) Subsection 125(7) of the Act is amended by adding the following in alphabetical order:

specified cooperative income, of a corporation (in this definition referred to as the ***selling corporation***) for a taxation year, means income of the selling corporation (other than an amount included in the selling corporation's income under subsection 135(7)) from the sale of the farming products or fishing catches of the selling corporation's farming or fishing business to a corporation (in this definition referred to as the ***purchasing corporation***) if

(a) the purchasing corporation deals at arm's length with the selling corporation; and

(b) either

(i) the purchasing corporation would be a *cooperative corporation*, as defined in subsection 136(2), if the reference in paragraph (c) of that subsection to "business of farming" were read as "business of farming or fishing", or

(ii) the following conditions are met:

(A) the selling corporation (or one of its shareholders) or a person who does not deal at arm's length with the selling corporation (or one of its shareholders) holds a direct or indirect interest in a corporation that

(I) would be a *cooperative corporation*, as defined in subsection 136(2), if the reference in paragraph (c) of that subsection to "business of farming" were read as "business of farming or fishing", and

(II) holds a direct or indirect interest in the purchasing corporation, and

(B) the income from the sale of the farming products or fishing catches would not be an amount described in subparagraph (a)(i) of the definition *specified corporate income* if

(I) the condition in subclause (A)(I) were not met, and

(II) that subparagraph were read without reference to "(other than specified cooperative income)". (*revenu de société coopérative déterminé*)

(3) Subsections (1) and (2) apply to taxation years that begin after March 21, 2016.