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NOTICE OF WAYS AND MEANS MOTION TO AMEND THE *INCOME TAX ACT*
AND OTHER TAX LEGISLATION

That it is expedient to amend the *Income Tax Act* (the “Act”) and other tax legislation as follows:

Adoption Expense Tax Credit

1. (1) Paragraph (a) of the definition “adoption period” in subsection 118.01(1) of the Act is replaced by the following:

(a) begins at the earlier of the time that an application is made for registration with a provincial ministry responsible for adoption (or with an adoption agency licensed by a provincial government) and the time, if any, that an application related to the adoption is made to a Canadian court; and

(2) Subsection 1(1) applies to the 2013 and subsequent taxation years.

First-Time Donor’s Super Credit

2. (1) Subsection 118.1(1) of the Act is amended by adding the following in alphabetical order:

“first-time donor”, for a taxation year, means an individual (other than a trust)

(a) who has not deducted an amount under subsection (3) for a preceding taxation year that ends after 2007, and

(b) who is not, at the end of the year, married to a person (other than a person who was at that time separated from the individual by reason of a breakdown of their marriage), or in a common-law partnership with a person, who has deducted an amount under subsection (3) for a taxation year that ends after 2007 and before the year;

(2) Section 118.1 of the Act is amended by adding the following after subsection (3):

(3.1) For the purpose of computing the tax payable under this Part by a first-time donor for a taxation year that begins after 2012 and ends before 2018, the first-time donor may deduct an amount not exceeding the lesser of \$250 and the amount that is 25% of the total of all amounts, each of which is an eligible amount of a gift of money in the year or in any of the four preceding taxation years and in respect of which the first-time donor, or a person who is, at the end of the year, the first-time donor’s spouse (other than a person who was at that time separated from the first-time donor by reason of a breakdown of their marriage) or common-law partner, has deducted an amount for the year under subsection (3).

(3.2) If, at the end of a taxation year, both an individual and a person with whom the individual is married (other than a person who was at that time separated from the individual by reason of a breakdown of their marriage) or in a common-law partnership may deduct an amount under subsection (3.1) for the year, the total of all amounts so deductible by the individual and the other person shall not exceed the maximum amount that would be de-

ductible for the year by either person if the individual were the only one entitled to deduct an amount under subsection (3.1), and where the individual and the other person cannot agree as to what portion of the amount each can deduct, the Minister may fix the portions.

(3) The definition “first-time donor” in subsection 118.1(1) of the Act and subsections 118.1(3.1) and (3.2) of the Act, as enacted by subsections 2(1) and (2), are repealed.

(4) Subsections 2(1) and (2) apply in respect of gifts made on or after Budget Day.

(5) Subsection 2(3) applies to the 2018 and subsequent taxation years.

Lifetime Capital Gains Exemption

3. The Act is modified in accordance with the proposals relating to the increase in, and indexation of, the lifetime capital gains exemption described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Deduction for Safety Deposit Boxes

4. (1) Subsection 18(1) of the Act is amended by striking out “and” at the end of paragraph (v), by adding “and” at the end of paragraph (w), as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), and by adding the following after paragraph (w):

(x) an amount paid or payable in respect of the use of a safety deposit box of a financial institution.

(2) Subsection 4(1) applies to taxation years that begin on or after Budget Day.

Dividend Tax Credit

5. (1) Subparagraph 82(1)(b)(i) of the Act is replaced by the following:

(i) 18% of the amount determined under paragraph (a) in respect of the taxpayer for the taxation year, and

(2) Subsection 5(1) applies to dividends paid after 2013.

6. (1) Paragraph 121(a) of the Act is replaced by the following:

(a) 13/18 of the amount, if any, that is required by subparagraph 82(1)(b)(i) to be included in computing the individual’s income for the year; and

(2) Subsection 6(1) applies to dividends paid after 2013.

Registered Pension Plans: Correcting Contribution Errors

7. (1) Subsection 56(1) of the Act is amended to require the inclusion in income of the refund of an amount that was deducted as a contribution to a registered pension plan, where the refund relates to a contribution that was made as the result of a reasonable error.

(2) Section 147.1 of the Act is amended to allow the administrator of a registered pension plan to refund an amount from the plan, to a member or a participating employer in respect

of the plan, to correct a contribution that was made as the result of a reasonable error, provided that the refund is made no later than December 31 of the year following the year in which the contribution was made and is reported to the Minister of National Revenue in prescribed form.

(3) Subsections 7(1) and (2) apply in respect of registered pension plan contributions made on or after the later of January 1, 2014 and the day on which the enacting legislation receives royal assent.

Extended Reassessment Period: Tax Shelters and Reportable Transactions and Form T1135

8. (1) Paragraph 152(4)(c) of the Act is replaced by the following:

(b.1) an information return described in subsection 237.1(7) or 237.3(2) that is required to be filed in respect of a deduction or claim made by the taxpayer in relation to a tax shelter, or in respect of a tax benefit (as defined in subsection 245(1)) to the taxpayer from an avoidance transaction (as defined in subsection 245(3)), is not filed as and when required, and the assessment, reassessment or additional assessment is made within the period that ends three years after the date, if any, that the information return is filed;

(b.2) the assessment, reassessment or additional assessment is made before the day that is three years after the end of the normal reassessment period for the taxpayer in respect of the year and the taxpayer

(i) has failed to file for the year a prescribed form as and when required under subsection 233.3(3) or to report on the prescribed form the information required in respect of a specified foreign property held by the taxpayer at any time during the year, and

(ii) has failed to report an amount, in respect of a specified foreign property, that is required to be included in computing the taxpayer's income in a return filed under section 150 for the year;

(c) the taxpayer or person filing the return has filed with the Minister a waiver in prescribed form within the additional three-year period referred to in paragraph (b) or (b.1);

(c.1) the taxpayer or person filing the return has filed with the Minister a waiver in prescribed form within the additional three-year period referred to in paragraph (b.2); or

(2) The portion of subsection 152(4.01) of the Act that is before paragraph (a) is replaced by the following:

(4.01) Notwithstanding subsections (4) and (5), an assessment, reassessment or additional assessment to which paragraph (4)(a), (b), (b.1) or (c) applies in respect of a taxpayer for a taxation year may be made after the taxpayer's normal reassessment period in respect of the year to the extent that, but only to the extent that, it can reasonably be regarded as relating to,

(3) The portion of paragraph 152(4.01)(b) of the Act before subparagraph (i) is replaced by the following:

(b) if paragraph 4(b), (b.1) or (c) applies to the assessment, reassessment or additional assessment,

(4) Paragraph 152(4.01)(b) of the Act is amended by striking out “or” at the end of subparagraph (v), by adding “or” at the end of subparagraph (vi) and by adding the following after subparagraph (vi):

(vii) the deduction, claim or tax benefit referred to in paragraph (4)(b.1).

(5) Subsection 152(4.1) of the Act, as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), is replaced by the following:

(4.1) If the Minister would, but for this subsection, be entitled to reassess, make an additional assessment or assess tax, interest or penalties by virtue only of the filing of a waiver under subparagraph (4)(a)(ii) or paragraph (4)(c) or (c.1), the Minister may not make such a reassessment, additional assessment or assessment after the day that is six months after the date on which a notice of revocation of the waiver in prescribed form is filed.

(6) Subsections 8(1) and (5) apply to the 2013 and subsequent taxation years, except that, in its application to taxation years that end before Budget Day, subsection 152(4) of the Act, as amended by subsection 8(1), is to be read without reference to paragraph 152(4)(b.1).

(7) Subsections 8(2) to (4) apply to taxation years that end on or after Budget Day.

Taxes in Dispute and Charitable Donation Tax Shelters

9. (1) Subparagraph 164(1.1)(d)(ii) of the Act is replaced by the following:

(ii) 1/2 of the amount so assessed that is in controversy if

(A) the taxpayer is a large corporation (within the meaning assigned by subsection 225.1(8)), or

(B) the amount is in respect of a particular amount claimed under section 110.1 or 118.1 and the particular amount was claimed in respect of a tax shelter.

(2) Subsection 9(1) applies in respect of amounts assessed for taxation years that end after 2012.

10. (1) The portion of subsection 225.1(7) of the Act before paragraph (a) is replaced by the following:

(7) If an amount has been assessed under this Act in respect of a corporation for a taxation year in which it was a large corporation, or in respect of a particular amount claimed under section 110.1 or 118.1 where the particular amount was claimed in respect of a tax shelter, then subsections (1) to (4) do not apply to limit any action of the Minister to collect

(2) Subsection 10(1) applies in respect of amounts assessed for taxation years that end after 2012.

Mineral Exploration Tax Credit for Flow-Through Share Investors

11. (1) Paragraph (a) of the definition “flow-through mining expenditure” in subsection 127(9) of the Act is replaced by the following:

(a) that is a Canadian exploration expense incurred by a corporation after March 2013 and before 2015 (including, for greater certainty, an expense that is deemed by subsection 66(12.66) to be incurred before 2015) in conducting mining exploration activity from or above the surface of the earth for the purpose of determining the existence, location, extent or quality of a mineral resource described in paragraph (a) or (d) of the definition “mineral resource” in subsection 248(1),

(2) Paragraphs (c) and (d) of the definition “flow-through mining expenditure” in subsection 127(9) of the Act are replaced by the following:

(c) an amount in respect of which is renounced in accordance with subsection 66(12.6) by the corporation to the taxpayer (or a partnership of which the taxpayer is a member) under an agreement described in that subsection and made after March 2013 and before April 2014, and

(d) that is not an expense that was renounced under subsection 66(12.6) to the corporation (or a partnership of which the corporation is a member), unless that renunciation was under an agreement described in that subsection and made after March 2013 and before April 2014;

(3) Subsections **11(1)** and **(2)** apply to expenses renounced under a flow-through share agreement entered into after March 2013.

Labour-Sponsored Venture Capital Corporations Tax Credit

12. (1) Paragraph 127.4(5)(a) of the Act is amended to replace “\$750” with “\$500”.

(2) Paragraph 127.4(5)(a) of the Act, as amended by subsection **12(1)**, is amended to replace “\$500” with “\$250”.

(3) Subsection 127.4(5) of the Act, as amended by subsection **12(2)**, is repealed.

(4) Paragraph 127.4(6)(a) of the Act is amended to replace “15%” with “10%”.

(5) Paragraph 127.4(6)(a) of the Act, as amended by subsection **12(4)**, is amended to replace “10%” with “5%”.

(6) Subsection 127.4(6) of the Act, as amended by subsection **12(5)**, is repealed.

(7) Subsections **12(1)** and **(4)** apply to the 2015 taxation year.

(8) Subsections **12(2)** and **(5)** apply to the 2016 taxation year.

(9) Subsections **12(3)** and **(6)** apply to the 2017 and subsequent taxation years.

13. (1) The portion of subsection 204.81(1) of the Act before paragraph (a) is replaced by the following:

204.81 (1) The Minister may register a corporation for the purposes of this Part if the corporation's application for registration was received prior to Budget Day and if, in the opinion of the Minister, the corporation complies with the following conditions:

(2) Subsection **13(1)** is deemed to have come into force on Budget Day.

14. (1) The definition "labour-sponsored funds tax credit" in subsection 211.7(1) of the Act is amended by striking out "and" at the end of paragraph (a) and by replacing paragraph (b) with the following:

(b) if the original acquisition of the share occurred before 2017, the amount that would be determined under subsection 127.4(6) — as that subsection read at the time of the original acquisition and if that subsection were read without reference to paragraphs 127.4(6)(b) and (d) — in respect of the share; and

(c) in any other case, nil.

(2) Subsection **14(1)** is deemed to have come into force on Budget Day.

15. (1) Section 211.81 of the Act, as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), is replaced by the following:

211.81 If a particular amount is payable under a prescribed provision of a provincial law for a taxation year of an individual as determined for the purposes of that provincial law (in this section referred to as the "relevant provincial year"), and an amount has been included in the computation of the labour-sponsored funds tax credit of the individual under subsection 127.4(6) in respect of an approved share that has been disposed of by a qualifying trust in respect of the individual, the individual shall pay a tax for the taxation year in which the relevant provincial year ends equal to the amount determined by the formula

$$A \times B / C$$

where

A is the particular amount,

B is the labour-sponsored funds tax credit in respect of the share, and

C is the tax credit provided under a law of a province in respect of any previous acquisition of the share.

(2) Subsection **15(1)** is deemed to have come into force on October 24, 2012.

16. (1) Paragraph 211.9(b) of the Act is replaced by the following:

(b) the amount that is

(i) 15% of the net cost of the share on the original acquisition by the individual (or by a qualifying trust for the individual in respect of the share) if the original acquisition was made before 2015,

(ii) 10% of the net cost of the share on the original acquisition by the individual (or by a qualifying trust for the individual in respect of the share) if the original acquisition was made in 2015,

(iii) 5% of the net cost of the share on the original acquisition by the individual (or by a qualifying trust for the individual in respect of the share) if the original acquisition was made in 2016, and

(iv) in any other case, nil.

(2) Subsection 16(1) is deemed to have come into force on Budget Day.

17. (1) The *Income Tax Regulations* are amended by adding the following after section 6701:

6701.1 Notwithstanding section 6701, for the purposes of the definition “approved share” in subsection 127.4(1) of the Act and the definition “eligible investment” in subsection 204.8(1) of the Act, a corporation that submits its application for registration under a provincial statute listed in section 6701 on or after Budget Day is not a prescribed labour-sponsored venture capital corporation.

(2) Subsection 17(1) is deemed to have come into force on Budget Day.

18. The Act and the *Income Tax Regulations* are further modified in accordance with the proposals relating to labour-sponsored venture capital corporations described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Synthetic Dispositions

19. (1) The Act is amended by adding the following after section 80.5:

80.6 (1) If, at any time, a synthetic disposition arrangement in respect of a property owned by a taxpayer is entered into, the taxpayer is deemed

(a) to have disposed of the property immediately before that time for proceeds equal to its fair market value; and

(b) to have reacquired the property at that time at a cost equal to its fair market value.

(2) Subsection (1) does not apply in respect of an exchange of property to which subsection 51(1) applies.

(2) Subsection 19(1) applies to agreements and arrangements entered into on or after Budget Day. Subsection 19(1) also applies to an agreement or arrangement entered into before Budget Day, the term of which is extended on or after Budget Day, as if the agreement or arrangement were entered into at the time of the extension.

20. (1) Section 112 of the Act is amended by adding the following after subsection (7):

(8) For the purposes of paragraphs (3.01)(b) and (3.11)(b), subclauses (3.2)(a)(ii)(C)(I) and (3.3)(a)(ii)(C)(I) and paragraphs (3.31)(b), (3.32)(b), (4.01)(b), (4.11)(b), (4.21)(b), (4.22)(b), (5.1)(b) and (5.21)(b), if a taxpayer is deemed to dispose of a property under subsection 80.6(1) at a particular time, or would be deemed to dispose of the property under subsection 80.6(1) at that particular time if the references to “one year” in the definition “synthetic disposition arrangement” in subsection 248(1) were “30 days”, and the taxpayer did not own the property throughout the 365-day period that ended immediately before the

particular time, the taxpayer is deemed not to own the property while the one or more agreements or other arrangements that resulted, or would have resulted, in the deemed disposition continue to have the effect described in paragraph (b) of the definition “synthetic disposition arrangement” in subsection 248(1).

(2) Subsection **20(1)** is deemed to have come into force on Budget Day.

21. (1) Section 126 of the Act is amended by adding the following after subsection (4.4):

(4.5) For the purpose of determining whether the period referred to in subsection (4.2) is one year or less, if a taxpayer is deemed to dispose of a property under subsection 80.6(1) at a particular time, or would be deemed to dispose of the property under subsection 80.6(1) at the particular time, if the references to “one year” in the definition “synthetic disposition arrangement” in subsection 248(1) were “30 days”, and the taxpayer acquired the property less than one year before the particular time, the taxpayer is deemed to have last acquired the property at the earlier of

(a) the time that is immediately before the particular time referred to in subsection (4.2), and

(b) the time that the one or more agreements or other arrangements that resulted, or would have resulted, in the deemed disposition no longer have the effect described in paragraph (b) of the definition “synthetic disposition arrangement” in subsection 248(1);

(2) Subsection **21(1)** is deemed to have come into force on Budget Day.

22. (1) Subsection 248(1) of the Act is amended by adding the following in alphabetical order:

“synthetic disposition arrangement”, in respect of a property owned by a taxpayer, means one or more agreements or other arrangements (other than a lease of tangible property or, for civil law, corporeal property) that

(a) are entered into by the taxpayer or by a person or partnership that does not deal at arm’s length with the taxpayer,

(b) have the effect, or would have the effect if entered into by the taxpayer instead of the person or partnership, of eliminating all or substantially all the taxpayer’s risk of loss and opportunity for gain or profit in respect of the property for a period of more than one year,

(c) can, in respect of any agreement or arrangement entered into by a person or partnership that does not deal at arm’s length with the taxpayer, reasonably be considered to have been entered into, in whole or in part, with the purpose of obtaining the effect described in paragraph (b), and

(d) do not (other than as a consequence of subsection 80.6(1)) result in a disposition of the property within one year of the time that they are entered into;

(2) Subsection **22(1)** applies to agreements and arrangements entered into on or after Budget Day. Subsection **22(1)** also applies to an agreement or arrangement entered into before Budget Day, the term of which is extended on or after Budget Day, as if the agreement or arrangement were entered into at the time of the extension.

Character Conversion Transactions

23. (1) Subsection 12(1) of the Act is amended by striking out “and” at the end of paragraph (z.5), by adding “and” at the end of paragraph (z.6) and by adding the following after paragraph (z.6):

(z.7) the total of all amounts each of which is

- (i) if the taxpayer acquires a property under a derivative forward agreement in the year, 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, or
- (ii) if the taxpayer disposes of a property under a derivative forward agreement in the year, the amount by which the sale price of the property exceeds the adjusted cost base to the taxpayer of the property at the time it is disposed of, determined without reference to paragraph 53(1)(t);

(2) Subsection **23(1)** applies to agreements entered into on or after Budget Day. Subsection **23(1)** also applies to an agreement entered into before Budget Day, the term of which is extended on or after Budget Day, as if the agreement were entered into at the time of the extension.

24. (1) Subsection 20(1) of the Act is amended by striking out “and” at the end of paragraph (vv), by adding “and” at the end of paragraph (ww) and by adding the following after paragraph (ww):

(xx) in respect of a derivative forward agreement of a taxpayer, the amount determined by the formula

$$A - B$$

where

A is the lesser of

(a) the total of all amounts each of which is

- (i) if the taxpayer acquires a property under the agreement in the year or a preceding taxation year, 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, or
- (ii) if the taxpayer disposes of a property under the agreement in the year or a preceding taxation year, the amount by which the adjusted cost base to the taxpayer of the property at the time it is disposed of, determined without reference to paragraph 53(2)(x), exceeds the sale price of the property, and

(b) the amount that is,

- (i) if final settlement of the agreement occurs in the year, the amount determined under paragraph (a), or

(ii) in any other case, the total of all amounts included under paragraph 12(1)(z.7) in computing the taxpayer's income in respect of the agreement for the year or a preceding taxation year,

B is the total of all amounts deducted under this paragraph in respect of the agreement for a preceding taxation year.

(2) Subsection 24(1) applies to agreements entered into on or after Budget Day. Subsection 24(1) also applies to an agreement entered into before Budget Day, the term of which is extended on or after Budget Day, as if the agreement were entered into at the time of the extension.

25. (1) Subsection 53(1) of the Act is amended by striking out "and" at the end of paragraph (q) and by adding the following after paragraph (r):

(s) if the property was acquired under a derivative forward agreement, any amount required to be included in respect of the property under subparagraph 12(1)(z.7)(i) in computing the income of the taxpayer for a taxation year; and

(t) if the property is disposed of under a derivative forward agreement, any amount required to be included in respect of the property under subparagraph 12(1)(z.7)(ii) in computing the income of the taxpayer for the taxation year that includes that time.

(2) Subsection 53(2) of the Act is amended by striking out "and" at the end of paragraph (u) and by adding the following after paragraph (v):

(w) if the property was acquired under a derivative forward agreement, any amount deductible in respect of the property under paragraph 20(1)(xx) in computing the income of the taxpayer for a taxation year; and

(x) if the property is disposed of under a derivative forward agreement, any amount deductible in respect of the property under paragraph 20(1)(xx) in computing the income of the taxpayer for the taxation year that includes that time.

(3) Subsections 25(1) and (2) are deemed to have come into force on Budget Day.

26. (1) Subsection 248(1) of the Act is amended by adding the following in alphabetical order:

"derivative forward agreement", of a taxpayer, means an agreement entered into by the taxpayer to purchase or sell a capital property where

(a) the term of the agreement exceeds 180 days or the agreement is part of a series of agreements with a term that exceeds 180 days,

(b) in the case of a purchase agreement, the amount of the property to be delivered to the taxpayer on settlement, including partial settlement, of the agreement is determined, in whole or in part, by reference to an underlying interest (including a value, price, rate, variable, index, event, probability or thing) other than

(i) the value of the property,

(ii) income or capital gains in respect of the property, or

(iii) if the property is an interest in a partnership, trust or corporation, a return or distribution of capital in respect of the interest in the partnership, trust or corporation, and
(c) in the case of a sale agreement, the sale price of the property is determined, in whole or in part, by reference to an underlying interest (including a value, price, rate, variable, index, event, probability or thing) other than

(i) the value of the property,

(ii) income or capital gains in respect of the property, or

(iii) if the property is an interest in a partnership, trust or corporation, a return or distribution of capital in respect of the interest in the partnership, trust or corporation;

(2) Subsection **26(1)** applies to agreements entered into on or after Budget Day. Subsection **26(1)** also applies to an agreement entered into before Budget Day, the term of which is extended on or after Budget Day, as if the agreement were entered into at the time of the extension.

Trust Loss Trading

27. (1) The Act is amended by adding the following after section 251.1:

251.2 (1) The definitions in this subsection apply in this section.

“beneficiary” has the same meaning as in subsection 251.1(3).

“equity” has the same meaning as in subsection 122.1(1) read without reference to paragraph (e) of the definition “equity” in that subsection.

“equity value” has the same meaning as in subsection 122.1(1).

“majority-interest beneficiary” has the same meaning as in subsection 251.1(3).

“majority-interest group of beneficiaries” has the same meaning as in subsection 251.1(3).

“person” includes a partnership.

“specified right”, held at any time by a person in respect of a trust, means a right under a contract, in equity or otherwise, to acquire, either immediately or in the future and either absolutely or contingently, equity of the trust, or to cause the trust to redeem or cancel equity of the trust, unless the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual.

“subsidiary”, of a particular person at any time, means a corporation, partnership or trust (in this definition referred to as the “subject entity”) where

(a) the particular person holds at that time property

(i) that is equity of the subject entity, or

(ii) all or part of the fair market value of which is derived directly or indirectly from equity of the subject entity; and

(b) the total of the following amounts is at that time equal to more than 50% of the equity value of the subject entity:

(i) the total of all amounts each of which is the fair market value at that time of a property described in subparagraph (a)(i), and

(ii) the total of all amounts each of which is the portion of the fair market value at that time, of a property described in subparagraph (a)(ii), that is derived directly or indirectly from equity of the subject entity.

(2) For the purposes of this Act, a trust is at any time subject to a loss restriction event if

(a) that time is on or after Budget Day and after the time at which the trust is created; and

(b) at that time a person becomes a majority-interest beneficiary, or a group of persons becomes a majority-interest group of beneficiaries, of the trust.

(3) For the purposes of subsection (2), a person is deemed not to become a majority-interest beneficiary, and a group of persons is deemed not to become a majority-interest group of beneficiaries, as the case may be, of a particular trust solely because of

(a) the acquisition of equity of the particular trust by

(i) a particular person from another person with whom the particular person was affiliated immediately before the acquisition,

(ii) a particular person who was affiliated with the particular trust immediately before the acquisition,

(iii) an estate from an individual, if the estate arose on and as a consequence of the death of the individual and the individual contributed the equity to the estate as a consequence of the death, or

(iv) a particular person from an estate that arose on and as a consequence of the death of an individual, if the individual contributed the equity to the estate as a consequence of the death and was affiliated with the particular person immediately before the death;

(b) a variation in the terms of the particular trust, the satisfaction of or failure to satisfy a condition under the terms of the particular trust, the exercise by any person of or the failure by any person to exercise a power, or (without limiting the generality of the foregoing) the redemption, surrender or termination of equity of the particular trust at any time, if each majority-interest beneficiary, and each member of a majority-interest group of beneficiaries, of the particular trust immediately after that time was affiliated with the particular trust immediately before

(i) that time, or

(ii) in the case of the redemption or surrender of equity of the particular trust that was held, immediately before that time, by an estate and that was acquired by the estate from an individual as described in subparagraph (a)(iii), the individual's death;

(c) the transfer at any time of all the equity of the particular trust to a corporation, partnership or another trust (in this paragraph referred to as the "acquirer"), if

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- (i) the only consideration for the transfer is equity (determined without reference to paragraph (d) of the definition “equity” in subsection 122.1(1)) of the acquirer,
- (ii) at all times before that time the acquirer
- (A) never held property, or
 - (B) held only property having a nominal value, and
- (iii) immediately after that time the acquirer is neither
- (A) a subsidiary of any person, nor
 - (B) if the acquirer is a corporation, controlled, directly or indirectly in any manner whatever, by a person or group of persons; and
- (d) the transfer at any time of equity of the particular trust to a corporation, partnership or another trust (in this paragraph referred to as the “acquirer”), if
- (i) immediately before that time a person was a majority-interest beneficiary, or a group of persons was a majority-interest group of beneficiaries, of the particular trust,
- (ii) immediately after that time the person, or group of persons, as the case may be, described in subparagraph (i) in respect of the particular trust, and no other person or group of persons, is
- (A) if the acquirer is a corporation, a person by whom, or a group of persons by which, the corporation is controlled, directly or indirectly in any manner whatever,
 - (B) if the acquirer is a partnership, a majority-interest partner, or a majority-interest group of partners, of the partnership, and
 - (C) if the acquirer is a trust, a majority-interest beneficiary, or a majority-interest group of beneficiaries, of the trust, and
- (iii) at no time during a series of transactions or events that includes the transfer does the person or group of persons, as the case may be, described in subparagraph (i) in respect of the particular trust, cease to be a person or group of persons described in any of clauses (ii)(A) to (C) in respect of the acquirer.
- (4) For the purposes of subsection (2), and subject to subsection (3), a person is deemed to become at a particular time a majority-interest beneficiary of a particular trust if
- (a) a particular person is at and immediately before the particular time a majority-interest beneficiary, or a member of a majority-interest group of beneficiaries, of the particular trust, and the particular person is at the particular time, but is not immediately before the particular time, a subsidiary of another person (in this paragraph referred to as the “acquirer”), unless
- (i) the acquirer is immediately before the particular time affiliated with the particular trust, or
 - (ii) this paragraph previously applied to deem a person to become a majority-interest beneficiary of the particular trust because of the particular person becoming, as part of

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- a series of transactions or events that includes the particular person becoming at the particular time a subsidiary of the acquirer, a subsidiary of another person that is at the particular time a subsidiary of the acquirer; and
- (b) at the particular time, as part of a series of transactions or events, two or more persons acquire equity of the particular trust in exchange for or upon a redemption or surrender of equity of a corporation, partnership or another trust, unless
- (i) a person affiliated with the corporation, partnership or other trust was immediately before the particular time a majority-interest beneficiary of the particular trust,
 - (ii) if all the equity of the particular trust that was acquired at or before the particular time as part of the series were acquired by one person, the person would not at the particular time be a majority-interest beneficiary of the particular trust, or
 - (iii) this paragraph previously applied to deem a person to become a majority-interest beneficiary of the particular trust because of an acquisition of equity of the particular trust that was part of the series.
- (5) In applying this section,
- (a) in determining whether persons are affiliated with each other
- (i) section 251.1 is to be read without reference to the definition “controlled” in subsection 251.1(3),
 - (ii) in determining whether an individual (other than a trust) is affiliated with another individual (other than a trust), individuals connected by blood relationship, marriage or common-law partnership or adoption are deemed to be affiliated with one another, and
 - (iii) if, at any time as part of a series of transactions or events a person acquires equity of a corporation, partnership or trust, and it can reasonably be concluded that one of the reasons for the acquisition, or for making any agreement or undertaking in respect of the acquisition, is to cause a condition in subsection (3) or (4) regarding affiliation to be satisfied at a particular time, the condition is deemed not to be satisfied at the particular time; and
- (b) in determining whether a particular person becomes at any time a majority-interest beneficiary, or a particular group of persons becomes at any time a majority-interest group of beneficiaries, of a trust, the fair market value of each person’s equity of the trust is to be determined at and immediately before that time
- (i) without reference to the portion of that fair market value that is attributable to property acquired, if it can reasonably be considered that one of the reasons for the acquisition is to cause subsection (2) not to apply,
 - (ii) without reference to the portion of that fair market value that is attributable to a change in the fair market value of all or part of any equity of the trust, if it can reasonably be considered that one of the reasons for the change is to cause subsection (2) not to apply, and

(iii) as if each specified right held immediately before that time by the particular person or by a member of the particular group in respect of the trust is at that time exercised, if it can reasonably be considered that one of the reasons for the acquisition of the right is to cause subsection (2) not to apply.

(6) For the purposes of this Act, if a trust is subject to a loss restriction event at a particular time on a day, the trust is deemed to be subject to the loss restriction event at the beginning of that day and not at the particular time unless the trust elects in its return of income under Part I filed for its taxation year that ends immediately before the loss restriction event not to have this subsection apply.

(2) The Act and the *Income Tax Regulations* are further modified to make such amendments as are necessary to give effect to the proposals relating to trust loss trading described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day, including amendments, to account for a trust becoming subject to a loss restriction event, to subsections 10(10) and (11) and 12(10.4), paragraph 13(7)(f), clause 13(21.2)(e)(iii)(D), subsections 13(24) and (25), paragraph 14(12)(f), subparagraphs 18(15)(b)(iii) and 18.1(10)(b)(ii), paragraph 37(1)(h), subsection 37(6.1), subparagraph 40(3.4)(b)(iii), paragraph 53(2)(b.2), paragraph (f) of the definition “superficial loss” in section 54, sections 66 and 80, paragraphs 80.04(4)(h) and 87(2.1)(b), subsections 111(4) to (5.5) and (12), paragraph (c) of the description of C in the definition “net capital loss” in subsection 111(8), paragraphs (j) and (k) of the definition “investment tax credit” in subsection 127(9), subsections 127(9.1) and (9.2), section 132.2, subsection 249(4) and section 256 of the Act and section 600 of the *Income Tax Regulations*.

(3) Subsections 27(1) and (2) apply to transactions that occur on or after Budget Day, other than transactions that the parties are obligated to complete pursuant to the terms of an agreement in writing between the parties entered into before Budget Day. Parties will be considered not to be obligated to complete a transaction if one or more of those parties may be excused from completing the transaction as a result of changes to the Act.

Non-Resident Trusts

28. (1) The portion of subsection 75(2) of the Act before paragraph (a) is replaced by the following:

(2) If a trust, that is resident in Canada and that was created in any manner whatever since 1934, holds property on condition

(2) Paragraphs 75(3)(c) to (c.3) of the Act, as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), are replaced with the following:

(c) by a qualifying environmental trust; or

(3) Subsections 28(1) and (2) apply to taxation years that end on or after Budget Day.

29. (1) Paragraph 94(4)(h) of the Act, as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), is replaced by the following:

(h) determining whether subsection 75(2) applies in respect of the trust.

(2) Section 94 of the Act, as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), is amended by adding the following after subsection (8):

(8.1) Subsection (8.2) applies at any time to a particular person, and to a particular property, in respect of a trust, if at that time

(a) the particular person is resident in Canada; and

(b) the trust holds the particular property on condition that the particular property or property substituted for the particular property

(i) may

(A) revert to the particular person, or

(B) pass to one or more persons or partnerships to be determined by the particular person, or

(ii) shall not be disposed of by the trust during the existence of the particular person, except with the person's consent or in accordance with the person's direction.

(8.2) If this subsection applies at any time to a particular person, and to a particular property, in respect of a trust, in applying this section in respect of the trust for a taxation year of the trust that includes that time

(a) every transfer or loan made at or before that time by the particular person (or by a trust or partnership of which the particular person was a beneficiary or member, as the case may be) of the particular property, of another property for which the particular property is a substitute, or of property from which the particular property derives, or the other property derived, its value in whole or in part, directly or indirectly, is deemed to be a transfer or loan, as the case may be, by the particular person of restricted property; and

(b) paragraph (2)(c) is to be read without reference to subparagraph (2)(c)(iii) in its application to each transfer and loan described in paragraph (a).

(3) Subsections **29(1)** and **(2)** apply to taxation years that end on or after Budget Day.

30. (1) The portion of paragraph 107(4.1)(b) of the Act, as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48), before subparagraph (i) is replaced by the following:

(b) subsection 75(2) or 94(8.2) was applicable, or subsection 75(2) would have been applicable if it were read without reference to "while the person is resident in Canada" and if subsection 75(3) as it read immediately before Budget Day were read without reference to its paragraph (c.2), at a particular time in respect of any property of

(2) Subsection **30(1)** applies to taxation years that end on or after Budget Day.

Scientific Research and Experimental Development Program

31. The Act is modified to introduce a penalty of \$1,000 in respect of each scientific research and experimental development program claim made by a taxpayer for which prescribed information about tax preparation is missing, incomplete or inaccurate. If a tax preparer participates in the preparation of the claim, the tax preparer will be jointly and severally,

or solidarily, liable with the taxpayer for the penalty. The penalty applies in respect of claims filed on or after the later of January 1, 2014 and the day on which the enacting legislation receives royal assent.

Mining Expenses — Pre-Production Mine Development Expenses

32. (1) Paragraph (g) of the definition “Canadian exploration expense” in subsection 66.1(6) of the Act is replaced by the following:

(g) any expense incurred by the taxpayer after November 16, 1978 and before Budget Day for the purpose of bringing a new mine in a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, into production, in reasonable commercial quantities and incurred before the new mine comes into production in such quantities, including an expense for clearing, removing overburden, stripping, sinking a mine shaft or constructing an adit or other underground entry, but not including any expense that results in revenue or can reasonably be expected to result in revenue earned before the new mine comes into production in reasonable commercial quantities, except to the extent that the total of all such expenses exceeds the total of those revenues,

(2) The definition “Canadian exploration expense” in subsection 66.1(6) of the Act is amended by adding the following after paragraph (g.2):

(g.3) any expense incurred by the taxpayer that would be described in paragraph (g) if the reference to “Budget Day” in that paragraph were “2017” and that is incurred

(i) under an agreement in writing entered into by the taxpayer before Budget Day, or

(ii) as part of the development of a new mine, if

(A) the construction of the new mine was started by, or on behalf of, the taxpayer before Budget Day (and for this purpose construction does not include obtaining permits or regulatory approvals, conducting environmental assessments, community consultations or impact benefit studies, and similar activities), or

(B) the engineering and design work for the construction of the new mine, as evidenced in writing, was started by, or on behalf of, the taxpayer before Budget Day (and for this purpose engineering and design work does not include obtaining permits or regulatory approvals, conducting environmental assessments, community consultations or impact benefit studies, and similar activities),

(g.4) any expense, or portion of any expense, incurred by the taxpayer and determined by the formula

$$A \times B$$

where

A is an expense that would be described in paragraph (g) if the reference to “Budget Day” in that paragraph were “2018” and that is not described in paragraph (g.3), and

B is

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- (i) 100% if the expense is incurred before 2015,
 - (ii) 80% if the expense is incurred in 2015,
 - (iii) 60% if the expense is incurred in 2016, and
 - (iv) 30% if the expense is incurred in 2017;

(3) The description of A in the definition “eligible oil sands mine development expense” in subsection 66.1(6) of the Act is replaced by the following:

A is an expense that would be a Canadian exploration expense of the taxpayer described in paragraph (g) of the definition “Canadian exploration expense” if that paragraph were read without reference to “and before Budget Day” and “other than a bituminous sands deposit or an oil shale deposit”, but does not include an expense that is a specified oil sands mine development expense, and

(4) Paragraph (a) of the definition “specified oil sands mine development expense” in subsection 66.1(6) of the Act is replaced by the following:

(a) would be a Canadian exploration expense described in paragraph (g) of the definition “Canadian exploration expense” if that paragraph were read without reference to “and before Budget Day” and “other than a bituminous sands deposit or an oil shale deposit”,

(5) Subsections **32(1)** to **(4)** are deemed to have come into force on Budget Day.

33. (1) The definition “Canadian development expense” in subsection 66.2(5) of the Act is amended by adding the following after paragraph (c.1):

(c.2) any expense, or portion of any expense, that is not a Canadian exploration expense incurred by the taxpayer on or after Budget Day for the purpose of bringing a new mine in a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, into production, in reasonable commercial quantities and incurred before the new mine comes into production in such quantities, including an expense for clearing, removing overburden, stripping, sinking a mine shaft or constructing an adit or other underground entry,

(2) Subsection **33(1)** is deemed to have come into force on Budget Day.

Reserve for Future Services

34. (1) Subsection 20(7) of the Act 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) as a reserve in respect of a reclamation obligation.

(2) Subsection **34(1)** applies in respect of amounts received on or after Budget Day. However, that subsection does not apply in respect of an amount received that is directly attributable to a reclamation obligation, that was authorized by a government or regulatory authority before Budget Day and that is received

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- (a) under a written agreement between the taxpayer and another party (other than a government or regulatory authority) that was entered into before Budget Day and not extended or renewed on or after Budget Day; or
- (b) before 2018.

Additional Deduction for Credit Unions

35. (1) Subsection 137(3) of the Act is replaced by the following:

(3) There may be deducted from the tax otherwise payable under this Part for a taxation year by a corporation that was, throughout the year, a credit union, an amount equal to the amount determined by the formula

$$A \times B \times C$$

where

- A is the rate that would, if subsection 125(1.1) applied to the corporation for the year, be its small business deduction rate for the year within the meaning assigned by that subsection,
- B is the amount, if any, determined by the formula

$$D - E$$

where

D is the lesser of

- (a) the corporation's taxable income for the year, and
- (b) the amount, if any, by which $\frac{4}{3}$ of the corporation's maximum cumulative reserve at the end of the year exceeds the corporation's preferred-rate amount at the end of the immediately preceding taxation year,

E is the least of the amounts determined under paragraphs 125(1)(a) to (c) in respect of the corporation for the year, and

C is the percentage that is the total of

- (a) the proportion of 100% that the number of days in the year that are before Budget Day is of the number of days in the year,
- (b) the proportion of 80% that the number of days in the year that are on or after Budget Day and before 2014 is of the number of days in the year,
- (c) the proportion of 60% that the number of days in the year that are in 2014 is of the number of days in the year,
- (d) the proportion of 40% that the number of days in the year in 2015 is of the number of days in the year,
- (e) the proportion of 20% that the number of days in the year in 2016 is of the number of days in the year, and

(f) if one or more days in the year are after 2016, 0%.

(2) The Act is further modified to make such amendments as are necessary to give effect to the proposals relating to the additional deduction for credit unions described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

(3) Subsections 35(1) and (2) apply to taxation years that end on or after Budget Day.

Leveraged Life Insurance Arrangements

36. (1) The portion of subparagraph 20(1)(e.2)(i) of the Act before clause (A) is replaced by the following:

(i) the premiums payable by the taxpayer under a life insurance policy (other than an annuity contract or LIA policy) in respect of the year, if

(2) Subparagraph 20(1)(e.2)(ii) of the Act is replaced by the following:

(ii) the net cost of pure insurance in respect of the year (other than in respect of a period after 2013 if the policy is a 10/8 policy), as determined in accordance with the regulations, in respect of the interest in the policy referred to in clause (i)(A),

(3) Section 20 of the Act is amended by adding the following after subsection (2):

(2.01) For the purposes of paragraphs (1)(c) and (d), interest does not include an amount that is paid or payable on or after Budget Day in respect of a period after 2013 and that is described in paragraph (a) of the definition “10/8 policy” in subsection 248(1).

(4) Subsections 36(1) to (3) apply to taxation years that end on or after Budget Day.

37. (1) Section 70 of the Act is amended by adding the following after subsection (5.3):

(5.31) For the purposes of subsections (5) and 104(4), the fair market value at any time of any property deemed to have been disposed of at that time as a consequence of a particular individual’s death is to be determined as though the fair market value at that time of any annuity contract were the total of all amounts each of which is the amount of a premium paid on or before that time under the contract if

(a) the contract is, in respect of an LIA policy, a contract referred to in subparagraph (b)(ii) of the definition “LIA policy” in subsection 248(1); and

(b) the particular individual is the individual, in respect of the LIA policy, referred to in that subparagraph.

(2) Subsection 37(1) applies to taxation years that end on or after Budget Day.

38. (1) The portion of paragraph (d) of the definition “capital dividend account” in subsection 89(1) of the Act after subparagraph (i) is replaced by the following:

(ii) all amounts each of which is the proceeds of a life insurance policy (other than an LIA policy) of which the corporation was not a beneficiary on or before June 28, 1982 received by the corporation in the period and after May 23, 1985 in consequence of the death of any person

exceeds the total of all amounts each of which is

(iii) the adjusted cost basis (within the meaning assigned by subsection 148(9)) of a policy referred to in subparagraph (i) or (ii) to the corporation immediately before the death, or

(iv) if the policy is a 10/8 policy and the death occurs after 2013, the amount outstanding, immediately before the death, of the borrowing or the policy loan, as the case may be, that is described in paragraph (a) of the definition “10/8 policy” in subsection 248(1) in respect of the policy,

(2) Subsection **38(1)** applies to taxation years that end on or after Budget Day.

39. (1) Section 148 of the Act is amended by adding the following after subsection (4):

(5) If a policyholder has on or after Budget Day and before 2014 disposed of an interest in a 10/8 policy because of a partial or complete surrender of the policy, the policyholder may deduct in computing the policyholder’s income for the taxation year in which the disposition occurs an amount that does not exceed the least of

(a) the amount included under subsection (1) in computing the policyholder’s income for the year in respect of the disposition,

(b) the total of all amounts each of which is an amount, to the extent that the amount has not otherwise been included in determining an amount under this paragraph, of a payment made on or after Budget Day and before 2014 that reduces the amount outstanding of a borrowing or policy loan, as the case may be, described in paragraph (a) of the definition “10/8 policy” in subsection 248(1) in respect of the policy, and

(c) the total of all amounts each of which is an amount, to the extent that the amount has not otherwise been included in determining an amount under this paragraph, that the policyholder is entitled to receive as a result of the disposition and that is paid after Budget Day and before 2014 out of an investment account described in paragraph (b) of the definition “10/8 policy” in subsection 248(1) in respect of the policy.

(2) Subsection **39(1)** applies to taxation years that end on or after Budget Day.

40. (1) Subsection 248(1) of the Act is amended by adding the following definitions in alphabetical order:

“LIA policy” means a life insurance policy (other than an annuity) where

(a) a particular person or partnership becomes obligated on or after Budget Day to repay an amount to another person or partnership (in this definition referred to as the “lender”) at a time determined by reference to the death of a particular individual whose life is insured under the policy, and

(b) the lender is assigned an interest in

(i) the policy, and

(ii) an annuity contract the terms of which provide that payments are to continue for a period that ends no earlier than the death of the particular individual;

“10/8 policy” means a life insurance policy (other than an annuity) where

- (a) an amount is or may become
 - (i) payable, under the terms of a borrowing, to a person or partnership that has been assigned an interest in the policy or in an investment account in respect of the policy, or
 - (ii) payable (within the meaning assigned by the definition “amount payable” in subsection 138(12)) under a policy loan (as defined in subsection 148(9)) made in accordance with the terms and conditions of the policy, and
- (b) either
 - (i) the rate of interest payable on an obligation held in an investment account in respect of the policy is determined by reference to the rate of interest payable on the borrowing or policy loan, as the case may be, described in paragraph (a), or
 - (ii) the maximum amount of an investment account in respect of the policy is determined by reference to the amount of the borrowing or policy loan, as the case may be, described in paragraph (a);

(2) Subsection 40(1) applies to taxation years that end on or after Budget Day.

41. (1) Section 201 of the *Income Tax Regulations* is amended by adding the following after subsection (5):

(5.1) Subsection (5) applies to an insurer in respect of an LIA policy in respect of a calendar year only if

- (a) the insurer is notified in writing – before the end of the calendar year and by, or on behalf, of the policyholder – that the policy is an LIA policy; or
- (b) it is reasonable to conclude that the insurer knew, or ought to have known, before the end of the calendar year, that the policy is an LIA policy.

(2) Subsection 41(1) applies to taxation years that end on or after Budget Day.

42. (1) The portion of subsection 306(1) of the *Income Tax Regulations* before paragraph (a) is replaced by the following:

306. (1) For the purposes of this Part and subsection 12.2(11) of the Act, “exempt policy” at any time means a life insurance policy (other than an annuity contract, LIA policy or a deposit administration fund policy) in respect of which the following conditions are met at that time:

(2) Subsection 42(1) applies to taxation years that end on or after Budget Day.

Restricted Farm Losses

43. (1) The portion of subsection 31(1) of the Act before paragraph (a) is replaced by the following:

31. (1) If a taxpayer's chief source of income for a taxation year is neither farming nor a combination of farming and some other source of income that is a subordinate source of income for the taxpayer, then for the purposes of sections 3 and 111 the taxpayer's loss, if any, for the year from all farming businesses carried on by the taxpayer shall be deemed to be the total of

(2) Clause 31(1)(a)(ii)(B) of the Act is replaced by the following:

(B) \$15,000, and

(3) Subsections **43(1)** and **(2)** apply to taxation years that end on or after Budget Day.

Corporate Loss Trading

44. (1) Paragraph 87(2)(g.1) of the Act is replaced by the following:

(g.1) for the purposes of sections 12.4 and 26, subsection 97(3) and section 256.1, the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

(2) Subsection **44(1)** is deemed to have come into force on Budget Day.

45. (1) The portion of subsection 256(8) of the Act after paragraph (e) is replaced by the following:

the taxpayer is deemed to be in the same position in relation to the control of the corporation as if the right were immediate and absolute and as if the taxpayer had exercised the right at that time for the purpose of determining whether control of a corporation has been acquired for the purposes of subsections 10(10) and 13(24), section 37, subsections 55(2), 66(11), (11.4) and (11.5), 66.5(3), 66.7(10) and (11), section 80, paragraph 80.04(4)(h), subparagraph 88(1)(c)(vi), paragraph 88(1)(c.3), subsections 88(1.1) and (1.2), sections 111 and 127 and subsections 181.1(7), 190.1(6) and 249(4), and in determining for the purpose of section 251.1 whether a corporation is controlled by any other person or group of persons.

(2) Subsection **45(1)** is deemed to have come into force on Budget Day.

46. (1) The Act is amended by adding the following after section 256:

256.1 (1) The definitions in this subsection apply in this section.

“attribute trading restriction” means a restriction on the use of a tax attribute arising on the application, either alone or in combination with other provisions, of any of this section, subsections 10(10), 13(21.2) and (24) and 14(12), section 37, subsections 40(3.4), 66(11.4) and (11.5), 66.7(10) and (11), 69(11) and 88(1.1) and (1.2), sections 111 and 127 and subsections 181.1(7), 190.1(6), 249(4) and 256(7).

“person” includes a partnership.

“specified provision” means any of subsections 10(10) and 13(24), paragraph 37(1)(h), subsections 66(11.4) and (11.5), subsections 66.7(10) and (11) and 111(4), (5), (5.1), (5.2) and (5.3), paragraphs (j) and (k) of the definition “investment tax credit” in subsection 127(9), subsections 181.1(7) and 190.1(6) and any provision of similar effect.

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- (2) Subsection (3) applies at a particular time in respect of a corporation if
- (a) shares of the capital stock of the corporation held by a person, or the total of all shares of the capital stock of the corporation held by members of a group of persons, as the case may be, have at the particular time a fair market value that exceeds 75% of the fair market value of all the shares of the capital stock of the corporation;
 - (b) shares, if any, of the capital stock of the corporation held by the person, or the total of all shares of the capital stock of the corporation held by members of the group, have immediately before the particular time a fair market value equal to or less than 75% of the fair market value of all the shares of the capital stock of the corporation;
 - (c) the person or group does not control the corporation at the particular time; and
 - (d) it is reasonable to conclude that one of the main reasons that the person or group does not control the corporation is to avoid the application of one or more specified provisions.
- (3) If this subsection applies at a particular time in respect of a corporation, then for the purposes of the attribute trading restrictions,
- (a) the person or group referred to in subsection (2) is deemed to acquire control of the corporation, and each corporation controlled by the corporation, at the particular time and not at any time after the particular time solely because this paragraph applied at the particular time; and
 - (b) during the period that the condition in paragraph (2)(a) is satisfied, each corporation referred to in paragraph (a) — and any corporation incorporated or otherwise formed subsequent to that time and controlled by that corporation — is deemed not to be related to, or affiliated with, any person to which it was related to, or affiliated with, immediately before paragraph (a) applies.
- (4) For the purposes of applying paragraph (2)(a) in respect of a person or a group of persons,
- (a) if it is reasonable to conclude that one of the reasons that one or more transactions or events occur is to cause a person, or a group of persons, not to hold shares having a fair market value that exceed 75% of the fair market value of all the shares of the capital stock of a corporation, the paragraph is to be applied without reference to those transactions or events; and
 - (b) the person, or each member of the group, is deemed to have exercised each right that is held by the person or a member of the group and that is referred to in paragraph 251(5)(b) in respect of a share of the corporation referred to in paragraph (2)(a).
- (5) For the purposes of subsections (2) to (4), if the fair market value of the shares of the capital stock of a corporation is nil at any time, then for the purpose of determining the fair market value of those shares, the corporation is deemed, at that time, to have assets net of liabilities equal to \$100,000 and to have \$100,000 of income for the taxation year that includes that time.

(6) If, at any time as part of a transaction or event or series of transactions or events control of a particular corporation is acquired by a person, or a group of persons, and it can reasonably be concluded that one of the main reasons for the acquisition of control is so that a specified provision does not apply to one or more corporations, the attribute trading restrictions are deemed to apply to each of those corporations as if control of each such corporation is acquired at that time.

(2) Subsection 46(1) is deemed to have come into force on Budget Day.

(3) Notwithstanding subsection 46(2), subsection 46(1) does not apply to an event or transaction that occurs on or after Budget Day pursuant to an obligation created by the terms of an agreement in writing entered into between parties before Budget Day. For the purposes of this subsection, parties will be considered not to be obligated if one or more of those parties may be excused from fulfilling the obligation as a result of changes to the Act.

International Electronic Funds Transfers

47. The *Income Tax Act*, *Excise Act, 2001* and *Excise Tax Act* are modified in accordance with the proposals relating to the reporting of international electronic funds transfers described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Information Requirements Regarding Unnamed Persons

48. (1) The portion of subsection 231.2(3) of the Act before paragraph (a) is replaced by the following:

(3) A judge of the Federal Court may, on application by the Minister and subject to such conditions as the judge considers appropriate, authorize the Minister to impose on a third party a requirement under subsection (1) relating to an unnamed person or more than one unnamed person (in this section referred to as the “group”) where the judge is satisfied by information on oath that

(2) Subsections 231.2(4) to (6) of the Act are repealed.

(3) Subsections 48(1) and (2) apply to applications made by the Minister of National Revenue after royal assent to the enacting legislation.

Stop International Tax Evasion Program

49. The Act is modified in accordance with the proposals relating to the Stop International Tax Evasion Program described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Thin Capitalization Rules

50. (1) Section 12 of the Act is amended by adding the following after subsection (2.01), as proposed by the *Technical Tax Amendments Act, 2012* (Bill C-48):

(2.02) For the purposes of this Act, if an amount is included in computing the income of a taxpayer for a taxation year because of paragraph (1)(l.1) in respect of interest that is deductible by a partnership in computing its income from a particular source or from sources in a particular place, the amount is deemed to be from the particular source or from sources in the particular place, as the case may be.

(2) Subsection 50(1) applies to taxation years that begin after 2013.

51. (1) Subsection 18(4) of the Act is replaced by the following:

(4) Notwithstanding any other provision of this Act (other than subsection (8)), in computing the income for a taxation year of a corporation or a trust from a business (other than the Canadian banking business of an authorized foreign bank) or property, no deduction shall be made in respect of that proportion of any amount otherwise deductible in computing its income for the year in respect of interest paid or payable by it on outstanding debts to specified non-residents that

(a) the amount, if any, by which

(i) the average of all amounts each of which is, in respect of a calendar month that ends in the year, the greatest total amount at any time in the month of the outstanding debts to specified non-residents of the corporation or trust,

exceeds

(ii) 1.5 times the equity amount of the corporation or trust for the year,

is of

(b) the amount determined under subparagraph (a)(i) in respect of the corporation or trust for the year.

(2) Paragraph (a) of the definition “outstanding debts to specified non-residents” in subsection 18(5) of the Act and the portion of that definition before paragraph (a) are replaced by the following:

“outstanding debts to specified non-residents”, of a corporation or trust at any particular time in a taxation year, means

(a) the total of all amounts each of which is an amount outstanding at that time as or on account of a debt or other obligation to pay an amount

(i) that was payable by the corporation or trust to a person who was, at any time in the year,

(A) a specified non-resident shareholder of the corporation or a specified non-resident beneficiary of the trust, or

(B) a non-resident person who was not dealing at arm’s length with a specified shareholder of the corporation or a specified beneficiary of the trust, as the case may be, and

(ii) on which any amount in respect of interest paid or payable by the corporation or trust is or would be, but for subsection (4), deductible in computing the income of the corporation or trust for the year,

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

“beneficiary” has the same meaning as in subsection 108(1);

“equity amount”, of a corporation or trust for a taxation year, means

(a) in the case of a corporation resident in Canada, the total of

(i) the retained earnings of the corporation at the beginning of the year, except to the extent that those earnings include retained earnings of any other corporation,

(ii) the average of all amounts each of which is the corporation’s contributed surplus (other than any portion of that contributed surplus that arose in connection with an investment, as defined in subsection 212.3(10), to which subsection 212.3(2) applies) at the beginning of a calendar month that ends in the year, to the extent that it was contributed by a specified non-resident shareholder of the corporation, and

(iii) the average of all amounts each of which is the corporation’s paid-up capital at the beginning of a calendar month that ends in the year, excluding the paid-up capital in respect of shares of any class of the capital stock of the corporation owned by a person other than a specified non-resident shareholder of the corporation,

(b) in the case of a trust resident in Canada, the amount, if any, by which

(i) the total of

(A) the average of all amounts each of which is the total amount of all equity contributions to the trust made before the beginning of a calendar month that ends in the year, to the extent that the contributions were made by a specified non-resident beneficiary of the trust, and

(B) the tax-paid earnings of the trust for the year,

exceeds

(ii) the average of all amounts each of which is the total of all amounts that were paid or became payable by the trust to a beneficiary of the trust in respect of the beneficiary’s interest under the trust before the beginning of a calendar month that ends in the year except to the extent that the amount is

(A) included in the beneficiary’s income for a taxation year because of subsection 104(13),

(B) an amount from which tax was deducted under Part XIII because of paragraph 212(1)(c), or

(C) paid or payable to a person other than a specified non-resident beneficiary of the trust, and

(c) in the case of a corporation or trust that is not resident in Canada, 40% of the amount, if any, by which

(i) the average of all amounts each of which is the cost of a property, other than an interest as a member of a partnership, owned by the corporation or trust at the beginning of a calendar month that ends in the year that is,

(A) in the case of a corporation or trust that carries on business in Canada, used by it in the year in, or held by it in the year in the course of, carrying on business in Canada, and

(B) in the case of a corporation or trust that files a return under this Part in accordance with subsection 216(1) in respect of the year, an interest in real property, or a real right in immovables, in Canada, or an interest in, or for civil law a right in, timber resource properties and timber limits, in Canada,

exceeds

(ii) the average of all amounts each of which is the total of all amounts outstanding at the beginning of a calendar month that ends in the year as, or on account of, a debt or other obligation to pay an amount that was payable by the corporation or trust other than a debt or obligation that is included in the outstanding debts to specified non-residents of the corporation or trust;

“equity contribution”, to a trust, means a transfer of property to the trust that is made

(a) in exchange for an interest as a beneficiary under the trust,

(b) in exchange for a right to acquire an interest as a beneficiary under the trust, or

(c) for no consideration by a person beneficially interested in the trust;

“specified beneficiary”, of a trust at any time, means a person who at that time, either alone or together with persons with whom that person does not deal at arm’s length, has an interest as a beneficiary under the trust with a fair market value that is not less than 25% of the fair market value of all interests as a beneficiary under the trust and for the purpose of determining whether a particular person is a specified beneficiary of a trust,

(a) if the particular person, or a person with whom the particular person does not deal at arm’s length, has at that time a right under a contract, in equity or otherwise, either immediately or in the future and either absolutely or contingently to, or to acquire, an interest as a beneficiary under the trust, the person is deemed at that time to own the interest,

(b) if the particular person, or a person with whom the particular person does not deal at arm’s length, has at that time a right under a contract, in equity or otherwise, either immediately or in the future and either absolutely or contingently to cause a trust to redeem, acquire or terminate any interest in it as a beneficiary (other than an interest held by the particular person or a person with whom the particular person does not deal at arm’s length), the trust is deemed at that time to have redeemed, acquired or terminated the interest, unless the right is not exercisable at that time because the exercise of the right is contingent on the death, bankruptcy or permanent disability of an individual, and

(c) if the amount of income or capital of the trust that the particular person, or a person with whom the particular person does not deal at arm's length, may receive as a beneficiary of the trust depends on the exercise by any person of, or the failure by any person to exercise, a discretionary power, that person is deemed to have fully exercised, or to have failed to exercise, the power, as the case may be;

“specified non-resident beneficiary”, of a trust at any time, means a specified beneficiary of the trust who at that time is a non-resident person;

“tax-paid earnings”, of a trust resident in Canada for a taxation year, means the total of all amounts each of which is the amount, if any, in respect of a particular taxation year of the trust that ended before the year determined by the formula

$$A - B$$

where

A is the taxable income of the trust under this Part for the particular year, and

B is the total of tax payable under this Part by the trust, and all income taxes payable by the trust under the laws of a province, for the particular year;

(4) Subsections 18(5.1) and (6) of the Act are replaced by the following:

(5.1) For the purposes of subsections (4) to (6), if

(a) a particular person would, but for this subsection, be a specified shareholder of a corporation or a specified beneficiary of a trust at any time,

(b) there was in effect at that time an agreement or arrangement under which, on the satisfaction of a condition or the occurrence of an event that it is reasonable to expect will be satisfied or will occur, the particular person will cease to be a specified shareholder of the corporation or a specified beneficiary of the trust, and

(c) the purpose for which the particular person became a specified shareholder or specified beneficiary was the safeguarding of rights or interests of the particular person or a person with whom the particular person is not dealing at arm's length in respect of any indebtedness owing at any time to the particular person or a person with whom the particular person is not dealing at arm's length,

the particular person is deemed not to be a specified shareholder of the corporation or a specified beneficiary of the trust, as the case may be, at that time.

(5.2) For the purposes of subsections (4) to (6), a non-resident corporation is deemed to be a specified shareholder of itself and a non-resident trust is deemed to be a specified beneficiary of itself.

(5.3) For the purposes of subparagraph (c)(i) of the definition “equity amount” in subsection (5),

(a) if a property is partly used or held by a taxpayer in a taxation year in the course of carrying on business in Canada, the cost of the property to the taxpayer is deemed for the year to be equal to the same proportion of the cost to the taxpayer of the property (deter-

mined without reference to this subsection) that the proportion of the use or holding made of the property in the course of carrying on business in Canada in the year is of the whole use or holding made of the property in the year, and

(b) if a corporation or a trust is deemed to own a portion of a property of a partnership because of subsection (7), at any time,

(i) the property is deemed to have, at that time, a cost to the corporation or trust equal to the same proportion of the cost of the property to the partnership as the proportion of the debts and other obligations to pay an amount of the partnership allocated to it under subsection (7) is of the total amount of all debts and other obligations to pay an amount of the partnership, and

(ii) in the case of a partnership that carries on business in Canada, the corporation or trust is deemed to use or hold the property in the course of carrying on business in Canada to the extent the partnership uses or holds the property in the course of carrying on business in Canada for the fiscal period of the partnership that includes that time.

(5.4) For the purposes of this Act, a trust resident in Canada may designate in its return of income under this Part for a taxation year that all or any portion of an amount paid or credited as interest by the trust, or by a partnership, in the year to a non-resident person is deemed to be income of the trust that has been paid to the non-resident person as a beneficiary of the trust, and not to have been paid or credited by the trust or the partnership as interest, to the extent that an amount in respect of the interest

(a) is included in computing the income of the trust for the year under paragraph 12(1)(l.1); or

(b) is not deductible in computing the income of the trust for the year because of subsection (4).

(6) If any loan (in this subsection referred to as the “first loan”) has been made

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

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

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

(c) the amount of the first loan, and

(d) the amount of the second loan

is deemed to be a debt incurred by the particular corporation or trust to the person who made the first loan.

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

(a) to owe the portion (in this subsection and paragraph 12(1)(l.1) referred to as the “debt amount”) of each debt or other obligation to pay an amount of the partnership and to own the portion of each property of the partnership that is equal to

(6) Subsections 51(1) to (5) apply to taxation years that begin after 2013 except that if a trust that is resident in Canada on Budget Day elects in writing and files the election with the Minister of National Revenue on or before the trust’s filing-due date for its first taxation year that begins after 2013,

(a) for the purpose of determining the trust’s equity amount, as defined in subsection 18(5) of the Act, as enacted by subsection 51(3), the trust is deemed

(i) to not have received any equity contributions, as defined in subsection 18(5) of the Act, as enacted by subsection 51(3), before Budget Day,

(ii) to not have paid or made payable any amount to a beneficiary of the trust before Budget Day, and

(iii) to have tax-paid earnings, as defined in subsection 18(5) of the Act, as enacted by subsection 51(3), of nil for each taxation year that ends before Budget Day, and

(b) each beneficiary of the trust at the beginning of Budget Day is deemed to have made an equity contribution at that time to the trust equal to the amount determined by the formula

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

where

A is the fair market value of the beneficiary’s interest as a beneficiary under the trust at that time,

B is the fair market value of all the beneficial interests under the trust at that time,

C is the total fair market value of all the properties of the trust at that time, and

D is the total amount of the trust’s liabilities at that time.

International Banking Centres

52. (1) The Act is amended by repealing section 33.1 and by making such other amendments as are consequential to that repeal.

(2) Subsection 52(1) applies to taxation years that begin on or after Budget Day.

NOTICE OF WAYS AND MEANS MOTION TO AMEND THE
EXCISE TAX ACT

That it is expedient to amend the *Excise Tax Act* as follows:

Information Requirements Regarding Unnamed Persons

1. (1) The portion of subsection 102.1(2) of the *Excise Tax Act* before paragraph (a) is replaced by the following:

(2) A judge of the Federal Court may, on application by the Minister and subject to any conditions that the judge considers appropriate, authorize the Minister to serve a notice under subsection 99(1) with respect to an unnamed person or a group of unnamed persons if the judge is satisfied by information on oath that

(2) Subsections 102.1(3) to (6) of the Act are repealed.

(3) Subsections 1(1) and (2) apply to applications made by the Minister of National Revenue after royal assent to the enacting legislation.

2. (1) The portion of subsection 289(3) of the Act before paragraph (a) is replaced by the following:

(3) A judge of the Federal Court may, on application by the Minister and subject to any conditions that the judge considers appropriate, authorize the Minister to impose on a third party a requirement under subsection (1) relating to an unnamed person or more than one unnamed person (in this section referred to as the “group”) if the judge is satisfied by information on oath that

(2) Subsections 289(4) to (6) of the Act are repealed.

(3) Subsections 2(1) and (2) apply to applications made by the Minister of National Revenue after royal assent to the enacting legislation.

GST/HST and Health Care Services

3. (1) The definition “homemaker service” in section 1 of Part II of Schedule V to the Act is repealed.

(2) Section 1 of Part II of Schedule V to the Act is amended by adding the following in alphabetical order:

“home care service” means a household or personal care service, such as bathing, feeding, assistance with dressing or medication, cleaning, laundering, meal preparation and child care, if the service is rendered to an individual who, due to age, infirmity or disability, requires assistance;

“qualifying health care supply” means a supply of property or a service that is made for the purpose of

-
- (a) maintaining health,
 - (b) preventing disease,
 - (c) treating, relieving or remediating an injury, illness, disorder or disability,
 - (d) assisting (other than financially) an individual in coping with an injury, illness, disorder or disability, or
 - (e) providing palliative health care.

(3) Subsections **3(1)** and **(2)** are deemed to have come into force on the day that is after Budget Day.

4. (1) Part II of Schedule V to the Act is amended by adding the following after section 1.1:

1.2 For the purposes of this Part, other than sections 9 and 11 to 14, a supply that is not a qualifying health care supply is deemed not to be included in this Part.

(2) Subsection **4(1)** applies to any supply made after Budget Day.

5. (1) The portion of section 13 of Part II of Schedule V to the Act before paragraph (a) is replaced by the following:

13. A supply of a home care service that is rendered to an individual in the individual's place of residence, whether the recipient of the supply is the individual or any other person, if

(2) The portion of paragraph 13(b) of Part II of Schedule V to the Act before subparagraph (i) is replaced by the following:

(b) a government, municipality or organization administering a government or municipal program in respect of home care services pays an amount

(3) Paragraph 13(c) of Part II of Schedule V to the Act is replaced by the following:

(c) another supply of a home care service rendered to the individual is made in the circumstances described in paragraph (a) or (b).

(4) Subsections **5(1)** to **(3)** apply to any supply made after Budget Day.

6. (1) Section 2 of Part VI of Schedule V to the Act is amended by striking out "or" at the end of paragraph (o) and by replacing subparagraph (p)(ii) by the following:

(ii) the supply of which would be included in Part II of this Schedule or Part II of Schedule VI if Part II of this Schedule were read without reference to sections 1.1 and 1.2 or Part II of Schedule VI were read without reference to section 1.2, as the case may be; or

(2) Section 2 of Part VI of Schedule V to the Act is amended by adding the following after paragraph (p):

(q) property or a service

-
- (i) the supply of which is not a qualifying health care supply (as defined in section 1 of Part II of this Schedule), and
 - (ii) the supply of which would be included in any of sections 2 to 8 and 10 of Part II of this Schedule if that Part were read without reference to sections 1.1 and 1.2.
- (3) Subsections 6(1) and (2) apply to any supply made after Budget Day.

GST/HST Pension Plan Rules

7. (1) The Act is amended by adding the following after section 156:

157. (1) For the purposes of this section, “selected qualifying employer” has the meaning assigned by subsection 172.1(9).

(2) For the purposes of this Part, if a participating employer of a pension plan elects jointly with a pension entity of the pension plan, every taxable supply made by the participating employer to the pension entity at a time when the election is in effect is deemed to have been made for no consideration.

(3) Subsection (2) does not apply to

(a) a supply deemed under section 172.1 to have been made;

(b) a supply of property or a service that is not acquired by a pension entity of a pension plan for consumption, use or supply by the pension entity in the course of pension activities (as defined in subsection 172.1(1)) in respect of the pension plan;

(c) a supply made by a participating employer of a pension plan to a pension entity of the pension plan of all or part of property, or of a service, if, at the time the participating employer acquires the property or service, the participating employer is a selected qualifying employer of the pension plan;

(d) a supply made by a participating employer of a pension plan to a pension entity of the pension plan of property or a service if, at the time the participating employer consumes or uses an employer resource (as defined in subsection 172.1(1)) of the participating employer for the purpose of making the supply, the participating employer is a selected qualifying employer of the pension plan; or

(e) a supply made in prescribed circumstances or made by a prescribed person.

(4) The persons that have jointly made an election under subsection (2) may jointly revoke the election.

(5) An election under subsection (2) and a revocation of an election under subsection (4) must

(a) be made in prescribed form containing prescribed information;

(b) specify the day from which the election or the revocation is to be effective, which must be on the first day of a fiscal year of the participating employer; and

(c) be filed by the participating employer with the Minister in prescribed manner on or before the day that is the day from which the election or the revocation is to be effective or any later day that the Minister may allow.

(6) An election under subsection (2) made jointly by a participating employer of a pension plan and a pension entity of the pension plan ceases to have effect on the earliest of

(a) the day on which the participating employer ceases to be a participating employer of the pension plan,

(b) the day on which the pension entity ceases to be a pension entity of the pension plan,

(c) the day on which a joint revocation of the election by the participating employer and the pension entity becomes effective, and

(d) the day specified in a notice of revocation of the election sent to the participating employer under subsection (9).

(7) If an election made jointly under subsection (2) by a participating employer of a pension plan and a pension entity of the pension plan is in effect at any time in a fiscal year of the participating employer and if the participating employer fails to account for, as and when required under this Part, any tax deemed to have been collected, on the last day of the fiscal year, by the participating employer under subsection 172.1(5) or (6) in respect of the pension plan, the Minister may send written notice (in this section referred to as a “notice of intent”) to the participating employer and to the pension entity that the Minister proposes to revoke the election as of the first day of the fiscal year.

(8) Upon receipt of a notice of intent, a participating employer must establish to the satisfaction of the Minister that the participating employer did not fail to account for, as and when required under this Part, tax deemed to have been collected by the participating employer under subsection 172.1(5) or (6) in respect of the pension plan.

(9) If, after 60 days after the day the notice of intent has been sent by the Minister to the participating employer, the Minister is not satisfied that the participating employer did not fail to account for, as and when required under this Part, tax deemed to have been collected by the participating employer on the last day of a particular fiscal year under subsection 172.1(5) or (6) in respect of the pension plan, the Minister may send written notice (referred to in this section as a “notice of revocation”) to the participating employer and to the pension entity of the pension plan with which the participating employer made the election that the election is revoked as of the day specified in the notice of revocation, which day is not to be earlier than the day specified in the notice of intent and must be the first day of any particular fiscal year.

(10) For the purposes of this Part, an election under subsection (2) that has been revoked by the Minister under subsection (9) is deemed never to have been in effect on any day on or after the day specified in the notice of revocation.

(2) Subsection 7(1) applies to supplies made after Budget Day.

8. (1) Subsection 172.1(1) of the Act is amended by adding the following in alphabetical order:

“specified supply” of a participating employer of a pension plan to the pension plan means

(a) a taxable supply deemed to have been made under subsection (5) of all or part of property or a service that the participating employer acquired for the purpose of making a supply of all or part of the property or service to a pension entity of the pension plan;

(b) a taxable supply deemed to have been made under subsection (6) of an employer resource of the participating employer that the participating employer consumed or used for the purpose of making a supply of property or a service to a pension entity of the pension plan; or

(c) a taxable supply deemed to have been made under subsection (7) of an employer resource of the participating employer that the participating employer consumed or used in the course of pension activities in respect of the pension plan.

(2) The portion of subsection 172.1(5) of the Act before paragraph (b) is replaced by the following:

(5) If a person is both a registrant and a participating employer of a pension plan at any time in a particular fiscal year of the person and is not a selected qualifying employer of the pension plan at that time, if the person acquires at that time property or a service (in this subsection referred to as the “specified resource”) for the purpose of making a supply of all or part of the specified resource to a pension entity of the pension plan for consumption, use or supply by the pension entity in the course of pension activities in respect of the pension plan and if the specified resource is not an excluded resource of the person in respect of the pension plan, the following rules apply:

(a) for the purposes of this Part, the person is deemed to have made a taxable supply of the specified resource or part on the last day of the particular fiscal year;

(3) The portion of subsection 172.1(6) of the Act before paragraph (a) is replaced by the following:

(6) If a person is both a registrant and a participating employer of a pension plan at any time in a particular fiscal year of the person and is not a selected qualifying employer of the pension plan at that time, if the person consumes or uses at that time an employer resource of the person for the purpose of making a supply of property or a service (in this subsection referred to as the “pension supply”) to a pension entity of the pension plan for consumption, use or supply by the pension entity in the course of pension activities in respect of the pension plan and if the employer resource is not an excluded resource of the person in respect of the pension plan, the following rules apply:

(4) The portion of subsection 172.1(7) of the Act before paragraph (a) is replaced by the following:

(7) If a person is both a registrant and a participating employer of a pension plan at any time in a particular fiscal year of the person and is not, at that time, a qualifying employer of the pension plan, if the person consumes or uses at that time an employer resource of the person in the course of pension activities in respect of the pension plan, if the employer

resource is not an excluded resource of the person in respect of the pension plan and if subsection (6) does not apply to that consumption or use, the following rules apply:

(5) Section 172.1 of the Act is amended by adding the following after subsection (8):

(9) For the purposes of this section, a particular participating employer of a pension plan is a selected qualifying employer of the pension plan for a particular fiscal year of the particular participating employer if no election under subsection 157(2) made jointly by the particular participating employer and a pension entity of the pension plan is in effect in the particular fiscal year, if the particular participating employer did not become a participating employer of the pension plan in the particular fiscal year, if the amount determined for A in the following formula is less than \$5,000 and if the amount (expressed as a percentage) determined by the following formula is less than 10%:

$$A/(B - C)$$

where

A is the total of all amounts, each of which is

(a) an amount of tax deemed to have been collected under subsection (5), (6) or (7) by the particular participating employer in respect of a specified supply of the particular participating employer to the pension plan during the fiscal year (in this subsection referred to as the “preceding fiscal year”) of the particular participating employer preceding the particular fiscal year less the amount, if any, determined for B under paragraph (5)(c), (6)(c) or (7)(c), whichever is applicable, in determining that amount of tax,

(b) if the particular participating employer is a selected qualifying employer of the pension plan for the preceding fiscal year, an amount of tax that would have been deemed to have been collected under subsection (5) or (6) by the particular participating employer during the preceding fiscal year in respect of a supply that would have been deemed to have been made under that subsection and that would be a specified supply of the particular participating employer to the pension plan, if the particular participating employer were not a selected qualifying employer, less the amount, if any, that would be determined for B under paragraph (5)(c) or (6)(c) whichever is applicable, in determining that amount of tax,

(c) if the particular participating employer is a qualifying employer of the pension plan for the preceding fiscal year, an amount of tax that would have been deemed to have been collected under subsection (7) by the particular participating employer during the preceding fiscal year in respect of a supply that would have been deemed to have been made under that subsection and that would be a specified supply of the particular participating employer to the pension plan, if the particular participating employer were not a qualifying employer, less the amount, if any, that would be determined for B under paragraph (7)(c) in determining that amount of tax,

(d) an amount of tax deemed to have been collected under subsection (5), (6) or (7) by another participating employer of the pension plan in respect of a specified supply

of the other participating employer to the pension plan during a fiscal year of the other participating employer that ends in the preceding fiscal year, if at any time in the preceding fiscal year the other participating employer is related to the particular participating employer, less the amount, if any, determined for B under paragraph (5)(c), (6)(c) or (7)(c), whichever is applicable, in determining that amount of tax,

(e) an amount of tax that would have been deemed to have been collected under subsection (5) or (6) by another participating employer of the pension plan during a fiscal year of the other participating employer that ends in the preceding fiscal year in respect of a supply that would have been deemed to have been made under that subsection and that would be a specified supply of the other participating employer to the pension plan if the other participating employer were not a selected qualifying employer, provided that the other participating employer is related at any time in the preceding fiscal year to the particular participating employer and is a selected qualifying employer of the pension plan for that fiscal year of the other participating employer, less the amount, if any, that would be determined for B under paragraph (5)(c) or (6)(c), whichever is applicable, in determining that amount of tax, or

(f) an amount of tax that would have been deemed to have been collected under subsection (7) by another participating employer of the pension plan during a fiscal year of the other participating employer that ends in the preceding fiscal year in respect of a supply that would have been deemed to have been made under that subsection and that would be a specified supply of the other participating employer to the pension plan if the other participating employer were not a qualifying employer, provided that the other participating employer is related at any time in the preceding fiscal year to the particular participating employer and is a qualifying employer of the pension plan for that fiscal year of the other participating employer, less the amount, if any, that would be determined for B under paragraph (7)(c) in determining that amount of tax;

B is the total of all amounts, each of which is

(a) an amount of tax under subsection 165(1) or section 212, 218 or 218.01 paid by a pension entity of the pension plan during a fiscal year of the pension entity that ends in the preceding fiscal year but only to the extent that the amount is an eligible amount (as defined in subsection 261.01(1)) for a claim period (as defined in that subsection) of the pension entity,

(b) an amount of tax deemed to have been collected under subsection (5), (6) or (7) by a participating employer of the pension plan, including the particular participating employer, during a fiscal year of the participating employer that ends in the preceding fiscal year in respect of a specified supply of the participating employer to the pension plan less the amount, if any, determined for B under paragraph (5)(c), (6)(c) or (7)(c), whichever is applicable, in determining that amount of tax, or

(c) an amount required to be added to the net tax of a pension entity of the pension plan under paragraph 232.01(5)(b) or 232.02(4)(b) for a reporting period of the pension entity that ends in the preceding fiscal year as a consequence of the issuance of a tax adjustment note under section 232.01 or 232.02 or, if less, the amount that would

have been required to be so added if the pension entity were a selected listed financial institution; and

C is the total of all amounts, each of which is

(a) the federal component amount of a tax adjustment note issued under section 232.01 or 232.02 by a participating employer of the pension plan, including the particular participating employer, to a pension entity of the pension plan during a fiscal year of the pension entity that ends in the preceding fiscal year, or

(b) a recoverable amount (as defined in subsection 261.01(1)) of a pension entity of the pension plan in respect of a claim period ending in a fiscal year of the pension entity that ends in the preceding fiscal year but only to the extent that the recoverable amount is in respect of an amount determined for A under paragraph (5)(c), (6)(c) or (7)(c), whichever is applicable, in determining an amount of tax deemed to have been paid by the pension entity under this section for the purposes of section 261.01.

(10) For the purposes of this section, a particular participating employer of a pension plan is a qualifying employer of the pension plan for a particular fiscal year of the particular participating employer, if the particular participating employer did not become a participating employer of the pension plan in the particular fiscal year and if the amount determined for A in the following formula is less than \$5,000 and if the amount (expressed as a percentage) determined by the following formula is less than 10%:

$$A/(B - C)$$

where

A is the total of all amounts, each of which is

(a) an amount of tax deemed to have been collected under subsection (7) by the particular participating employer in respect of a specified supply of the particular participating employer to the pension plan during the fiscal year (in this subsection referred to as the “preceding fiscal year”) of the particular participating employer preceding the particular fiscal year less the amount, if any, determined for B under paragraph (7)(c) in determining that amount of tax,

(b) if the particular participating employer is a qualifying employer of the pension plan for the preceding fiscal year, an amount of tax that would have been deemed to have been collected under subsection (7) by the particular participating employer during the preceding fiscal year in respect of a supply that would have been deemed to have been made under that subsection and that would be a specified supply of the particular participating employer to the pension plan, if the particular participating employer were not a qualifying employer, less the amount, if any, that would be determined for B under paragraph (7)(c) in determining that amount of tax,

(c) an amount of tax deemed to have been collected under subsection (7) by another participating employer of the pension plan in respect of a specified supply of the other participating employer to the pension plan during a fiscal year of the other participating employer that ends in the preceding fiscal year, if at any time in the preceding fiscal

year the other participating employer is related to the particular participating employer, less the amount, if any, determined for B under paragraph (7)(c) in determining that amount of tax, or

(d) an amount of tax that would have been deemed to have been collected under subsection (7) by another participating employer of the pension plan during a fiscal year of the other participating employer that ends in the preceding fiscal year in respect of a supply that would have been deemed to have been made under that subsection and that would be a specified supply of the other participating employer to the pension plan if the other participating employer were not a qualifying employer, provided that the other participating employer is related at any time in the preceding fiscal year to the particular participating employer and is a qualifying employer of the pension plan for that fiscal year of the other participating employer, less the amount, if any, that would be determined for B under paragraph (7)(c) in determining that amount of tax;

B is the total of all amounts, each of which is

(a) an amount of tax under subsection 165(1) or section 212, 218 or 218.01 paid by a pension entity of the pension plan during a fiscal year of the pension entity that ends in the preceding fiscal year but only to the extent that the amount is an eligible amount (as defined in subsection 261.01(1)) for a claim period (as defined in that subsection) of the pension entity,

(b) an amount of tax deemed to have been collected under subsection (5), (6) or (7) by a participating employer of the pension plan, including the particular participating employer, during a fiscal year of the participating employer that ends in the preceding fiscal year in respect of a specified supply of the participating employer to the pension plan less the amount, if any, determined for B under paragraph (5)(c), (6)(c) or (7)(c), whichever is applicable, in determining that amount of tax, or

(c) an amount required to be added to the net tax of a pension entity of the pension plan under paragraph 232.01(5)(b) or 232.02(4)(b) for a reporting period of the pension entity that ends in the preceding fiscal year as a consequence of the issuance of a tax adjustment note under section 232.01 or 232.02 or, if less, the amount that would have been required to be so added if the pension entity were a selected listed financial institution; and

C is the total of all amounts, each of which is

(a) the federal component amount of a tax adjustment note issued under section 232.01 or 232.02 by a participating employer of the pension plan, including the particular participating employer, to a pension entity of the pension plan during a fiscal year of the pension entity that ends in the preceding fiscal year, or

(b) a recoverable amount (as defined in subsection 261.01(1)) of a pension entity of the pension plan in respect of a claim period ending in a fiscal year of the pension entity that ends in the preceding fiscal year but only to the extent that the recoverable amount is in respect of an amount determined for A under paragraph (5)(c), (6)(c) or

(7)(c), whichever is applicable, in determining an amount of tax deemed to have been paid by the pension entity under this section for the purposes of section 261.01.

(11) For the purposes of this section, if a person becomes a participating employer of a pension plan in a particular fiscal year, the person is

(a) a selected qualifying employer of the pension plan for the particular fiscal year if it is reasonable to expect, at the time the person becomes a participating employer of the pension plan, that the person will be a selected qualifying employer of the pension plan for the fiscal year of the person following the particular fiscal year; and

(b) a qualifying employer of the pension plan for the particular fiscal year if it is reasonable to expect, at the time the person becomes a participating employer of the pension plan, that the person will be a qualifying employer of the pension plan for the fiscal year of the person following the particular fiscal year.

(12) If two or more corporations (each of which is referred to in this subsection as a “predecessor”), any of which is a participating employer of a pension plan, are merged or amalgamated to form one corporation (in this subsection referred to as the “new corporation”) that is a participating employer of the pension plan, otherwise than as the result of the acquisition of property of one corporation by another corporation pursuant to the purchase of the property by the other corporation or as the result of the distribution of the property to the other corporation on the winding-up of the corporation, despite section 271 and for the purposes of applying subsections (9) to (11) to the new corporation, the following rules apply:

(a) the new corporation is deemed to have a fiscal year (in this subsection referred to as the “prior fiscal year of the new corporation”) of 365 days immediately preceding the first fiscal year of the new corporation;

(b) any amount of tax deemed to have been collected under this paragraph or any of subsections (5), (6), (7) and (13) by a predecessor, or that would have been deemed to have been collected under subsection (5), (6) or (7) if the predecessor were neither a selected qualifying employer nor a qualifying employer, at any time during the period of 365 days preceding the first fiscal year of the new corporation is deemed to have been collected by the new corporation, and not by a predecessor, on the last day of the prior fiscal year of the new corporation;

(c) any specified supply of a predecessor to a pension plan in respect of a taxable supply deemed to have been made under subsection (5), (6) or (7), or that would have been deemed to have been made under any of those subsections if the predecessor were neither a selected qualifying employer nor a qualifying employer, at any time during the period of 365 days preceding the first fiscal year of the new corporation is deemed to be a specified supply of the new corporation to the pension plan and not of the predecessor; and

(d) the new corporation is deemed not to have become a participating employer of the pension plan.

(13) If at any time a particular corporation that is a participating employer of a pension plan is wound up and not less than 90% of the issued shares of each class of the capital stock of the particular corporation were, immediately before that time, owned by another corporation that is a participating employer of the pension plan, despite subsection (11) and section 272 and for the purposes of applying the definition “specified supply” in subsection (1) in respect of the other corporation and applying subsections (9) and (10) to the other corporation, the other corporation is deemed to be the same corporation as, and a continuation of, the particular corporation.

(6) Subsections 8(1) to (5) apply in respect of fiscal years of a person beginning after Budget Day.

GST/HST Business Information Requirement

9. Section 229 of the Act is amended by adding the following after subsection (2):

(2.1) The Minister is not required to pay a net tax refund under subsection (1) to a person that is a registrant unless the Minister is satisfied that all information, that is contact information or that relates to the identification and business activities of the person, to be given by the person on the application for registration made by the person under section 240 has been provided and is accurate.

GST/HST on Paid Parking

10. (1) Section 1 of Part V.1 of Schedule V to the Act is amended by striking out “or” at the end of paragraph (m), by adding “or” at the end of paragraph (n) and by adding the following after paragraph (n):

(o) a parking space if

(i) the supply is made for consideration, by way of lease, licence or similar arrangement and in the course of a business carried on by the charity,

(ii) the parking space is situated at a particular property for which, at the time the supply is made, it is reasonable to expect that the parking spaces at the particular property will be used, during the calendar year in which the supply is made, primarily by individuals who are accessing a property of, or a facility or establishment operated by, a particular person that is a municipality, a school authority, a hospital authority, a public college or a university, and

(iii) any of the following conditions is met:

(A) under the governing documents of the charity, the charity is expected to use a significant part of its income or assets for the benefit of the particular person,

(B) the charity and the particular person have entered into one or more agreements with each other or with other persons in respect of the use of the parking spaces at the particular property by the individuals referred to in subparagraph (ii), or

(C) the particular person performs any function or activity in respect of the supplies by the charity of parking spaces at the particular property.

(2) Subsection **10(1)** applies to any supply made after Budget Day.

11. (1) Section 5 of Part V.1 of Schedule V to the Act is replaced by the following:

5. A supply made by a charity of any property or service if all or substantially all of the supplies of the property or service by the charity are made for no consideration, but not including a supply of

(a) blood or blood derivatives; or

(b) a parking space if the supply is made for consideration, by way of lease, licence or similar arrangement and in the course of a business carried on by the charity.

(2) Subsection **11(1)** applies to supplies for which consideration becomes due after 1996 or is paid after 1996 without having become due.

12. (1) Section 10 of Part VI of Schedule V to the Act is replaced by the following:

10. A supply made by a public sector body of any property or service if all or substantially all of the supplies of the property or service by the body are made for no consideration, but not including a supply of

(a) blood or blood derivatives; or

(b) a parking space if the supply is made for consideration, by way of lease, licence or similar arrangement and in the course of a business carried on by the body.

(2) Subsection **12(1)** is deemed to have come into force on December 17, 1990.

GST/HST Treatment of the Governor General

13. (1) The headings before section 1 of Part VIII of Schedule VI to the Act are replaced by the following:

PART VIII

INTERNATIONAL ORGANIZATIONS

(2) Subsection **13(1)** comes into force, or is deemed to have come into force, on July 1, 2013.

14. (1) Section 1 of Part VIII of Schedule VI to the Act is repealed.

(2) Subsection **14(1)** applies to any supply made on or after July 1, 2013.

NOTICE OF WAYS AND MEANS MOTION TO AMEND THE
EXCISE ACT, 2001

That it is expedient to amend the *Excise Act, 2001* as follows:

Information Requirements Regarding Unnamed Persons

1. (1) The portion of subsection 208(3) of the *Excise Act, 2001* before paragraph (a) is replaced by the following:

(3) A judge of the Federal Court may, on application by the Minister and subject to any conditions that the judge considers appropriate, authorize the Minister to impose on a third party a requirement relating to an unnamed person or more than one unnamed person (in this section referred to as the “group”) if the judge is satisfied by information on oath that

(2) Subsections 208(4) to (6) of the Act are repealed.

(3) Subsections 1(1) and (2) apply to applications made by the Minister of National Revenue after royal assent to the enacting legislation.

Excise Duty Rate on Manufactured Tobacco

2. (1) Subparagraph 216(2)(a)(iii) of the Act is replaced by the following:

(iii) \$0.213 multiplied by the number of grams of manufactured tobacco other than cigarettes or tobacco sticks to which the offence relates, and

(2) Subparagraph 216(3)(a)(iii) of the Act is replaced by the following:

(iii) \$0.319 multiplied by the number of grams of manufactured tobacco other than cigarettes or tobacco sticks to which the offence relates, and

3. Paragraph 240(c) of the Act is replaced by the following:

(c) \$451.81 per kilogram of manufactured tobacco, other than cigarettes and tobacco sticks, that was removed in contravention of that subsection.

4. (1) The portion of paragraph 3(a) of Schedule 1 to the Act before subparagraph (i) is replaced by the following:

(a) \$4.685938 per 50 grams or fraction of 50 grams contained in any package, if the manufactured tobacco is black stock

(2) Paragraph 3(b) of Schedule 1 to the Act is replaced by the following:

(b) \$5.3125 per 50 grams or fraction of 50 grams contained in any package, in any other case.

(3) Subsections 4(1) and (2) are deemed to have come into force on the day that is after Budget Day.

5. (1) Paragraph 1(c) of Schedule 3 to the Act is replaced by the following:

(c) \$4.6875 per 50 grams or fraction of 50 grams contained in any package, in the case of manufactured tobacco other than cigarettes or tobacco sticks.

(2) Subsection 5(1) is deemed to have come into force on the day that is after Budget Day.

6. (1) Paragraph 2(c) of Schedule 3 to the Act is replaced by the following:

(c) \$4.6875 per 50 grams or fraction of 50 grams contained in any package, in the case of manufactured tobacco other than cigarettes or tobacco sticks.

(2) Subsection 6(1) is deemed to have come into force on the day that is after Budget Day.

7. (1) Paragraph 3(c) of Schedule 3 to the Act is replaced by the following:

(c) \$93.75 per kilogram, in the case of tobacco products other than cigarettes or tobacco sticks.

(2) Subsection 7(1) is deemed to have come into force on the day that is after Budget Day.

8. (1) Paragraph 4(c) of Schedule 3 to the Act is replaced by the following:

(c) \$5.98275 per 50 grams or fraction of 50 grams contained in any package, in the case of tobacco products other than cigarettes or tobacco sticks.

(2) Subsection 8(1) is deemed to have come into force on the day that is after Budget Day.

9. For the purposes of applying the provisions of the *Customs Act* that provide for the payment of, or the liability to pay, interest in respect of any amount, the amount shall be determined and interest shall be computed on it as though sections 4 to 8 had come into force on the day that is after Budget Day.

NOTICE OF WAYS AND MEANS MOTION TO AMEND THE *CUSTOMS TARIFF*

That it is expedient to amend the *Customs Tariff* as follows:

1. The List of Tariff Provisions set out schedule to the *Customs Tariff* is amended to provide that the Most-Favoured-Nation Tariff rates of customs duty and, where necessary, the applicable preferential tariff rates of customs duties, be “Free”, for the following tariff items:

4203.21.10	6402.12.20	9506.32.10	9506.70.12
4203.21.90	6402.12.30	9506.32.90	9506.91.90
6111.20.00	6403.12.20	9506.39.20	9506.99.20
6111.30.00	6403.12.30	9506.39.30	9506.99.31
6111.90.00	9506.11.90	9506.39.90	9506.99.40
6209.20.00	9506.12.00	9506.40.00	9506.99.50
6209.30.00	9506.19.00	9506.62.90	9506.99.90
6209.90.10	9506.21.00	9506.69.10	
6209.90.90	9506.29.00	9506.69.90	
6401.92.92	9506.31.00	9506.70.11	

2. Any enactment founded on section 1 be deemed to have come into force on April 1, 2013.