

Notice of Ways and Means Motion to Amend the Income Tax Act and Other Legislation

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

Tax-Free First Home Savings Account

1 The Act is modified to give effect to the proposals relating to the Tax-Free First Home Savings Account as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Home Buyers' Tax Credit

2 (1) Subsection 118.05(3) of the Act is replaced by the following:

First-time homebuyers' tax credit

(3) In computing the tax payable under this Part by an individual for a taxation year in which a qualifying home in respect of the individual is acquired, there may be deducted the amount determined by multiplying \$10,000 by the appropriate percentage for the taxation year.

(2) Subsection (1) applies to the 2022 and subsequent taxation years.

Multigenerational Home Renovation Tax Credit

3 The Act is modified to give effect to the proposals relating to the Multigenerational Home Renovation Tax Credit as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Home Accessibility Tax Credit

4 (1) Paragraph (a) of the description of B in subsection 118.041(3) of the Act is replaced by the following:

(a) \$20,000, and

(2) Paragraphs 118.041(5)(a) and (b) of the Act are replaced by the following:

(a) a maximum of \$20,000 of qualifying expenditures for a taxation year in respect of a qualifying individual can be claimed under subsection (3) by the qualifying individual and all eligible individuals in respect of the qualifying individual;

(b) if there is more than one qualifying individual in respect of an eligible dwelling, a maximum of \$20,000 of qualifying expenditures for a taxation year in respect of the eligible dwelling can be claimed under subsection (3) by the qualifying individuals and all eligible individuals in respect of the qualifying individuals; and

(3) Subsections (1) and (2) apply to the 2022 and subsequent taxation years.

Residential Property Flipping Rule

5 The Act is modified to give effect to the proposals relating to the Residential Property Flipping Rule as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Labour Mobility Deduction for Tradespeople

6 The Act is modified to give effect to the proposals relating to the Labour Mobility Deduction for Tradespeople as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Medical Expense Tax Credit for Surrogacy and Other Expenses

7 (1) Subsection 118.2(2) of the Act is amended by striking out “or” at the end of paragraph (t), by adding “or” at the end of paragraph (u) and by adding the following after paragraph (u):

(v) to a fertility clinic, or donor bank, in Canada as a fee or other amount paid or payable, to obtain sperm or ova to enable the conception of a child by the individual, the individual’s spouse or common-law partner or a surrogate mother on behalf of the individual.

(2) Section 118.2 of the Act is amended by adding the following after subsection (2.2):

Surrogacy expenses

(2.21) An amount is deemed to be a medical expense of an individual for the purposes of this section if the amount

(a) is paid by the individual or the individual’s spouse or common-law partner;

(b) is

(i) an expenditure described under any of sections 2 to 4 of the *Reimbursement Related to Assisted Human Reproduction Regulations*, or

(ii) paid in respect of a surrogate mother or donor, and would be an expenditure described in subparagraph (i) if it was paid to the surrogate mother or donor;

(c) would be a medical expense of the individual (within the meaning of subsection (2)) if the amount was paid in respect of a good or service provided to the individual or the individual’s spouse or common-law partner;

(d) is an expense incurred in Canada; and

(e) is paid for the purpose of the individual becoming a parent.

(3) Subsections (1) and (2) apply to the 2022 and subsequent taxation years.

Annual Disbursement Quota for Registered Charities

8 The Act is modified to give effect to the proposals relating to the Annual Disbursement Quota for Registered Charities as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Charitable Partnerships

9 The Act is modified to give effect to the proposals relating to Charitable Partnerships as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Amendments to the *Children's Special Allowances Act* and to the *Income Tax Act*

10 (1) The portion of paragraph 81(1)(h) of the Act before subparagraph (i) is replaced by the following:

Social assistance

(h) where the taxpayer is an individual (other than a trust), a social assistance payment (other than a prescribed payment) ordinarily made on the basis of a means, needs or income test under a program provided for by an Act of Parliament, a law of a province or a law of an *Indigenous governing body* (as defined in section 2 of the *Children's Special Allowances Act*), to the extent that it is received directly or indirectly by the taxpayer for the benefit of another individual (other than the taxpayer's spouse or common-law partner or a person who is related to the taxpayer or to the taxpayer's spouse or common-law partner), if

(2) The portion of paragraph 81(1)(h.1) of the Act before subparagraph (i) is replaced by the following:

Social assistance for informal care programs

(h.1) if the taxpayer is an individual (other than a trust), a social assistance payment ordinarily made on the basis of a means, needs or income test provided for under a program of the Government of Canada, the government of a province or of an *Indigenous governing body* (as defined in section 2 of the *Children's Special Allowances Act*), to the extent that it is received directly or indirectly by the taxpayer for the benefit of a particular individual, if

(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2020.

11 (1) Paragraph (i) of the definition *eligible individual* in section 122.6 of the Act is replaced by the following:

(i) an individual shall not fail to qualify as a parent (within the meaning assigned by section 252) of another individual solely because of the receipt of a social assistance amount that is payable under a program of the Government of Canada, the government of a province or an *Indigenous governing body* (as defined in section 2 of the *Children's Special Allowances Act*) for the benefit of the other individual; (*particulier admissible*)

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

12 (1) Subsection 122.7(1.2) of the Act is replaced by the following:

Receipt of social assistance

(1.2) For the purposes of applying the definitions *eligible dependant* and *eligible individual* in subsection (1) for a taxation year, an individual shall not fail to qualify as a parent (within the meaning assigned by section 252) of another individual solely because of the receipt of a social assistance amount that is payable under a program of the Government of Canada, the government of a province or an *Indigenous governing body* (as defined in section 2 of the *Children's Special Allowances Act*) for the benefit of the other individual, unless the amount is a special allowance under the *Children's Special Allowances Act* in respect of the other individual in the taxation year.

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

13 (1) Section 2 of the *Children's Special Allowances Act* is amended by adding the following in alphabetical order:

Indigenous governing body means an *Indigenous governing body* (as defined in section 1 of *An Act respecting First Nations, Inuit and Métis children, youth and families*) that

- (a) has given notice under subsection 20(1) of that Act;
- (b) has requested a coordination agreement under subsection 20(2) of that Act; or
- (c) meets prescribed conditions. (*corps dirigeant autochtone*)

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

14 (1) Paragraphs 3(1)(a) and (b) of the *Children's Special Allowances Act* are replaced by the following:

(a) resides in an institution, a group foster home, the private home of foster parents or in the private home of a guardian, tutor or other individual occupying a similar role for the month, under a decree, order or judgment of a competent tribunal and is maintained by

(i) a department or agency of the government of Canada or a province, or

(ii) an agency appointed by a province, including an authority established under the laws of a province, or by an agency appointed by such an authority, for the purpose of administering any law of the province for the protection and care of children;

(b) is maintained by an institution licensed or otherwise authorized under the law of the province to have the custody or care of children; or

(c) resides in an institution, a group foster home, the private home of foster parents or in the private home of a guardian, tutor or other individual occupying a similar role for the month, under the laws of an Indigenous governing body, and is maintained by

(i) the Indigenous governing body,

(ii) a department or agency of the Indigenous governing body, or

(iii) an agency appointed by the Indigenous governing body, including an authority established under the laws of the Indigenous governing body, or by an agency appointed by such an authority, for the purpose of administering any law of the Indigenous governing body for the protection and care of children.

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

15 (1) Paragraph 4(1)(a) of the *Children's Special Allowances Act* is replaced by the following:

(a) an application therefor has been made in the prescribed manner by the department, agency, institution or Indigenous governing body referred to in subsection 3(1) that maintains the child; and

(2) Subsection 4(3) of the *Children's Special Allowances Act* is replaced by the following:

No allowance payable

(3) No special allowance is payable for the month in which the child in respect of whom the special allowance is payable commences to be maintained by a department, agency, institution or Indigenous governing body, and no special allowance is payable in respect of a child for the month in which the child is born or commences to reside in Canada.

(3) Paragraph 4(4)(a) of the *Children's Special Allowances Act* is replaced by the following:

(a) ceases to be maintained by the department, agency, institution or Indigenous governing body;

(4) Subsections (1) to (3) are deemed to have come into force on January 1, 2020.

16 (1) Sections 5 and 6 of the *Children's Special Allowances Act* are replaced by the following:

Recipient of special allowance

5 Where payment of a special allowance is approved in respect of a child, the special allowance shall, in such manner and at such times as are determined by the Minister, be paid to the department, agency, institution or Indigenous governing body referred to in section 3 that maintains the child or, in the prescribed circumstances, to a foster parent.

Report to be made

6 Where a special allowance ceases to be payable in respect of a child for a reason referred to in paragraph 4(4)(a), (b) or (c), the chief executive officer of the department, agency, institution or Indigenous governing body that made the application under paragraph 4(1)(a) in respect of the child shall, as soon as possible after the special allowance ceases to be payable in respect of the child, notify the Minister in the prescribed form and manner.

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

17 (1) Subsections 9(1) and (2) of the English version of the *Children's Special Allowances Act* are replaced by the following:

Return of special allowance where recipient not entitled

9 (1) Any person, department, agency, institution or Indigenous governing body that has received or obtained by cheque or otherwise payment of a special allowance under this Act to which the person, department, agency, institution or Indigenous governing body is not entitled, or payment in excess of the amount to which the person, department, agency, institution or Indigenous governing body is entitled, shall, as soon as possible, return the cheque or the amount of the payment, or the excess amount, as the case may be.

Recovery of amount of payment as debt due to Her Majesty

(2) Where a person, department, agency, institution or Indigenous governing body has received or obtained payment of a special allowance under this Act to which the person, department, agency, institution or Indigenous governing body is not entitled, or payment in excess of the amount to which the person, department, agency, institution or Indigenous governing body is entitled, the amount of the special allowance or the amount of the excess, as the case may be, constitutes a debt due to Her Majesty.

(2) Subsection 9(3) of the *Children's Special Allowances Act* is replaced by the following:

Deduction from subsequent special allowance

(3) Where any person, department, agency, institution or Indigenous governing body has received or obtained payment of a special allowance under this Act to which the person, department, agency, institution or Indigenous governing body is not entitled, or payment in excess of the amount to which the person, department, agency, institution or Indigenous governing body is entitled, the amount of the special allowance or the amount of the excess, as the case may be, may be deducted and retained in such manner as is prescribed out of any special allowance to which the person, department, agency, institution or Indigenous governing body is or subsequently becomes entitled under this Act.

(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2020.

18 (1) Section 11 of the *Children's Special Allowances Act* is replaced by the following:

Agreements for exchange of information

11 The Minister may enter into an agreement with the government of any province, or an Indigenous governing body, for the purpose of obtaining information in connection with the administration or enforcement of this Act or the regulations and of furnishing to that government, or Indigenous governing body, under prescribed conditions, any information obtained by or on behalf of the Minister in the course of the administration or enforcement of this Act or the regulations, if the Minister is satisfied that the information to be furnished to that government, or Indigenous governing body, under the agreement is to be used for the purpose of the administration of a social program, income assistance program or health insurance program in the province or of the Indigenous governing body.

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

19 (1) Paragraph 13(a) of the English version of the *Children's Special Allowances Act* is replaced by the following:

(a) providing for the suspension of payment of a special allowance during any investigation respecting the eligibility of a department, agency, institution or Indigenous governing body to receive the special allowance and specifying the circumstances in which payment of a special allowance, the payment of which has been suspended, may be resumed;

(2) Paragraph 13(c) of the *Children's Special Allowances Act* is replaced by the following:

(c) specifying for the purposes of this Act the circumstances in which a child shall be considered to be maintained by a department, agency, institution or Indigenous governing body; and

(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2020.

20 (1) The definition *applicant* in section 2 of the *Children's Special Allowance Regulations* is replaced by the following:

applicant means a department, agency, institution or Indigenous governing body referred to in subsection 3(1) of the Act; (*demandeur*)

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

21 (1) The portion of section 7 of the *Children's Special Allowance Regulations* before paragraph (a) is replaced by the following:

Communication of Information

7 The information referred to in section 11 of the Act may be furnished to the government of a province or to an Indigenous governing body, under the terms of an agreement between the Minister and that government or Indigenous governing body, for the purpose of the administration of a social, income assistance or health insurance program of that province or Indigenous governing body that is specified in the agreement, on condition that

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

22 (1) Paragraphs 9(a) and (b) of the *Children's Special Allowance Regulations* are replaced by the following:

(a) the applicant, at the end of the month, provides for the child's care, maintenance, education, training and advancement to a greater extent than any other department, agency, institution, Indigenous governing body or any person; or

(b) the applicant is an entity referred to in any of paragraphs 3(1)(a) to (c) of the Act that has applied in respect of a child who

(i) was formerly in the care of foster parents or was formerly maintained by an entity referred to in any of paragraphs 3(1)(a) to (c) of the Act, and

(ii) has been placed in the permanent or temporary custody of a guardian, tutor or other individual occupying a similar role for the month, under a decree, order or judgment of a competent tribunal, or under the laws of an Indigenous governing body, who has received financial assistance from the applicant for the month in respect of the child's maintenance.

(2) Subsection (1) is deemed to have come into force on January 1, 2020.

Borrowing by Defined Benefit Pension Plans

23 (1) The portion of paragraph 8502(i) of the *Income Tax Regulations* before subparagraph (i) is replaced by the following:

Borrowing

(i) in the case of a money purchase provision of the plan or in the case of an individual pension plan, a trustee or other person who holds property in connection with the plan does not borrow money for the purposes of the money purchase provision or the individual pension plan, as the case may be, except where

(2) Section 8502 of the *Income Tax Regulations* is amended by adding the following after paragraph (i.1):

Borrowing — defined benefit provision

(i.2) in the case of a defined benefit provision of the plan (other than an individual pension plan), a trustee or other person who holds property in connection with the provision does not borrow money for the purposes of the defined benefit provision, except

(i) in the case where money is borrowed for the purpose of acquiring real property, if

(A) the property may reasonably be considered to be acquired for the purpose of producing income from property,

(B) the aggregate of all amounts borrowed for the purpose of acquiring the property and any indebtedness incurred as a consequence of the acquisition of the property does not exceed the cost to the person of the property, and

(C) none of the property that is held in connection with the plan, other than the real property, is used as security for the borrowed money, and

(ii) in any other case, at any time that an amount is borrowed, if the total of that amount and the amount of any other outstanding borrowings in respect of the provision (other than those described in subparagraph (i)) does not exceed the lesser of the following amounts:

(A) the amount determined by the formula

$$0.20 (A - B)$$

where

A is the value of the plan assets in respect of the provision on the first day of the fiscal period of the plan in which the amount is borrowed, and

B is the amount of outstanding borrowings in respect of the provision, determined on the first day of the fiscal period in which the amount is borrowed, and

(B) the amount determined by the formula

$$1.25 \times C - (D - E)$$

where

C is the amount of actuarial liabilities in respect of the provision, determined on the effective date of the plan's most recent actuarial report,

D is the amount determined for A in clause (A), and

E is the amount determined for B in clause (A);

(3) Subsection (1) is deemed to come into force on May 1, 2022.

(4) Subsection (2) is deemed to come into force on Budget Day.

Reporting Requirements for RRSPs and RRIFs

24 The Act is modified to give effect to the proposals relating to the Reporting Requirements for RRSPs and RRIFs as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Canada Recovery Dividend and Additional Tax on Banks and Life Insurers

25 The Act is modified to give effect to the proposals relating to the Canada Recovery Dividend and Additional Tax on Banks and Life Insurers as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Investment Tax Credit for Carbon Capture, Utilization, and Storage

26 The Act is modified to give effect to the proposals relating to the Investment Tax Credit for Carbon Capture, Utilization, and Storage as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Clean Technology Tax Incentives – Air-Source Heat Pumps

27 The Act is modified to give effect to the proposals relating to the Clean Technology Tax Incentives – Air-Source Heat Pumps as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Critical Minerals Exploration Tax Credit

28 The Act is modified to give effect to the proposals relating to the Critical Minerals Exploration Tax Credit as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Flow-Through Shares for Oil, Gas and Coal Activities

29 The Act is modified to give effect to the proposals relating to Flow-Through Shares for Oil, Gas and Coal Activities as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Small Business Deduction

30 The Act is modified to give effect to the proposals relating to the Small Business Deduction as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

International Financial Reporting Standards for Insurance Contracts (IFRS 17)

31 The Act is modified to give effect to the proposals relating to the International Financial Reporting Standards for Insurance Contracts (IFRS 17) as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Hedging and Short Selling by Canadian Financial Institutions

32 (1) The definition *dividend rental arrangement* in subsection 248(1) of the Act is amended by adding the following after paragraph (b):

(b.1) any specified hedging transaction, in respect of a DRA share of the person,

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

specified hedging transaction, in respect of a DRA share of a person or partnership (referred to in this definition as the “particular person”), means a *transaction* (in this definition, as defined in subsection 245(1)) or series of transactions

(a) that is entered into by

(i) the particular person if the particular person is a registered securities dealer or a partnership each member of which is a registered securities dealer, or

(ii) a registered securities dealer or a partnership each member of which is a registered securities dealer (in either case, referred to in this definition as the “connected dealer”), where such connected dealer does not deal at arm’s length with, or is affiliated with, the particular person,

(b) that has the effect, or would have the effect if the transaction or series were entered into by the particular person instead of the connected dealer, of eliminating all or substantially all of the particular person’s risk of loss and opportunity for gain or profit in respect of the DRA share, and

(c) if the transaction or series is entered into by the connected dealer, it can reasonably be considered to have been entered into with the knowledge, or where there ought to have been the knowledge, that the effect described in paragraph (b) would result; (*opération de couverture déterminée*)

(3) Subsections (1) and (2) apply in respect of dividends that are paid or become payable on or after Budget Day. However, subsections (1) and (2) do not apply in respect of dividends paid or payable before October 2022, if the specified hedging transaction was entered into before Budget Day.

33 (1) Paragraph 260(6)(a) of the Act is replaced by the following:

(a) if the taxpayer is a registered securities dealer and the particular amount is deemed by subsection (5.1) to have been received as a taxable dividend, no more than 2/3 of the particular amount (unless, for greater certainty, the particular amount is an amount for which a deduction in computing income may be claimed under subsection (6.1) or (6.2) by the taxpayer); or

(2) Section 260 of the Act is amended by adding the following after subsection (6.1):

Deductible amount for registered securities dealer

(6.2) If a registered securities dealer enters into a specified hedging transaction in respect of a DRA share of the registered securities dealer or a person that does not deal at arm’s length with, or is affiliated with, the registered securities dealer, there may be deducted in computing the income of the registered securities dealer under Part I from a business or property for a taxation year an amount (other than any portion of the amount for which a deduction in computing income may be claimed under subsection (6.1) by the registered securities dealer) equal to the lesser of

(a) the total of all amounts each of which is an amount that the registered securities dealer becomes obligated in the taxation year to pay to another person as compensation for a dividend under the specified hedging transaction that, if paid, would be deemed by subsection (5.1) to have been received by another person as a taxable dividend, and

(b) the amount of the dividends that were received in respect of the DRA share by the registered securities dealer or the person that does not deal at arm’s length with, or is affiliated with, the registered securities dealer (as the case may be, referred to as the “dividend recipient” in this paragraph) and that were identified in the dividend recipient’s return of income under Part I for the year as an amount in respect of which no amount was deductible because of subsection 112(2.3) in computing the dividend recipient’s taxable income or taxable income earned in Canada.

(3) The portion of subsection 260(7) of the Act before paragraph (a) is replaced by the following:

Dividend refund

(7) For the purpose of section 129, if a corporation pays an amount for which no deduction in computing the corporation's income may be claimed under subsection (6.1) or (6.2) and subsection (5.1) deems the amount to have been received by another person as a taxable dividend,

(4) Paragraphs 260(11)(b) and (c) of the Act are replaced by the following:

(b) for the purpose of applying paragraphs (6.1)(a) and (6.2)(a) in respect of the taxation year, to become obligated to pay its specified proportion, for each fiscal period of the partnership that ends in the taxation year, of the amount the partnership becomes, in that fiscal period, obligated to pay to another person under the arrangement described in that paragraph; and

(c) for the purpose of applying section 129 in respect of the taxation year, to have paid

(i) if the partnership is not a registered securities dealer, the corporation's specified proportion, for each fiscal period of the partnership that ends in the taxation year, of each amount paid by the partnership (other than an amount for which a deduction in computing income may be claimed under subsection (6.1) or (6.2) by the corporation), and

(ii) if the partnership is a registered securities dealer, 1/3 of the corporation's specified proportion, for each fiscal period of the partnership that ends in the taxation year, of each amount paid by the partnership (other than an amount for which a deduction in computing income may be claimed under subsection (6.1) or (6.2) by the corporation).

(5) Subsections (1) to (4) apply in respect of amounts paid or credited on or after Budget Day.

Application of the General Anti-Avoidance Rule to Tax Attributes

34 (1) Subsection 152(1.11) of the Act is replaced by the following:

Determination under subsection 245(2)

(1.11) If at any time the Minister ascertains the tax consequences to a taxpayer because of subsection 245(2) with respect to a transaction, the Minister

(a) shall, in the case of a determination under subsection 245(8), determine any amount that is, or could at a subsequent time be, relevant for the purposes of computing the income, taxable income or taxable income earned in Canada, tax or other amount payable by, or amount refundable to, the taxpayer under this Act;

(b) may, in any case not described in paragraph (a), determine any amount referred to in paragraph (a); and

(c) shall, if a determination is made under this subsection, send to the taxpayer, with all due dispatch, a notice of determination stating the amount so determined.

(2) Subsection (1) applies in respect of determinations made on or after Budget Day. For greater certainty, determinations made under subsection 152(1.11) of the Act prior to Budget Day continue to be binding, to the extent provided under subsection 152(1.3) of the Act.

35 (1) The definitions *tax benefit* and *tax consequences* in subsection 245(1) of the Act are replaced by the following:

tax benefit means

(a) a reduction, avoidance or deferral of tax or other amount payable under this Act, and includes a reduction, avoidance or deferral of tax or other amount that would be payable under this Act but for a tax treaty,

(b) an increase in a refund of tax or other amount under this Act, and includes an increase in a refund of tax or other amount under this Act as a result of a tax treaty, or

(c) a reduction, increase or preservation of an amount that could at a subsequent time

(i) be relevant for the purpose of computing an amount referred to in paragraph (a) or (b), and

(ii) result in any of the effects described in paragraph (a) or (b); (*avantage fiscal*)

tax consequences, to a person, means

(a) the amount of income, taxable income or taxable income earned in Canada of the person under this Act,

(b) the tax or other amount payable by, or refundable to, the person under this Act, or

(c) any other amount that is, or could at a subsequent time be, relevant for the purpose of computing an amount referred to in paragraph (a) or (b); (*attribut fiscal*)

(2) Subsection (1) applies in respect of transactions that occur

(a) on or after Budget Day; or

(b) before Budget Day if a determination is made under subsection 152(1.11) of the Act on or after Budget Day in respect of the transaction.

Substantive CCPCs

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

Substantive CCPC means a private corporation (other than a Canadian-controlled private corporation) that at any time in a taxation year

(a) is controlled, directly or indirectly in any manner whatever, by one or more Canadian resident individuals, or

(b) would, if each share of the capital stock of a corporation that is owned by a Canadian resident individual were owned by a particular individual, be controlled by the particular individual. (*SPCC en substance*)

(2) Section 248 of the Act is amended by adding the following after subsection (42):

Substantive CCPC – anti-avoidance

(43) For the purposes of this Act, a corporation (other than a Canadian-controlled private corporation) that is resident in Canada and would not, in the absence of this subsection, be a substantive CCPC, is deemed to be a substantive CCPC if it is reasonable to consider that one of the purposes of any *transaction* (as defined in subsection 245(1)), or series of transactions, was to cause the corporation not to qualify as a substantive CCPC.

(3) Subsections (1) and (2) apply to

(a) taxation years of a corporation that begin on or after Budget Day, if

(i) the corporation's first taxation year that ends on or after Budget Day ends due to a loss restriction event caused by a sale of all or substantially all of the shares of a corporation to a purchaser before 2023,

(ii) the purchaser deals at arm's length (determined without reference to a right referred to in paragraph 251(5)(b)) with the corporation immediately prior to the loss restriction event, and

(iii) the sale occurs pursuant to a written purchase and sale agreement entered into before Budget Day; and

(b) in any other case, taxation years that end on or after Budget Day.

37 The Act is further modified to give effect to the proposals relating to Substantive CCPCs as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Exchange of Tax Information on Digital Economy Platform Sellers

38 The Act is modified to give effect to the proposals relating to the Exchange of Tax Information on Digital Economy Platform Sellers as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Interest Coupon Stripping

39 (1) Section 212 of the Act is amended by adding the following after subsection (20):

Interest coupon stripping arrangement – conditions

(21) Subsection (22) applies at any time in respect of a taxpayer if

(a) the taxpayer pays or credits a particular amount at that time as, on account or in lieu of payment of, or in satisfaction of, interest to a person or partnership (in this subsection and subsection (22) referred to as the “interest coupon holder”) in respect of a debt or other obligation, other than a specified publicly offered debt obligation, owed to another person or partnership (in this subsection and subsection (22) referred to as the “non-arm’s length creditor”) that is

(i) a non-resident person with whom the taxpayer is not dealing at arm’s length, or

(ii) a partnership other than a Canadian partnership; and

(b) the tax that would be payable under this Part in respect of the particular amount, if the particular amount were paid or credited to the non-arm’s length creditor rather than the interest coupon holder, is greater than the tax payable under this Part (determined without reference to subsection (22)) in respect of the particular amount.

Interest coupon stripping arrangement – application

(22) If this subsection applies at any time in respect of a taxpayer, then for the purpose of paragraph (1)(b), the taxpayer is deemed, at that time, to pay interest to the non-arm’s length creditor, the amount of which is determined by the formula

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

where

A is the particular amount referred to in paragraph (21)(a);

B is the rate of tax that would be imposed under this Part in respect of the particular amount if the particular amount were paid by the taxpayer to the non-arm’s length creditor rather than the interest coupon holder at that time; and

C is the rate of tax imposed under this Part in respect of the particular amount paid or credited to the interest coupon holder at that time.

Specified publicly offered debt obligation

(23) For the purposes of subsection (21), *specified publicly offered debt obligation* means a debt or other obligation that meets the following conditions:

(a) it was issued by the taxpayer as part of an offering that is lawfully distributed to the public in accordance with a prospectus, registration statement or similar document filed with and, where required by law, accepted for filing by a public authority; and

(b) it can reasonably be considered that none of the main purposes of a transaction or event, or series of transactions or events, as a part of which the taxpayer pays or credits an amount as, on account or in lieu of payment of, or in satisfaction of, interest to a person or partnership in respect of the debt or other obligation is to avoid or reduce tax that would otherwise be payable under this Part by a non-resident person or partnership to whom the debt or other obligation is owed.

(2) Subsection (1) applies in respect of interest that accrues on or after Budget Day and is paid or payable by a taxpayer to an interest coupon holder in respect of a debt or other obligation owed to a non-arm's length creditor. However, subsection (1) does not apply to interest that accrues before April 7, 2023, if the interest is paid or payable

(a) in respect of a debt or other obligation incurred by the taxpayer before Budget Day; and

(b) to an interest coupon holder that deals at arm's length with the non-arm's length creditor and that acquired the entitlement to the interest as a consequence of an agreement or other arrangement entered into by the interest coupon holder, and evidenced in writing, before Budget Day.