

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

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

Personal Support Workers Tax Credit

1 (1) The *Income Tax Act* is amended by adding the following after section 122.92:

SUBDIVISION A.7

Personal Support Worker Tax Credit

Definitions

122.93 (1) The following definitions apply in this section.

eligible health care establishment means a hospital, nursing care facility, residential care facility, community care facility for the elderly, home health care establishment and similar regulated health care establishments. (*établissement de soins de santé admissible*)

eligible personal support worker, for a taxation year, means an individual

(a) who performs duties of employment in the capacity of a personal support worker for an eligible health care establishment during the taxation year (in this definition referred to as the “duties for the year”);

(b) who, in the course of performing the duties for the year, ordinarily provides one-on-one care and essential support to optimize and maintain another individual’s health, well-being, safety, autonomy and comfort consistent with that other individual’s health care needs as directed by a regulated health care professional or a provincial or community health organization; and

(c) whose main duties of employment, in respect of the duties for the year, include assisting individuals with activities of daily living and mobilization. (*préposé aux services de soutien à la personne admissible*)

return of income, filed by an eligible personal support worker for a taxation year, means a return of income (other than a return of income under subsection 70(2) or 104(23), paragraph 128(2)(e) or subsection 150(4)) that is required to be filed for the taxation year or that would be required to be filed if the eligible personal support worker had tax payable under this Part for the taxation year. (*déclaration de revenu*)

yearly eligible remuneration of an individual for a taxation year means the total of all amounts, each of which

(a) would be, in the absence of section 8 and paragraph 81(1)(a), the individual’s income for the taxation year from an office or employment as an eligible personal support worker for an eligible health care establishment in a province, other than duties performed in Newfoundland and Labrador, the Northwest Territories and British Columbia; and

(b) is certified by the individual’s employer in the prescribed form and manner to be an amount that satisfies the description under paragraph (a). (*rémunération annuelle admissible*)

Deemed overpayment — yearly eligible remuneration

(2) An eligible personal support worker, for a taxation year that begins after 2025 and that ends before 2031, who files a return of income for the taxation year and makes a claim under this subsection, is deemed to have paid, at the end of the taxation year, on account of tax payable under this Part for the taxation year, an amount equal to the lesser of

(a) \$1,100, and

(b) 5% of the eligible personal support worker's yearly eligible remuneration for the taxation year.

Effect of bankruptcy

(3) For the purpose of this Subdivision, if an individual becomes bankrupt in a particular calendar year

(a) despite subsection 128(2), any reference to a taxation year of the individual (other than in this subsection) is deemed to be a reference to the particular calendar year; and

(b) the individual's yearly eligible remuneration for the taxation year ending on December 31 of the particular calendar year is deemed to include the individual's yearly eligible remuneration for the taxation year that begins on January 1 of the particular calendar year.

Special rules in the event of death

(4) For the purpose of this Subdivision, if an individual dies before the end of a calendar year, any return of income filed by a legal representative of the individual is deemed to be a return of income filed by the individual.

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

2 (1) Paragraph 152(1)(b) of the Act is replaced by the following:

(b) the amount of tax, if any, deemed by any of subsections 120(2) or (2.2), 122.5(3) to (3.003), 122.51(2), 122.7(2) or (3), 122.72(1), 122.8(4), 122.9(2), 122.91(1), 122.93(2), 125.4(3), 125.5(3), 125.6(2) or (2.1), 127.1(1), 127.41(3), 127.44(2), 127.45(2), 127.48(2), 127.49(2) or 210.2(3) or (4) to be paid on account of the taxpayer's tax payable under this Part for the year.

(2) Paragraph 152(4.2)(b) of the Act is replaced by the following:

(b) redetermine the amount, if any, deemed by any of subsections 120(2) or (2.2), 122.5(3) to (3.003), 122.51(2), 122.7(2) or (3), 122.8(4), 122.9(2), 122.91(1), 122.93(2), 127.1(1), 127.41(3) or 210.2(3) or (4) to be paid on account of the taxpayer's tax payable under this Part for the year or deemed by subsection 122.61(1) to be an overpayment on account of the taxpayer's liability under this Part for the year.

(3) Subsections (1) and (2) apply to the 2026 and subsequent taxation years.

3 (1) Subsection 163(2) of the Act is amended by adding the following after paragraph (c.6):

(c.7) the amount, if any, by which

(i) the amount that would be deemed by subsection 122.93(2) to have been paid for the year by the person if that amount were calculated by reference to the person's claim for the year under that subsection

exceeds

(ii) the amount that is deemed by that subsection to be paid for the year by the person,

(2) Subsection (1) applies to the 2026 and subsequent taxation years.

Automated Federal Benefits for Lower-Income Individuals

1 (1) Subsection 150.1(4) of the Act is replaced by the following:

Declaration

(4) If a return of income of a taxpayer for a taxation year is filed by way of electronic filing by a particular person (in this subsection referred to as the “filer”) other than the person who is required to file the return, or the Minister pursuant to section 150.2, the person who is required to file the return shall make an information return in prescribed form containing prescribed information, retain a copy of it and provide the filer with the information return, and that return and the copy shall be deemed to be a record referred to in section 230 in respect of the filer and the other person.

(2) Subsection (1) applies to the 2025 and subsequent taxation years.

2 (1) The Act is amended by adding the following after section 150.1:

Conditions

150.2 (1) The Minister may file a return of income for a taxation year of an individual (other than a trust) resident in Canada throughout the year if the following conditions are satisfied:

- (a)** the individual has not notified the Minister not to file a return of income for the year on the individual’s behalf;
- (b)** the individual has not filed a return of income for at least one of the three immediately preceding taxation years;
- (c)** the individual has not filed a return of income for the year on or before the day that is 90 days after the filing-due date for the year;
- (d)** all of the individual’s income for the year, if any, was reported in an information return filed with the Minister for the year;
- (e)** the individual’s taxable income for the year does not exceed the lesser of

- (i)** the amount determined by the formula

$$A + B + C$$

where

- A** is the amount determined under subsection 118(1.1) for the year,
- B** is the amount, if any, that may be deducted by the individual for the year under subsection 118(2), and
- C** is the amount, if any, that may be deducted by the individual for the year under subsection 118.3(1), and

- (ii)** the amount determined by the formula

$$D + E + F$$

where

- D** is, in the case of an individual resident at the end of the year, in
 - (A)** Quebec, the amount determined for A in subparagraph (i), or
 - (B)** a province other than Quebec, the amount, if any, determined for the year under provincial income tax law similar in substance to subsection 118(1.1),
- E** is, in the case of an individual resident at the end of the year, in
 - (A)** Quebec, the amount determined for B in subparagraph (i), or
 - (B)** a province other than Quebec, the amount, if any, determined for the year under provincial income tax law similar in substance to subsection 118(2), and

F is, in the case of an individual resident at the end of the year, in

(A) Quebec, the amount determined for C in subparagraph (i), or

(B) a province other than Quebec, the amount, if any, determined for the year under provincial income tax law similar in substance to subsection 118.3(1);

(f) the Minister has notified the individual of the information filed with the Minister for the year and the individual has not, within 90 days after the day on which the notice is mailed or sent electronically by the Minister,

(i) otherwise filed a return of income for the year, or

(ii) notified the Minister of corrections to be made to the information on file with the Minister that would increase the individual's taxable income for the year beyond the amount permitted under paragraph (e); and

(g) the individual meets such other conditions as the Minister may specify, if any.

Invalid filing

(2) If a return of income is filed under this section for a taxation year of an individual who did not meet the conditions in subsection (1), the return is deemed to have never been filed.

Deemed filing

(3) Subject to subsection (2), for the purposes of this Act, a return of income for a taxation year of an individual is deemed to have been filed by the individual at the time of its filing by the Minister in accordance with subsection (1).

(4) Subsection (1) applies to the 2025 and subsequent taxation years.

Top-Up Tax Credit

1 (1) If Bill C-4, introduced in the 1st session of the 45th Parliament and entitled the *Making Life More Affordable for Canadians Act*, receives royal assent, then section 118 of the *Income Tax Act* is amended by adding the following after subsection (10):

Top-up tax credit

(11) For the purpose of computing the tax payable under this Part by an individual for a taxation year that is after 2024 and before 2031, there may be deducted the amount determined by the formula

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

where

A is the amount determined by the formula

$$E + F$$

where

E is the total of all amounts each of which is an amount deducted by the individual in computing the individual's tax payable for the year under this Part under any of subsections (1), (2), (3) and (10), and sections 118.01, 118.041, 118.05, 118.06, 118.07, 118.2, 118.3, 118.5, 118.61, 118.62, 118.7, 118.8 and 118.9, and

F is the lesser of

(a) the amount deducted by the individual in computing the individual's tax payable for the year under this Part under section 118.1, and

(b) \$200 multiplied by the appropriate percentage for the year;

B is the appropriate percentage for the year;

C is the first dollar amount for the year referred to in paragraph 117(2)(b); and

D is,

(a) if the taxation year is 2025, 3.45%, and

(b) in any other case, 7.14%.

(2) Subsection (1) is deemed to have come into force on January 1, 2025.

2 (1) If Bill C-4, introduced in the 1st session of the 45th Parliament and entitled the *Making Life More Affordable for Canadians Act*, receives royal assent, then the description of C in subsection 118.61(1) of the *Income Tax Act* is replaced by the following:

C is the lesser of the value of B and the amount that would be the individual's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under this section and any of subsections 118(1) to (10) and sections 118.01 to 118.07, 118.3 and 118.7);

(2) If Bill C-4, introduced in the 1st session of the 45th Parliament and entitled the *Making Life More Affordable for Canadians Act*, receives royal assent, then paragraph 118.61(2)(b) of the *Income Tax Act* is replaced by the following:

(b) the amount that would be the individual's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under this section and any of subsections 118(1) to (10) and sections 118.01 to 118.07, 118.3 and 118.7).

(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2025.

Qualified Investments for Registered Plans

1 (1) Paragraph 108(2)(c) of the Act is replaced by the following:

(c) the fair market value of the property of the trust at the end of 1993 was primarily attributable to real property or an interest in real property — or to immovables or a real right in immovables — and the trust was a unit trust throughout any calendar year that ended before 1994 and the fair market value of the property of the trust at the particular time is primarily attributable to property described in paragraph (a) or subparagraph (c)(i) of the definition *qualified investment* in subsection 207.01(1), real property or an interest in real property — or immovables or a real right in immovables — or any combination of those properties.

(2) Subsection (1) comes into force on January 1, 2027.

2 (1) Paragraph (a) of the definition *qualified REIT property* in subsection 122.1(1) of the Act is replaced by the following:

(a) a real or immovable property that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described in paragraph (a) or subparagraph (c)(i) of the definition *qualified investment* in subsection 207.01(1) or a deposit with a credit union;

(2) Paragraph (d) of the definition *real estate investment trust* in subsection 122.1(1) of the Act is replaced by the following:

(d) at each time in the taxation year an amount, that is equal to 75% or more of the equity value of the trust at that time, is the amount that is the total fair market value of all properties held by the trust each of which is a real or immovable property that is capital property, an eligible resale property, an indebtedness of a Canadian corporation represented by a bankers' acceptance, a property described in paragraph (a) or subparagraph (c)(i) of the definition *qualified investment* in subsection 207.01(1) or a deposit with a credit union; and

(3) Subsections (1) and (2) come into force on January 1, 2027.

3 (1) Paragraph 132.2(3)(h) of the Act is replaced by the following:

(h) where a share to which paragraph (g) applies would, if this Act were read without reference to this paragraph, cease to be a *qualified investment* (as defined in section 204 or subsection 207.01(1)) as a consequence of the qualifying exchange, the share is deemed to be a qualified investment until the earlier of the day that is 60 days after the day that includes the transfer time and the time at which it is disposed of in accordance with paragraph (g);

(2) Subsections (1) comes into force on January 1, 2027.

4 (1) Subparagraph (g)(iii) of the definition *eligible trust* in subsection 135.2(1) of the Act is replaced by the following:

(iii) property described in paragraph (a) or subparagraph (c)(i) of the definition *qualified investment* in subsection 207.01(1) or a deposit with a credit union;

(2) Subsection (1) comes into force on January 1, 2027.

5 (1) The definition *qualified investment* in subsection 146(1) of the Act is repealed.

(2) Subparagraph 146(4)(b)(ii) of the Act is replaced by the following:

(ii) such portion of the amount determined under subparagraph (i) in respect of the trust for the year as can reasonably be considered to be income from, or from the disposition of, a *qualified investment* (as defined in subsection 207.01(1)) for the trust; and

(3) Subsections (1) and (2) come into force on January 1, 2027.

6 (1) The definition *qualified investment* in subsection 146.1(1) of the Act is repealed.

(2) The portion of subsection 146.1(5) of the Act before paragraph (a) is replaced by the following:

Trust not taxable

(5) No tax is payable under this Part by a trust that is governed by a RESP on its taxable income for a taxation year, except that, if at any time in the taxation year, it holds a property that is a *non-qualified investment* (as defined in subsection 207.01(1)) for the trust, tax is payable under this Part by the trust on the amount that would be its taxable income for the taxation year if it had no income or losses from sources other than non-qualified investments, and no capital gains or capital losses other than from dispositions of non-qualified investments, and for that purpose,

(3) Subsections (1) and (2) come into force on January 1, 2027.

7 (1) The definition *qualified investment* in subsection 146.3(1) of the Act is repealed.

(2) The description of A in the definition *minimum amount* in subsection 146.3(1) of the Act is replaced by the following:

A is the total fair market value of all properties held in connection with the fund at the beginning of the year (other than annuity contracts held by the plan trust that, at the beginning of the calendar year, are described in paragraph (j) of the definition *qualified investment* in subsection 207.01(1));

(3) Paragraph (a) of the description of C in the definition *minimum amount* in subsection 146.3(1) of the Act is replaced by the following:

(a) a periodic payment under an annuity contract described in paragraph (j) of the definition *qualified investment* in subsection 207.01(1) that is held by the trust at the beginning of the year and is paid to the trust in the year, or

(4) The portion of paragraph 146.3(2)(e.1) of the Act before subparagraph (i) is replaced by the following:

(e.1) if the fund does not govern a trust or the fund governs a trust created before 1998 that does not hold an annuity contract as a *qualified investment* (as defined in subsection 207.01(1)) for the trust, the fund provides that if an

annuitant, at any time, directs that the carrier transfer all or part of the property held in connection with the fund, or an amount equal to its value at that time, to another registered retirement income fund of the annuitant or in accordance with subsection (14.1), the transferor shall retain an amount equal to the lesser of

(5) Clause 146.3(2)(e.2)(i)(B) of the Act is replaced by the following:

(B) an annuity contract described, immediately after the transfer, in paragraph (g) of the definition *qualified investment* in subsection 207.01(1), and

(6) Subparagraph 146.3(3)(e)(ii) of the Act is replaced by the following:

(ii) such portion of the amount determined under subparagraph (i) in respect of the trust for the year as can reasonably be considered to be income from, or from the disposition of, a *qualified investment* (as defined in subsection 207.01(1)) for the trust.

(7) Paragraph 146.3(6.4)(a) of the Act is replaced by the following:

(a) at any time after the death of the annuitant, a trust governed by the fund held an investment that is a *non-qualified investment* (as defined in subsection 207.01(1)); or

(8) The portion of subsection 146.3(9) of the Act before paragraph (b) is replaced by the following:

Tax payable on income from non-qualified investment

(9) If a trust that is governed by a RRIF holds, at any time in a taxation year, a property that is a *non-qualified investment* (as defined in subsection 207.01(1)),

(a) tax is payable under this Part by the trust on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than *non-qualified investments* or no capital gains or capital losses other than from *dispositions of non-qualified investments*, as the case may be; and

(9) Subsections (1) to (8) come into force on January 1, 2027.

8 (1) The definition *qualified investment* in subsection 146.4(1) of the Act is repealed.

(2) The descriptions of A and B in paragraph (b) of the definition *specified maximum amount* in subsection 146.4(1) of the Act are replaced by the following:

A is 10% of the fair market value of the property held by the plan trust at the beginning of the calendar year (other than annuity contracts held by the plan trust that, at the beginning of the calendar year, are described in paragraph (i) of the definition *qualified investment* in subsection 207.01(1)), and

B is the total of all amounts each of which is

(i) a periodic payment under an annuity contract described in paragraph (i) of the definition *qualified investment* in subsection 207.01(1) that is held by the plan trust at the beginning of the calendar year and paid to the plan trust in the calendar year, or

(ii) if the periodic payment under the contract is not made to the plan trust because the plan trust disposed of the right to that payment in the calendar year, a reasonable estimate of that payment on the assumption that the contract had been held throughout the calendar year and no rights under the contract were disposed of in the calendar year. (*plafond*)

(3) The description of A in paragraph 146.4(4)(l) of the Act is replaced by the following:

A is the fair market value of the property held by the plan trust at the beginning of the calendar year (other than annuity contracts held by the plan trust that, at the beginning of the calendar year, are described in paragraph (i) of the definition *qualified investment* in subsection 207.01(1)),

(4) Subparagraph (i) of the description of D in paragraph 146.4(4)(I) of the Act is replaced by the following:

(i) a periodic payment under an annuity contract described in paragraph (i) of the definition *qualified investment* in subsection 207.01(1) that is held by the plan trust at the beginning of the calendar year and paid to the plan trust in the calendar year, or

(5) The portion of paragraph 146.4(5)(b) of the Act before subparagraph (i) is replaced by the following:

(b) if the trust is not otherwise taxable under paragraph (a) on its taxable income for the year and, at any time in the year, it carries on one or more businesses or holds a property that is a *non-qualified investment* (as defined in subsection 207.01(1)) for the trust, tax is payable under this Part by the trust on the amount that its taxable income for the year would be if it had no incomes or losses from sources other than those businesses and *non-qualified investments*, and no capital gains or losses other than from dispositions of *non-qualified investments*, and for this purpose,

(6) Subsections (1) to (5) come into force on January 1, 2027.

9 (1) The definition *debt obligation* in section 204 of the Act is repealed.

(2) The definition *qualified investment* in section 204 of the Act is replaced by the following:

qualified investment for a trust governed by a deferred profit sharing plan or revoked plan means, with the exception of excluded property in relation to the trust,

(a) an investment described in any of paragraphs (a) to (g) of the definition *qualified investment* in subsection 207.01(1),

(b) an investment described under section 5001, paragraph 5002(a) to (c) or section 5003 or 5004 of the *Income Tax Regulations*, other than an investment described in any of paragraphs 5006(a) to (e) if the references in those paragraphs to “a connected person under the registered plan” were read as references to “a beneficiary or an employer under the deferred profit sharing plan or revoked plan and any person who does not deal at arm’s length with that person”,

(c) equity shares of a corporation by which, before the date of acquisition by the trust of the shares, payments have been made in trust to a trustee under the plan for the benefit of beneficiaries thereunder, if the shares are of a class in respect of which

(i) there is no restriction on their transferability, and

(ii) in each of four taxation years of the corporation in the period of the corporation’s five consecutive taxation years that ended less than 12 months before the date of acquisition of the shares by the trust, and in the corporation’s last taxation year in that period, the corporation

(A) paid a dividend on each share of the class of an amount not less than 4% of the cost per share of the shares to the trust, or

(B) had earnings attributable to the shares of the class of an amount not less than the amount obtained when 4% of the cost per share to the trust of the shares is multiplied by the total number of shares of the class that were outstanding immediately after the acquisition, and

(d) a contract with a licensed annuities provider for an annuity payable to an employee who is a beneficiary under the plan beginning not later than the end of the year in which the employee attains 71 years of age, the guaranteed term of which, if any, does not exceed 15 years; (*placement admissible*)

(3) Subsections (1) and (2) come into force on January 1, 2027.

10 (1) Part X.2 of the Act is repealed.

(2) Subsection (1) comes into force on January 1, 2027.

11 (1) Paragraph (a) of the definition *reserve* in subsection 204.8(1) of the Act is replaced by the following:

(a) property described in paragraph (a), (b) or (f) or subparagraphs (c)(i) to (iv) of the definition *qualified investment* in subsection 207.01(1), and

(2) Subsection (1) comes into force on January 1, 2027.

12 (1) The description of C in the definition *excess ALDA transfer* in subsection 205(1) of the Act is amended by adding “and” at the end of paragraph (b) and by replacing paragraphs (c) and (d) by the following:

(c) if the transferor plan is a registered retirement savings plan or a registered retirement income fund, contracts for annuities held in connection with the plan or fund other than annuities described in paragraph (g) of the definition *qualified investment* in subsection 207.01(1),

(2) Subsection (1) comes into force on January 1, 2027.

13 (1) The preamble of subsection 207.01(1) of the Act is replaced by the following:

Definitions

207.01 (1) The following definitions and the definitions in subsections 146(1) (other than the definition *benefit*), 146.1(1), 146.2(1), 146.3(1), 146.4(1) and 146.6(1) apply in this Part and Part L of the *Income Tax Regulations*.

(2) The definition *qualified investment* in subsection 207.01(1) of the Act is replaced by the following:

qualified investment for a trust governed by a registered plan means

(a) money (other than money the fair market value of which exceeds its stated value as legal tender in the country of issuance or money that is held for its numismatic value) and deposits (within the meaning assigned by the *Canada Deposit Insurance Corporation Act* or with a branch in Canada of a bank) of such money standing to the credit of the trust;

(b) a guaranteed investment certificate issued by a trust company incorporated under the laws of Canada or of a province;

(c) a bond, debenture, note or similar obligation

(i) described in paragraph (a) of the definition *fully exempt interest* in subsection 212(3),

(ii) issued by a corporation, mutual fund trust or limited partnership the shares or units of which are listed on a designated stock exchange in Canada,

(iii) issued by a corporation the shares of which are listed on a designated stock exchange outside Canada,

(iv) issued by an authorized foreign bank and payable at a branch in Canada of the bank,

(v) that was issued as part of a single issue of debt of at least \$25 million with an investment grade rating from a prescribed credit rating agency (or had such a rating at the time the debt obligation is acquired by the trust),

(vi) that was issued on a continuous basis under a debt issuance program, provided that at least \$25 million of debt under the program had been issued and is outstanding with an investment grade rating from a prescribed credit rating agency (or had such a rating at the time the debt obligation is acquired by the trust),

(vii) that was acquired by the trust in exchange for a debt obligation that satisfied the condition in subparagraph (v) or (vi) as part of a proposal or an arrangement that has been approved by a court under the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act*, or

(viii) issued by a public corporation (other than a mortgage investment corporation);

(d) a security (other than a future contract or other derivative instrument in respect of which the holder's risk of loss may exceed the holder's cost) that is listed on a designated stock exchange;

(e) a share of the capital stock of a public corporation (other than a mortgage investment corporation);

(f) an investment contract described in subparagraph (b)(ii) of the definition *retirement savings plan* in subsection 146(1) and issued by a corporation approved by the Governor in Council for the purposes of that subparagraph;

(g) a contract for an annuity issued by a licensed annuities provider if

(i) the trust is the only person that, disregarding a subsequent transfer of the contract by the trust, is or may become entitled to an annuity payment under the contract, and

(ii) the holder of the contract has a right to surrender the contract at any time for an amount that would, if reasonable sales and administration charges were ignored, approximate the value of funds that could otherwise be applied to fund future periodic payments under the contract;

(h) if the registered plan is a RESP, an investment that was acquired by the trust before October 28, 1998;

(i) if the registered plan is a RDSP, a contract for an annuity issued by a licensed annuities provider if

(i) annual or more frequent periodic payments are or may be made under the contract to the holder of the contract,

(ii) the trust is the only person who, disregarding any subsequent transfer of the contract by the trust, is or may become entitled to any annuity payments under the contract,

(iii) neither the time nor the amount of any payment under the contract may vary because of the length of any life, other than the life of the beneficiary under the RDSP (in this paragraph referred to as the "RDSP beneficiary"),

(iv) the day on which the periodic payments began or are to begin is not later than the end of the later of

(A) the year in which the RDSP beneficiary attains the age of 60 years, and

(B) the year following the year in which the contract was acquired by the trust,

(v) the periodic payments are payable for the life of the RDSP beneficiary and either there is no guaranteed period under the contract or there is a guaranteed period that does not exceed 15 years,

(vi) the periodic payments

(A) are equal, or

(B) are not equal solely because of one or more adjustments that would, if the contract were an annuity under a retirement savings plan, be in accordance with subparagraphs 146(3)(b)(iii) to (v) or that arise because of a uniform reduction in the entitlement to the periodic payments as a consequence of a partial surrender of rights to the periodic payments, and

(vii) the contract requires that, in the event the plan must be terminated in accordance with paragraph 146.4(4)(p), any amounts that would otherwise be payable after the termination be commuted into a single payment;

(j) if the registered plan is a RRIF, a contract for an annuity issued by a licensed annuities provider if

(i) annual or more frequent periodic payments are or may be made under the contract to the holder of the contract,

(ii) the trust is the only person who, disregarding any subsequent transfer of the contract by the trust, is or may become entitled to any annuity payments under the contract,

(iii) neither the time nor the amount of any payment under the contract may vary because of the length of any life, other than

(A) if the annuitant under the RRIF (in this paragraph referred to as the “RRIF annuitant”) has made the election referred to in the definition *retirement income fund* in subsection 146.3(1) in respect of the fund and a spouse or common-law partner, the life of the RRIF annuitant or the life of the spouse or common-law partner, and

(B) in any other case, the life of the RRIF annuitant,

(iv) the day on which the periodic payments began or are to begin (in this paragraph referred to as the “start date”) is not later than the end of the year following the year in which the contract was acquired by the trust,

(v) either

(A) the periodic payments are payable for the life of the RRIF annuitant or the joint lives of the RRIF annuitant and the RRIF annuitant’s spouse or common-law partner and either there is no guaranteed period under the contract or there is a guaranteed period that begins at the start date and does not exceed a term equal to 90 years minus the lesser of

(I) the age in whole years at the start date of the RRIF annuitant (determined on the assumption that the RRIF annuitant is alive at the start date), and

(II) the age in whole years at the start date of a spouse or common-law partner of the RRIF annuitant (determined on the assumption that a spouse or common-law partner of the RRIF annuitant at the time the contract was acquired is a spouse or common-law partner of the RRIF annuitant at the start date), or

(B) the periodic payments are payable for a term equal to

(I) 90 years minus the age described in subclause (A)(I), or

(II) 90 years minus the age described in subclause (A)(II), and

(vi) the periodic payments

(A) are equal, or

(B) are not equal solely because of one or more adjustments that would, if the contract were an annuity under a retirement savings plan, be in accordance with subparagraphs 146(3)(b)(iii) to 146(3)(b)(v) or that arise because of a uniform reduction in the entitlement to the periodic payments as a consequence of a partial surrender of rights to the periodic payments;

(k) if the registered plan is a RRSP, a contract for an annuity issued by a licensed annuities provider if it

(i) is described in the definition *retirement income* in subsection 146(1) in respect of the annuitant under the RRSP (in this paragraph referred to as the “RRSP annuitant”), or

(ii) meets the following conditions:

(A) annual or more frequent periodic payments are or may be made under the contract to the holder of the contract,

(B) the trust is the only person who, disregarding any subsequent transfer of the contract by the trust, is or may become entitled to any annuity payments under the contract,

(C) neither the time nor the amount of any payment under the contract may vary because of the length of any life, other than the life of the RRSP annuitant,

(D) the day on which the periodic payments began or are to begin (in this subparagraph referred to as the “start date”) is not later than the end of the year in which the RRSP annuitant attains 72 years of age,

(E) either

(I) the periodic payments are payable for the life of the RRSP annuitant and either there is no guaranteed period under the contract or there is a guaranteed period that begins at the start date and does not exceed a term equal to 90 years minus the lesser of

1 the age in whole years at the start date of the RRSP annuitant (determined on the assumption that the RRSP annuitant is alive at the start date), and

2 the age in whole years at the start date of a spouse or common-law partner of the RRSP annuitant (determined on the assumption that a spouse or common-law partner of the RRSP annuitant at the time the contract was acquired is a spouse or common-law partner of the RRSP annuitant at the start date), or

(II) the periodic payments are payable for a term equal to

1 90 years minus the age described in sub-subclause (I)1, or

2 90 years minus the age described in sub-subclause (I)2, and

(F) the periodic payments

(I) are equal, or

(II) are not equal solely because of one or more adjustments that would, if the contract were an annuity under a retirement savings plan, be in accordance with subparagraphs 146(3)(b)(iii) to (v) or that arise because of a uniform reduction in the entitlement to the periodic payments as a consequence of a partial surrender of rights to the periodic payments; and

(II) a prescribed investment. (*placement admissible*)

(3) Paragraphs (a) and (b) of the definition *excluded property* in subsection 207.01(1) of the Act are replaced by the following:

(a) property described in subparagraph 5001(h)(ii) of the *Income Tax Regulations*;

(b) an equity of a mutual fund corporation or mutual fund trust if

(i) either

(A) the equity is equity of a mutual fund corporation or mutual fund trust that derives all or substantially all its value from one or more mutual funds that are subject to, and substantially comply with, the requirements of *National Instrument 81-102 Investment Funds*, as amended from time to time, of the Canadian Securities Administrators, or

(B) the corporation or trust follows a reasonable policy of investment diversification,

(ii) the time is

(A) during the 24-month period that begins on the day on which the first taxation year of the corporation or trust begins,

(B) during the 24-month period that ends on the day on which the last taxation year of the corporation or trust ends, or

(C) where the equity is a share of the capital stock of a mutual fund corporation and the share derives all or substantially all its value from a particular mutual fund,

(I) during the 24-month period that begins on the day on which the particular mutual fund is established, or

(II) during the 24-month period that ends on the day on which the particular mutual fund is terminated,

(iii) it is reasonable to conclude that none of the main purposes of the structure of the corporation or trust, or of the terms and conditions of the equity, is to accommodate transactions or events that could affect the fair market value of the property held by the trust governed by the registered plan in a manner that would not occur in a normal commercial or investment context in which parties deal with each other at arm's length and act prudently, knowledgeably and willingly, and

(iv) it is reasonable to conclude that none of the main purposes of the incorporation, establishment or operation of the corporation or trust, or of the particular mutual fund, is to benefit from this paragraph; or

(4) Paragraph 207.01(12)(c) of the Act is replaced by the following:

(c) the property is, or would be if it was not a prohibited investment at the time it was acquired by the exchanging trust, a qualified investment for the exchanging trust immediately after the exchange time; and

(5) Subsections (1) to (4) come into force on January 1, 2027.

14 (1) Paragraph (d) of the definition *excluded trust* in subsection 211.6(1) of the Act is replaced by the following:

(d) if the trust is not a trust to which paragraph (e) applies, acquires at that time any property that is not described in any of paragraphs (a) and (b) and subparagraph (c)(i) of the definition *qualified investment* in subsection 207.01(1);

(2) Subparagraph (e)(i) of the definition *excluded trust* in subsection 211.6(1) of the Act is replaced by the following:

(i) acquires at that time any property that is not described in any of paragraphs (a), (b), (c) and (d) of the definition *qualified investment* in subsection 207.01(1), or

(3) Paragraph (a) of the definition *prohibited investment* in subsection 211.6(1) of the Act is replaced by the following:

(a) at the time it was acquired by the trust, was described in any of subparagraphs (c)(ii) to (vii) or paragraph (d) of the definition *qualified investment* in subsection 207.01(1); and

(3) Subsections (1) to (3) come into force on January 1, 2027.

15 (1) Clauses 233.2(4)(c)(ii)(E) and (F) of the Act are replaced by the following:

(F) a trust in which all persons beneficially interested are persons described in clauses (A) to (D), or

(2) Subsection (1) comes into force on January 1, 2027.

16 (1) Paragraph (a) of the definition *specified Canadian entity* in subsection 233.3(1) of the Act is amended by adding “or” at the end of subparagraph (vi) and by repealing subparagraph (vii).

(2) Subparagraph (a)(viii) of the definition *specified Canadian entity* in subsection 233.3(1) of the Act is replaced by the following:

(viii) a trust in which all persons beneficially interested are persons described in subparagraphs (i) to (vi); and

(3) Subsections (1) and (2) come into force on January 1, 2027.

17 (1) The definition *registered investment* in subsection 248(1) of the Act is repealed.

(2) Subsection (1) comes into force on January 1, 2027.

18 (1) The definition *designated provisions* in subsection 259(5) of the Act is replaced by the following:

designated provisions means sections 146, 146.1 to 146.4 and 146.6 and Parts X, XI.01 and XI.1, as they apply in respect of investments that are not qualified investments for a trust, and Part X.2; (*dispositions désignées*)

(2) The definition *designated provisions* in subsection 259(5) of the Act is replaced by the following:

designated provisions means sections 146, 146.1 to 146.4 and 146.6 and Parts X, XI.01 and XI.1, as they apply in respect of investments that are not qualified investments for a trust; (*dispositions désignées*)

(3) The definition *specified taxpayer* in subsection 259(5) of the Act is replaced by the following:

specified taxpayer means a taxpayer that is a registered investment or that is described in any of paragraphs 149(1)(r), (s), (u) to (u.2), (u.4) and (x). (*contribuable déterminé*)

(4) The definition *specified taxpayer* in subsection 259(5) of the Act is replaced by the following:

specified taxpayer means a taxpayer that is described in any of paragraphs 149(1)(r), (s), (u) to (u.2), (u.4) and (x). (*contribuable déterminé*)

(5) The portion of the definition *qualified trust* in subsection 259(5) of the Act before paragraph (a) is replaced by the following:

qualified trust at any time means a trust (other than a trust that is prescribed to be a small business investment trust) where

(6) Subsections (1) and (3) are deemed to have come into force on April 1, 2023.

(7) Subsections (2), (4) and (5) come into force on January 1, 2027.

Income Tax Regulations

19 (1) Subsection 221(1) of the *Income Tax Regulations* is replaced by the following:

221 (1) In this section, ***reporting person*** means

(a) a mutual fund corporation;

(b) an investment corporation;

(c) a mutual fund trust;

(d) a trust described in paragraph 4900(1)(d.21);

(e) a trust described in paragraph 4900(1)(d.22); or

(f) a small business investment trust (within the meaning assigned by subsection 5103(1)).

(2) Paragraphs 221(1)(d) and (e) of the Regulations are replaced by the following:

- (d)** a trust described in paragraph 5003(a);
- (e)** a trust described in paragraph 5003(b); or

(3) Subsection 221(2) of the Regulations is replaced by the following:

(2) If in any taxation year a reporting person claims that a share of its capital stock issued by it, or an interest as a beneficiary under it, is a qualified investment under section 204 or 207.01 of the Act, the reporting person shall, in respect of the year and within 90 days after the end of the year, make an information return in prescribed form.

(4) Subsection (1) applies to the 2026 taxation year.

(5) Subsections (2) and (3) come into force on January 1, 2027.

20 (1) Subsection 4900(1) of the Regulations is amended by adding the following after paragraph (d.2):

(d.21) a unit of a trust that is subject to, and substantially complies with, the requirements of *National Instrument 81-102 Investment Funds*, as amended from time to time, of the Canadian Securities Administrators;

(d.22) a unit of a trust that is an *investment fund* (as defined in subsection 251.2(1) of the Act), provided that the investments of the trust are managed by a person that is registered as an investment fund manager as described in *National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as amended from time to time, of the Canadian Securities Administrators;

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

21 (1) Part XLIX of the Regulations is replaced by the following:

PART L

Qualified and Prohibited Investments for Registered Plans

Interpretation

5000 The following definitions apply in this Part.

connected person, under a *registered plan* (as defined in subsection 207.01(1) of the Act) governing a trust, means a person that is a *controlling individual* (as defined in subsection 207.01(1) of the Act) of the plan or a beneficiary of the trust and any other person or partnership that does not deal at arm's length with that person. (*personne rattachée*)

specified cooperative corporation means

- (a)** a *cooperative corporation* as defined in subsection 136(2) of the Act; or
- (b)** a corporation that would be a *cooperative corporation* as defined in subsection 136(2) of the Act if the purpose described in that subsection were the purpose of providing employment to the corporation's members or customers. (*coopérative déterminée*)

specified small business corporation, at any time, means a corporation (other than a cooperative corporation) that would, at that time or at the end of the last taxation year of the corporation that ended before that time, be a small business corporation if the reference to “Canadian-controlled private corporation” in the definition *small business corporation* in subsection 248(1) of the Act were read as a reference to “Canadian corporation (other than a corporation controlled at that time, directly or indirectly in any manner whatever, by one or more non-resident persons)”. (*société déterminée exploitant une petite entreprise*)

Debt Instruments

5001 For the purposes of paragraph (l) of the definition *qualified investment* in subsection 207.01(1) of the Act, each of the following investments is prescribed as a qualified investment for a trust governed by a registered plan at a particular time if at that time it is

- (a) an indebtedness of a Canadian corporation represented by a bankers’ acceptance;
- (b) a bond, debenture, note or similar obligation of a Canadian corporation if
 - (i) payment of the principal amount of the obligation and the interest on the principal amount is guaranteed by a corporation or a mutual fund trust whose shares or units, as the case may be, are listed on a designated stock exchange in Canada,
 - (ii) the corporation is controlled directly or indirectly by one or more corporations or mutual fund trusts described in subparagraph (i), or
 - (iii) payment of the principal amount of which is guaranteed by His Majesty in right of a province under the *Community Development Bonds Act*, C.C.S.M., c. C160;
- (c) a bond, debenture, note or similar obligation issued by, or a deposit with, a credit union;
- (d) a bond, debenture, note or similar obligation issued by a *cooperative corporation* (as defined in 136(2) of the Act) if
 - (i) throughout the taxation year of the corporation immediately preceding the year in which the obligation was acquired by the plan trust, the corporation had at least 100 shareholders, or if all its shareholders were corporations, 50 shareholders, and
 - (ii) no more than 5% of the fair market value of all obligations of the corporation are held by one or more plan trusts that share the same *controlling individual* (as defined in subsection 207.01(1) of the Act) or beneficiary;
- (e) a bond, debenture, note or similar obligation of a Canadian corporation if, at the time the obligation is acquired by the plan trust, the corporation that issued the obligation is a corporation that
 - (i) is, or is controlled by, a corporation that has issued and outstanding share capital carried in its books at not less than \$25 million, and
 - (ii) has issued and outstanding bonds, debentures, notes or similar obligations having in the aggregate a principal amount of at least \$10 million
- (A) that are held by at least 300 different persons,
- (B) for which one or more prospectus, registration statement or similar document was filed with and, where required by law, accepted for filing by a public authority in Canada in accordance with the laws of Canada or a province, and
- (C) for which there was a lawful distribution to the public of those bonds, debentures, notes or similar obligations in accordance with the document described in clause (B);

(f) a debt issued by a Canadian corporation (other than a corporation with share capital) if the taxable income of the corporation is exempt from tax under Part I of the Act because of paragraph 149(1)(l) of the Act and

(i) before the particular time and after 1995, the corporation

(A) acquired, for a total consideration of not less than \$25 million, property from His Majesty in right of Canada or a province, and

(B) put that property to a use that is the same as or similar to the use to which the property was put before the acquisition described in clause (A), or

(ii) at the time of the acquisition of the debt by the plan trust, it was reasonable to expect that subparagraph (i) would apply in respect of the debt no later than one year after the time of the acquisition;

(g) a debt issued by a Canadian corporation (other than a corporation with share capital) if the taxable income of the corporation is exempt from tax under Part I of the Act because of paragraph 149(1)(l) of the Act and

(i) the debt is issued by the corporation as part of an issue of debt by the corporation for an amount of at least \$25 million, or

(ii) at the time of the acquisition of the debt by the plan trust, the corporation had issued debt as part of a single issue for an amount of at least \$25 million;

(h) a debt obligation of a debtor, or an interest (or for civil law a right) in that debt obligation, if it is

(i) fully secured by a mortgage, charge, hypothec or similar instrument in respect of real or immovable property situated in Canada, or would be fully secured were it not for a decline in the fair market value of the property after the debt obligation was issued, or

(ii) secured by a mortgage, charge, hypothec or similar instrument in respect of real or immovable property situated in Canada and is

(A) administered by an approved lender under the *National Housing Act*, and

(B) insured under the *National Housing Act* or by a corporation that offers its services to the public in Canada as an insurer of mortgages or hypothecary claims and that is approved as a private insurer of mortgages or hypothecary claims by the Superintendent of Financial Institutions under subsection 6(1) of the *Office of the Superintendent of Financial Institutions Act*; or

(i) a certificate evidencing an undivided interest, or for civil law an undivided right, in one or more properties if

(i) all or substantially all of the fair market value of the certificate is attributable to property that is, or is incidental to, a debt obligation secured by

(A) a mortgage, charge, hypothec, or similar instrument in respect of real or immovable property situated in Canada, or

(B) property described in paragraph (a) or subparagraph (c)(i) of the definition *qualified investment* in subsection 207.01(1) of the Act that was substituted for the security referred to in clause (A) under the terms of the debt obligation,

(ii) the certificate, at the time of its acquisition by the plan trust, has an investment-grade rating with a credit rating agency referred to in section 5005, and

(iii) the certificate is issued as part of an issue of certificates by the issuer for a total amount of at least \$25 million.

Equity Instruments

5002 For the purposes of paragraph (l) of the definition *qualified investment* in subsection 207.01(1) of the Act, each of the following investments is prescribed as a qualified investment for a trust governed by a registered plan at a particular time if at that time it is

- (a) a share of the capital stock of a mortgage investment corporation;
- (b) a share of, or similar interest in, a credit union;
- (c) an American Depositary Receipt where the property represented by the receipt is listed on a designated stock exchange;
- (d) a share of the capital stock of a specified small business corporation;
- (e) a share of the capital stock of a venture capital corporation described in any of sections 6700 to 6700.2; or
- (f) a share of the capital or capital stock of a specified cooperative corporation.

Trusts

5003 For the purposes of paragraph (l) of the definition *qualified investment* in subsection 207.01(1) of the Act, each of the following investments is prescribed as a qualified investment for a trust governed by a registered plan at a particular time if at that time it is a unit of a trust that is

- (a) subject to, and substantially complies with, the requirements of *National Instrument 81–102 Investment Funds*, as amended from time to time, of the Canadian Securities Administrators;
- (b) an *investment fund* (as defined in subsection 251.2(1)), provided that the investments of the trust are managed by a person that is registered as an investment fund manager as described in *National Instrument 31–103 Registration Requirements, Exemptions and Ongoing Registrant Obligations*, as amended from time to time, of the Canadian Securities Administrators;
- (c) a mutual fund trust (or would be a mutual fund trust if it had been created after 1999); or
- (d) a small business investment trust (within the meaning assigned by subsection 5103(1)) that
 - (i) was acquired by the trust before January 1, 2027,
 - (ii) was a qualified investment for the trust at the time it was acquired, and
 - (iii) would, at the particular time, be a qualified investment for the trust under the Regulations as they read on December 31, 2026.

Other Prescribed Investments

5004 For the purposes of paragraph (l) of the definition *qualified investment* in subsection 207.01(1) of the Act, each of the following investments is prescribed as a qualified investment for a trust governed by a registered plan at a particular time if at that time it is

- (a) an option, a warrant or a similar right (each of which is, in this paragraph, referred to as the “security”) issued by a person or partnership (in this paragraph referred to as the “issuer”) that gives the holder the right to acquire, either immediately or in the future, property all of which is a qualified investment for the plan trust or to receive a cash settlement in lieu of delivery of that property, where the property is

(i) a share of the capital stock of, a unit of, or a debt issued by, the issuer or another person or partnership that does not, when the security is issued, deal at arm's length with the issuer; or

(ii) a warrant issued by the issuer or another person or partnership that does not, when the security is issued, deal at arm's length with the issuer, and that gives the holder the right to acquire a share or unit described in subparagraph (i);

(b) gold (with a minimum fineness of 995 parts per 1000) or silver (with a minimum fineness of 999 parts per 1000), in the form of or represented by

(i) a legal tender bullion coin produced by the Royal Canadian Mint that

(A) has a fair market value at the particular time not exceeding 110 per cent of the fair market value of the coin's gold or silver content and

(B) is acquired by the trust directly from the Royal Canadian Mint or from a bank, a trust company, a credit union, an insurance corporation or a registered securities dealer that is resident in Canada and subject by law to the supervision of a regulating authority that is the Superintendent of Financial Institutions or a similar authority of a province,

(ii) a bullion bar, ingot or wafer produced by a refiner on the London Bullion Market Association's good delivery list for gold or silver, as the case may be, that is

(A) stamped with the fineness, weight and the refiner's hallmark, and

(B) acquired directly from the refiner or a person described in clause (i)(B), or

(iii) a certificate issued by a person described in clause (i)(B) representing a claim of the holder of the certificate to property held by the issuer of the certificate, if

(A) the property would be property described in subparagraph (i) or (ii) if those subparagraphs were read without reference to clauses (i)(B) and (ii)(B), respectively, and

(B) the certificate is acquired by the trust directly from the issuer of the certificate or a person described in clause (i)(B); or

(c) an interest of a limited partner in a small business investment limited partnership (within the meaning assigned by subsection 5102(1)) that

(i) was acquired by the trust before January 1, 2027,

(ii) was a qualified investment for the trust at the time it was acquired, and

(iii) would, at the particular time, be a qualified investment for the trust under the Regulations as they read on December 31, 2026.

Prescribed Credit Rating Agency

5005 For the purposes of subparagraphs (c)(v) and (vi) of the definition *qualified investment* in subsection 207.01(1) of the Act, each of the following is a prescribed credit rating agency:

(a) A.M. Best Company, Inc.;

(b) DBRS Limited;

(c) Fitch Ratings, Inc.;

(d) Moody's Investors Service, Inc.;

(e) Standard & Poor's Financial Services LLC; and

(f) a subsidiary or affiliate of a company listed in any of paragraphs (a) to (e), to the extent that it provides credit rating services outside of Canada on behalf of the company in respect of which it is the subsidiary or affiliate.

Prescribed Prohibited Property

5006 For the purposes of paragraph (d) of the definition *prohibited investment* in subsection 207.01(1) of the Act, each of the following is a prescribed property for a trust at a particular time if at that time it is

(a) a share of the capital stock of a mortgage investment corporation that holds any indebtedness, whether by way of mortgage or otherwise, of a person who is a connected person under the registered plan governing the trust;

(b) an option, a warrant or a similar right that is issued by a connected person under the registered plan governing the trust;

(c) a bond, debenture, note or similar obligation issued by, or a deposit with, a credit union that granted any benefit or privilege as a result of the ownership by the trust of a share or obligation of, or a deposit with, the credit union to a person who is a connected person under the registered plan governing the trust, if the benefit was granted during the calendar year in which the particular time occurs, or, where the person continues to enjoy the benefit or privilege, in a prior year;

(d) a bond, debenture, note or similar obligation issued by a *cooperative corporation* (as defined in subsection 136(2) of the Act) that granted any benefit or privilege as a result of the ownership by the trust of a share or obligation of the corporation to a person who is a connected person under the registered plan governing the trust, if the benefit was granted during the calendar year in which the particular time occurs, or, where the person continues to enjoy the benefit or privilege, in a prior year;

(e) a bankers' acceptance that represents an indebtedness of a Canadian corporation that is a connected person under the registered plan governing the trust; and

(f) a share of the capital or capital stock of a specified cooperative corporation if

(i) ownership of the share or a share identical to the share is a condition of membership in the corporation, and

(ii) a connected person under the registered plan governing the trust

(A) has received a payment from the corporation pursuant to an *allocation in proportion to patronage* (as defined in subsection 135(4) of the Act) in respect of *consumer goods or services* (as defined in subsection 135(4) of the Act), or

(B) can reasonably be expected to receive a payment described in clause (A), after the acquisition of the share by the plan trust.

(2) Subsection (1) comes into force on January 1, 2027.

22 (1) The heading "Deferred Income Plans, Investments in Small Business" before section 5100 of the Regulations is replaced by the following:

PART LI

Small Business Investments

(2) Subsection (1) comes into force on January 1, 2027.

23 (1) The definition *specified property* in subsection 5100(1) of the Regulations is replaced by the following:

specified property means property described in paragraph (a), (b) or (f) or subparagraphs (c)(i) to (iv) of the definition *qualified investment* in subsection 207.01(1) of the Act. (*bien déterminé*)

(2) Subsection (1) comes into force on January 1, 2027.

Information Sharing – Worker Misclassification

1 Paragraph 241(4)(d) of the Act is amended by adding the following after subparagraph (x.1):

(x.2) to an official of the Department of Employment and Social Development solely for the purpose of the administration or enforcement of the *Canada Labour Code* as it relates to the misclassification of employees,

Home Accessibility Tax Credit

1 (1) The definition *qualifying expenditure* in subsection 118.041(1) of the Act is amended by striking out “or” at the end of paragraph (i), by adding “or” at the end of paragraph (j) and by adding the following after paragraph (j):

(k) that is included in computing a deduction under section 118.2 for any taxpayer for any taxation year. (*dépense admissible*)

(2) Subsection 118.041(4) of the Act is repealed.

(3) Subsections (1) and (2) come into force or are deemed to have come into force on January 1, 2026.

21-Year Rule

1 (1) The portion of subsection 104(5.8) of the Act before paragraph (a) is replaced by the following:

Trust transfers

(5.8) Where capital property, land included in inventory, Canadian resource property or foreign resource property is transferred, directly or indirectly in any manner whatever, at a particular time by a trust (in this subsection referred to as the “transferor trust”) to another trust (in this subsection referred to as the “transferee trust”) in circumstances in which subsection 107(2) or 107.4(3) or paragraph (f) of the definition *disposition* in subsection 248(1) applies,

(2) Subsection (1) applies in respect of transfers of property that occur on or after Budget Day.

Canada Carbon Rebate

1 The Act is modified to give effect to the proposals relating to the Canada Carbon Rebate as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Immediate Expensing for Manufacturing and Processing Buildings

1 The Act is modified to give effect to the proposals relating to the Immediate Expensing for Manufacturing and Processing Buildings as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Scientific Research and Experimental Development Tax Incentive Program

1 (1) Subsection 127(10.2) is replaced by the following:

Expenditure limit — CCPC

(10.2) For the purpose of subsection (10.1), a particular Canadian-controlled private corporation's expenditure limit for a particular taxation year is the amount determined by the formula

$$\text{\$6 million} \times (\text{\$60 million} - A) / \text{\$60 million}$$

where

A is

(a) nil, if the following amount is less than or equal to \$15 million:

(i) if the particular corporation is not associated with any other corporation in the particular taxation year, the amount that is its taxable capital employed in Canada (within the meaning assigned by section 181.2 or 181.3) for its immediately preceding taxation year, and

(ii) if the particular corporation is associated with one or more other corporations in the particular taxation year, the amount that is the total of all amounts, each of which is the taxable capital employed in Canada (within the meaning assigned by section 181.2 or 181.3) of the particular corporation for its, or of one of the other corporations for its, last taxation year that ended in the last calendar year that ended before the end of the particular taxation year, and

(b) in any other case, the lesser of \$60 million and the amount by which the amount determined under subparagraph (a)(i) or (ii), as the case may be, exceeds \$15 million.

(2) Subsection 127(10.6) of the Act is replaced by the following:

Expenditure limit determination in certain cases

(10.5) Notwithstanding any other provision of this section,

(a) where a Canadian-controlled private corporation (in this paragraph referred to as the “first corporation”) has more than one taxation year ending in the same calendar year and it is associated in two or more of those taxation years with another Canadian-controlled private corporation that has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is associated with the other corporation ending in that calendar year is, subject to the application of paragraph (b), an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph (b); and

(b) where a Canadian-controlled private corporation has a taxation year that is less than 51 weeks, its expenditure limit for the year is that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365.

Expenditure limit — ECPC

(10.6) For the purpose of subsection (10.1), a particular eligible Canadian public corporation's expenditure limit for a particular taxation year is the amount determined by the formula

$$\text{\$6 million} \times (\text{\$60 million} - A) / \text{\$60 million}$$

where

A is

(a) nil, if the following amount is less than or equal to \$15 million:

(i) if the particular corporation is not a member of a consolidated group in the particular taxation year, the amount that is the average, over the period of three fiscal years immediately preceding and ending before the particular taxation year, of its annual revenue based on the amounts reflected in the financial statements of the corporation, and

(ii) if the particular corporation is a member of a consolidated group in the particular taxation year, the amount that is the average, over the period of three fiscal years immediately preceding and ending before the particular taxation year, of the annual revenue reflected in the consolidated financial statements of the group, and

(b) in any other case, the lesser of \$60 million and the amount by which the amount determined under subparagraph (a)(i) or (ii), as the case may be, exceeds \$15 million.

Expenditure limits — consolidated ECPCs

(10.61) Notwithstanding subsection (10.6), the expenditure limit for a taxation year of an eligible Canadian public corporation that is, at any time in the year, a member of a consolidated group is, except as otherwise provided in this section, nil.

Consolidated ECPCs

(10.62) If all of the eligible Canadian public corporations that are members of a consolidated group file with the Minister in prescribed form an agreement under which, for the purpose of subsection (10.1), they allocate an amount to one or more of them for the year and the amount so allocated or the total of the amounts so allocated, as the case may be, does not exceed the amount determined for the year by the formula in subsection (10.6), the expenditure limit for the year of each of the corporations is the amount so allocated to it.

Failure to file agreement

(10.63) If any of the eligible Canadian public corporations that are members of a consolidated group fails to file with the Minister an agreement as contemplated by subsection (10.62) within 30 days after notice in writing by the Minister is forwarded to any of them that such an agreement is required for the purposes of this Part, the Minister shall, for the purpose of subsection (10.1), allocate an amount to one or more of them for the year, which amount or the total of which amounts, as the case may be, shall equal the amount determined for the year by the formula in subsection (10.6), and in any such case the expenditure limit for the year of each of the corporations is the amount so allocated to it.

Determinations in certain cases

(10.64) Notwithstanding any other provision of this section,

(a) where an eligible Canadian public corporation (in this paragraph referred to as the “first corporation”) has more than one taxation year ending in the same calendar year and in two or more of those taxation years it is a member of a consolidated group in which another eligible Canadian public corporation has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is in the same group as the other corporation ending in that calendar year is, subject to the application of paragraph (b), an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph (b);

(b) where an eligible Canadian public corporation has a taxation year that is less than 51 weeks, its expenditure limit for the year is that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365;

(c) for the purpose of subparagraph (a)(i) of the description of A in subsection (10.6), where one or more of the fiscal years of an eligible Canadian public corporation is less than 51 weeks, the revenue reflected in the financial statements for each of those fiscal years shall be determined by multiplying that amount by the ratio that 365 is of the number of days in that year;

(d) for the purpose of subparagraph (a)(ii) of the description of A in subsection (10.6), where one or more of the fiscal years of the ultimate parent entity of a consolidated group is less than 51 weeks, the revenue reflected in the consolidated financial statements of the entity for each of those fiscal years shall be determined by multiplying that amount by the ratio that 365 is of the number of days in that year; and

(e) for the purpose of subparagraphs (a)(i) and (ii) of the description of A in the formula in subsection (10.6),

(i) the average annual revenue referred to in each subparagraph is to be calculated over the actual number of fiscal years if there are less than three fiscal periods immediately preceding and ending before the particular taxation year, and

(ii) if paragraph (10.32)(c) applies, the average annual revenue referred to in that paragraph is to be calculated over the actual number of fiscal years if there are less than three fiscal years immediately preceding and ending in the calendar year referred to in that paragraph.

(3) Subsections (1) and (2) apply to taxation years that begin on or after December 16, 2024.

Agricultural Cooperatives: Patronage Dividends Paid in Shares

1 Paragraph (a) of the definition *tax deferred cooperative share* in subsection 135.1(1) of the Act is replaced by the following:

(a) issued, after 2005 and before 2031, by an agricultural cooperative corporation to a person or partnership that is at the time the share is issued an eligible member of the agricultural cooperative corporation, pursuant to an allocation in proportion to patronage;

Critical Mineral Exploration Tax Credit

1 (1) The definition *critical mineral* in subsection 127(9) of the Act is replaced by the following:

critical mineral means bismuth, cesium, chromium, cobalt, copper, fluorspar, gallium, germanium, graphite, indium, lithium, magnesium, manganese, molybdenum, nickel, niobium, a platinum group metal, a rare earth element, scandium, tantalum, tellurium, tin, titanium, tungsten, uranium, vanadium or zinc; (*minéral critique*)

(2) Subsection (1) applies in respect of expenses renounced under a flow-through share agreement entered into after Budget Day.

Clean Technology Manufacturing Investment Tax Credit

1 (1) The definition *qualifying material* in subsection 127.49(1) of the Act is amended by striking out “and” at the end of paragraph (e) and by adding the following after subparagraph (f):

(g) antimony;

(h) gallium;

(i) germanium;

(j) indium; and

(k) scandium.

(2) Subsection (1) applies in respect of property that is acquired and becomes available for use on or after Budget Day.

Investment Tax Credit for Carbon Capture, Utilization, and Storage

1 (1) Paragraphs (a) and (b) of the definition *specified percentage* in subsection 127.44(1) of the Act are replaced by the following:

(a) qualified carbon capture expenditure if incurred in respect of carbon capture

(i) directly from ambient air

(A) after 2021 and before 2036, 60%,

(B) after 2035 and before 2041, 30%, or

(C) after 2040, 0%, or

(ii) other than directly from ambient air

(A) after 2021 and before 2036, 50%,

(B) after 2035 and before 2041, 25%, or

(C) after 2040, 0%; and

(b) qualified carbon transportation expenditure, qualified carbon storage expenditure or qualified carbon use expenditure if incurred

(i) after 2021 and before 2036, 37 1/2%,

(ii) after 2035 and before 2041, 18 3/4%, or

(iii) after 2040, 0%. (*pourcentage déterminé*)

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

Clean Electricity Investment Tax Credit and Canada Growth Fund

1 The Act is modified to give effect to the proposals relating to the Clean Electricity Investment Tax Credit and Canada Growth Fund as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Tax Deferral Through Tiered Corporate Structures

1 (1) Paragraph 87(2)(j.6) of the Act is replaced by the following:

Continuing corporation

(j.6) for the purposes of paragraphs 12(1)(t) and (x), subsections 12(2.2) and 13(7.1), (7.4) and (24), paragraphs 13(27)(b) and (28)(c), subsections 13(29) and 18(9.1), paragraphs 20(1)(e), (e.1), (v) and (hh), sections 20.1 and 32, paragraph 37(1)(c), subsection 39(13), subparagraphs 53(2)(c)(vi) and (h)(ii), paragraph 53(2)(s), subsections 53(2.1), 66(11.4), 66.7(11) and 84.1(2.31) and (2.32), section 110.61, subsections 127(10.2) and 129(1.3) to (1.32), section 139.1, subsection 152(4.3), the determination of D in the definition *undepreciated capital cost* in subsection 13(21), the determination of L in the definition *cumulative Canadian exploration expense* in subsection 66.1(6) and the definition *qualifying business transfer* in subsection 248(1), the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

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

2 (1) Subsection 129(1.2) of the Act is replaced by the following:

Dividends deemed not to be taxable dividends

(1.2) Where a dividend is paid on a share of the capital stock of a corporation and the share (or another share for which the share was substituted) was acquired by its holder in a transaction or as part of a series of transactions one of the main purposes of which was to enable the corporation (or another corporation affiliated with the corporation) to obtain a dividend refund, the dividend shall, for the purposes of subsections (1) and (1.3) to (1.32), be deemed not to be a taxable dividend.

Staggered year ends — dividend refund suspension

(1.3) For the purpose of subsection (1) and subject to subsection (1.31), the amount of a dividend paid by a corporation (in this subsection and subsections (1.31) and (1.32) referred to as the “payer corporation”) — other than a dividend to

which paragraph 55(3)(a) or (b) applies in the course of a reorganization — is deemed not to be a taxable dividend to the extent that the dividend is received, directly or indirectly through one or more trusts or partnerships, by another corporation (in subsections (1.31) and (1.32) referred to as a “payee corporation”) that:

- (a) is affiliated with the payer corporation immediately before the time the dividend is paid;
- (b) is a private corporation or a subject corporation (within the meaning assigned by subsection 186(3)); and
- (c) has a balance-due day for the taxation year in which it received the dividend that is after the balance-due day for the taxation year of the payer corporation (in subsection (1.31) referred to as the “payer-due day”) in which it paid the dividend.

Exclusion

(1.31) Subsection (1.3) does not apply to a dividend if:

- (a) the following conditions are satisfied:
 - (i) in the taxation year of the payee corporation in which the dividend was received, the payee corporation paid, on or before the payer-due day, one or more taxable dividends (in this subsection referred to as the “payee dividend”) the total amount of which equals or exceeds the amount of the dividend received by the payee corporation,
 - (ii) if applicable, in the taxation year of each corporation (in this subsection referred to as a “grandparent corporation”) that is affiliated with the payer corporation immediately before the time the dividend is paid and that received, directly or indirectly through one or more trusts, partnerships or grandparent corporations, all or a portion of the payee dividend, the grandparent corporation paid, on or before the payer-due day, one or more taxable dividends (in this subsection referred to as the “grandparent dividend”) the total amount of which equals or exceeds the amount of the payee dividend received, directly or indirectly, by the grandparent corporation, and
 - (iii) no portion of the payee dividend referred to in subparagraph (i) or the grandparent dividend referred to in subparagraph (ii) is otherwise relied on by any taxpayer to avoid the application of subsection (1.3); or
- (b) the payer corporation was subject to a loss restriction event within 30 days after the payer corporation paid the dividend that, but for this paragraph, would be subject to subsection (1.3).

Release of suspended dividend refund

(1.32) For the purpose of subsection (1), a payer corporation is deemed to have paid at the end of a particular taxation year a taxable dividend equal to the amount of a dividend that was subject to subsection (1.3) in a taxation year of the payer corporation preceding the particular taxation year (in this subsection referred to as the “suspended dividend”) if the following conditions are met:

- (a) between the time the suspended dividend was paid and the end of the particular taxation year
- (i) the payer corporation was not subject to a loss restriction event, and
- (ii) the payee corporation, and if applicable each grandparent corporation (described in subparagraph (1.31)(a)(ii) at the time subsection (1.3) applied to the payer corporation in respect of the suspended dividend), paid one or more taxable dividends the total amount of which equals or exceeds the amount of the suspended dividend, and the dividends were received, directly or indirectly through one or more trusts, partnerships or grandparent corporations, by a taxpayer that was not
 - (A) a corporation that was affiliated with the payer corporation immediately before the time the suspended dividend was paid, or
 - (B) a private corporation or a subject corporation, within the meaning assigned by subsection 186(3), (in this subsection referred to as the “connected corporation”) that was connected, within the meaning assigned by subsection 186(4), with the payee corporation or a grandparent corporation at the time that the payee corporation or the grandparent corporation paid the taxable dividend, unless:

(I) in the taxation year of the connected corporation in which the dividend was received, the connected corporation paid, by the end of the particular taxation year, one or more taxable dividends (in this subsection referred to as the “connected dividend”) the total amount of which equals or exceeds the amount of the dividend received, and

(II) if applicable, in the taxation year of each corporation (in this subsection referred to as a “connected parent or grandparent corporation”) that is connected (within the meaning assigned by subsection 186(4)) with the connected corporation immediately before the time the connected dividend is paid and that received, directly or indirectly through one or more trusts, partnerships or connected parent or grandparent corporations, all or a portion of the connected dividend, the connected parent or grandparent corporation paid, by the end of the particular taxation year, one or more taxable dividends the total amount of which equals or exceeds their share of the connected dividend received;

(b) no amount in respect of the taxable dividends paid under paragraph (a) are relied on by any taxpayer (other than the payer corporation) to

(i) obtain a dividend refund under subsection (1), or

(ii) avoid the application of subsection (1.3); and

(c) this subsection has not previously applied in respect of the suspended dividend.

Assessments

(1.33) Despite subsections 152(4) to (5), such assessments, reassessments, determinations and redeterminations may be made as are necessary to give effect to subsections (1.3) to (1.32).

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

3 (1) The portion of paragraph 186(1)(b) of the Act before subparagraph (i) is replaced by the following:

(b) all amounts, each of which is an amount in respect of an assessable dividend received by the particular corporation in the year from a private corporation or a subject corporation that was a payer corporation connected with the particular corporation, equal to that proportion of the payer corporation’s dividend refund (within the meaning assigned by paragraph 129(1)(a), if this Act were read without reference to subsection 129(1.32)) for its taxation year in which it paid the dividend that

(2) Subparagraph 186(1)(b)(i) of the Act is replaced by the following:

(i) the amount of the dividend received by the particular corporation (excluding any amount subject to subsection 129(1.3))

(3) Subparagraph 186(1)(b)(ii) of the Act is replaced by the following:

(ii) the total of all taxable dividends paid by the payer corporation in its taxation year in which it paid the dividend and at a time when it was a private corporation or a subject corporation (excluding any amount subject to subsection 129(1.3))

(4) Subsections (1) to (3) are deemed to come into force on Budget Day.

Eligible activities under the Canadian Exploration Expense

1 The Act is modified to give effect to the proposals relating to the Eligible activities under the Canadian Exploration Expense as described in the budget documents tabled by the Minister of Finance in the House of Commons on Budget Day.

Transfer Pricing

1 (1) Subsection 142.7(4) of the Act is replaced by the following:

Deemed fair market value

(4) If a Canadian affiliate of an entrant bank and the entrant bank make an election under subsection (3) in respect of a transfer of property by the Canadian affiliate to the entrant bank, for the purposes of subsections 15(1), 52(2), 69(1), (4) and (5), 246(1) and 247(2.02) in respect of the transfer, the fair market value of the property is deemed to be the amount agreed by the Canadian affiliate and the entrant bank in their election.

(2) Subsection (1) applies to taxation years and fiscal periods that begin after Budget Day.

2 (1) The definitions *arm's length allocation*, *arm's length transfer price*, *tax benefit* and *transfer price* in subsection 247(1) of the Act are repealed.

(2) The definitions *transfer pricing income adjustment* and *transfer pricing income setoff adjustment* in subsection 247(1) of the Act are replaced by the following:

transfer pricing income adjustment of a taxpayer for a taxation year means the total of all amounts each of which is the amount, if any, by which an adjustment made under subsection (2.02) (other than an adjustment included in determining a transfer pricing capital adjustment of the taxpayer for a taxation year) would result in an increase in the taxpayer's income for the year or a decrease in a loss of the taxpayer for the year from a source if that adjustment were the only adjustment made under subsection (2.02). (*redressement de revenu*)

transfer pricing income setoff adjustment of a taxpayer for a taxation year means the total of all amounts each of which is the amount, if any, by which an adjustment made under subsection (2.02) (other than an adjustment included in determining a transfer pricing capital setoff adjustment of the taxpayer for a taxation year) would result in a decrease in the taxpayer's income for the year or an increase in a loss of the taxpayer for the year from a source if that adjustment were the only adjustment made under subsection (2.02). (*redressement compensatoire de revenu*)

(3) Subparagraph (a)(i) of the definition *transfer pricing capital adjustment* in subsection 247(1) of the Act is replaced by the following:

(i) 1/2 of the amount, if any, by which the adjusted cost base to the taxpayer of a capital property (other than a depreciable property) is reduced in the year because of an adjustment made under subsection (2.02), or

(4) Subparagraph (a)(iii) of the definition *transfer pricing capital adjustment* in subsection 247(1) of the Act is replaced by the following:

(iii) the amount, if any, by which the capital cost to the taxpayer of a depreciable property is reduced in the year because of an adjustment made under subsection (2.02); and

(5) Subparagraph (b)(i) of the definition *transfer pricing capital adjustment* in subsection 247(1) of the Act is replaced by the following:

(i) 1/2 of the amount, if any, by which the adjusted cost base to a partnership of a capital property (other than a depreciable property) is reduced in a fiscal period that ends in the year because of an adjustment made under subsection (2.02), and

(6) Subparagraph (b)(iii) of the definition *transfer pricing capital adjustment* in subsection 247(1) of the Act is replaced by the following:

(iii) the amount, if any, by which the capital cost to a partnership of a depreciable property is reduced in the period because of an adjustment made under subsection (2.02),

(7) Subsection 247(1) of the Act is amended by adding the following in alphabetical order:

actual conditions means, in respect of a transaction or series of transactions, the conditions that actually apply between any of the participants in the transaction or series. (*conditions réelles*)

arm's length conditions means, in respect of a transaction or series of transactions, the conditions that would have applied had the participants been dealing at arm's length in comparable circumstances, including the possibility that no transaction or series, or a different transaction or series, would have been concluded had the participants been dealing at arm's length in comparable circumstances. (*conditions de pleine concurrence*)

economically relevant characteristics, in respect of a transaction or series of transactions, includes

(a) to the extent that the following contractual terms are not inconsistent with the actual conduct of the participants in the transaction or series,

(i) the contractual terms of the transaction or series, and

(ii) the contractual terms of each other transaction or series that is relevant to the transaction or series and that involves at least one of the participants or any other member of the multinational enterprise group;

(b) the actual conduct of the participants in the transaction or series, and in particular the functions performed by those participants, taking into account

(i) assets used and risks assumed,

(ii) how those functions relate to the wider generation of value by the multinational enterprise group to which the participants belong,

(iii) circumstances surrounding the transaction or series, and

(iv) industry practices;

(c) the characteristics of any property transferred or service provided;

(d) the economic circumstances of the participants and of the market in which the participants operate; and

(e) the business strategies pursued by the participants. (*caractéristiques économiquement pertinentes*)

multinational enterprise group means the group made up of the taxpayer or the partnership, or member of the partnership, and the non-resident person (or a partnership of which the non-resident person is a member) who are participants in a transaction or series of transactions referred to in subsection (2), as well as any other person that does not deal at arm's length with at least one of the participants. (*groupe d'entreprises multinationales*)

Transfer Pricing Guidelines means

(a) if no text is prescribed under paragraph (b), the *OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations*, as adopted by the Committee on Fiscal Affairs on January 7, 2022; or

(b) any text prescribed by regulation. (*Principes applicables en matière de prix de transfert*)

(8) Subsection 247(2) of the Act is replaced by the following:

Delineation of transaction or series

(1.1) For the purposes of this section, a transaction or series of transactions is to be analyzed and determined with reference to the economically relevant characteristics of the transaction or series.

Interpretation of conditions

(1.2) For the purposes of the definitions *actual conditions* and *arm's length conditions* in subsection (1), the word "conditions" is to be interpreted broadly, and includes, but is not limited to, price, rate, gross margin, net margin, the

division of profit, contributions to costs and any commercial or financial information relevant to the determination of the quantum or nature of initial amounts or adjusted amounts, as the case may be.

Transfer pricing adjustment — application

(2) Subsection (2.02) applies to a taxpayer or a partnership in respect of a transaction or series of transactions if

- (a)** the taxpayer or the partnership and a non-resident person with whom the taxpayer or the partnership, or a member of the partnership, does not deal at arm's length (or a partnership of which the non-resident person is a member) are participants in the transaction or series; and
- (b)** the transaction or series includes actual conditions different from arm's length conditions.

Transfer pricing adjustment — deeming rule

(2.01) For the purposes of paragraph (2)(b), a transaction or series of transactions is deemed to include actual conditions different from arm's length conditions if a condition does not exist in respect of the transaction or series, but would have existed had the participants in the transaction or series been dealing at arm's length in comparable circumstances.

Transfer pricing adjustment

(2.02) If this subsection applies to a taxpayer or a partnership in respect of a transaction or series of transactions, any amounts (in this section referred to as the "initial amounts") that would be determined for the purposes of applying the provisions of this Act (if this Act were read without reference to this section and section 245) in respect of the taxpayer or the partnership for a taxation year or fiscal period are to be adjusted (in this section referred to as an "adjustment") to the quantum or nature of the amounts (in this section referred to as the "adjusted amounts") that would have been determined if arm's length conditions in respect of the transaction or series had applied.

Transfer Pricing Guidelines

(2.03) For the purposes of determining the effect of this Part in relation to a taxpayer or a partnership, each of the analysis and determination of a transaction or series of transactions under subsection (1.1), the identification of arm's length conditions under paragraph (2)(b) and the determination of amounts under subsection (2.02) are to be made so as to best achieve consistency with the Transfer Pricing Guidelines.

Most appropriate method

(2.04) For the purposes of this Part, whether a transaction or series of transactions includes actual conditions that differ from arm's length conditions is to be determined through an analysis where the most appropriate method is selected and applied in accordance with the Transfer Pricing Guidelines.

(9) The portion of subsection 247(2.1) of the Act before paragraph (a) is replaced by the following:

Ordering

(2.1) For the purpose of applying subsection (2.02) in the context of the other provisions of this Act, the following order is to be applied:

(10) Paragraph 247(2.1)(c) of the Act is replaced by the following:

- (c)** then apply each of the provisions of this Act (other than subsection (2.02) and, for greater certainty, including section 245) using the adjusted amounts.

(11) Subparagraphs 247(3)(a)(ii) and (iii) of the Act are replaced by the following:

- (ii)** the total of all amounts each of which is the portion of the taxpayer's transfer pricing capital adjustment or transfer pricing income adjustment for the year that can reasonably be considered to relate to a particular transaction or series of transactions, where

- (A)** the transaction or series is a qualifying cost contribution arrangement in which the taxpayer or a partnership of which the taxpayer is a member is a participant, or

(B) in any other case, the taxpayer or a partnership of which the taxpayer is a member made reasonable efforts to determine amounts that are based on arm's length conditions in respect of the transaction or series, and to use those amounts for the purposes of this Act, and

(iii) the total of all amounts, each of which is the portion of the taxpayer's transfer pricing capital setoff adjustment or transfer pricing income setoff adjustment for the year that can reasonably be considered to relate to a particular transaction or series, where

(A) the transaction or series is a qualifying cost contribution arrangement in which the taxpayer or a partnership of which the taxpayer is a member is a participant, or

(B) in any other case, the taxpayer or a partnership of which the taxpayer is a member made reasonable efforts to determine amounts that are based on arm's length conditions in respect of the transaction or series, and to use those amounts for the purposes of this Act,

(12) Subparagraphs 247(3)(b)(i) and (ii) of the Act are replaced by the following:

(i) 10% of the amount that would be the taxpayer's gross revenue for the year if this Act were read without reference to subsection (2.02), subsections 69(1) and (1.2) and section 245, and

(ii) \$10,000,000.

(13) Subsection 247(4) of the Act is replaced by the following:

Contemporaneous documentation

(4) For the purposes of subsection (3) and the definition *qualifying cost contribution arrangement* in subsection (1), a taxpayer or a partnership is deemed not to have made reasonable efforts to determine and use amounts that are based on arm's length conditions in respect of a transaction or series of transactions or not to have participated in a transaction or series that is a qualifying cost contribution arrangement, unless the taxpayer or the partnership, as the case may be,

(a) makes or obtains, on or before the taxpayer's or partnership's documentation-due date for the taxation year or fiscal period, as the case may be, in which the transaction or series is entered into, records or documents that provide a description that is complete and accurate in all material respects of

(i) the property or services to which the transaction or series relates,

(ii) the contractual terms of the transaction or series and their relationship, if any, to the contractual terms of each other transaction or series that is relevant to the transaction or series and that involves at least one of the participants or any other member of the multinational enterprise group,

(iii) the identity of the participants and their relationship to each other at the time the transaction or series was entered into,

(iv) the functions performed by each of the participants in the transaction or series, based on their actual conduct, taking into account

(A) assets used and risks assumed,

(B) how those functions relate to the wider generation of value by the multinational enterprise group to which the participants belong,

(C) circumstances surrounding the transaction or series, and

(D) industry practices,

(v) the data and methods considered and the analysis performed to determine amounts that are based on arm's length conditions and to select and apply the most appropriate method in accordance with the Transfer Pricing Guidelines in respect of the transaction or series, and

(vi) the economic circumstances, assumptions, policies and business strategies, if any, that influenced the determination of the amounts that are based on arm's length conditions in respect of the transaction or series;

(b) for each subsequent taxation year or fiscal period, if any, in which the transaction or series continues, makes or obtains, on or before the taxpayer's or partnership's documentation-due date for that year or period, as the case may be, records or documents that completely and accurately describe each material change in the year or period to the matters referred to in any of subparagraphs (4)(a)(i) to (vi) in respect of the transaction or series; and

(c) provides the records or documents described in paragraphs (4)(a) and (b) to the Minister within 30 days after service, made personally or by registered or certified mail, of a written request therefor.

Contemporaneous documentation simplification measures

(4.1) Subsection (4) does not apply to a taxpayer or partnership for a particular taxation year or fiscal period in respect of a transaction or series if the taxpayer or partnership

(a) meets prescribed conditions; and

(b) makes, obtains and provides prescribed documentation in prescribed manner.

(14) Subsection 247(7) of the Act is replaced by the following:

Exclusion — loans to certain controlled foreign affiliates

(7) Where, in a taxation year of a corporation resident in Canada, a non-resident person owes an amount to the corporation, the non-resident person is a controlled foreign affiliate of the corporation for the purpose of section 17 throughout the period in the year during which the amount is owing and it is established that the amount owing is an amount owing described in paragraph 17(8)(a) or (b), subsection (2.02) does not apply to adjust the amount of interest paid, payable or accruing in the year on the amount owing.

(15) The portion of subsection 247(7.1) of the Act before paragraph (a) is replaced by the following:

Exclusion — certain guarantees

(7.1) Subsection (2.02) does not apply to adjust an amount of consideration paid, payable or accruing to a corporation resident in Canada (in this subsection referred to as the "parent") in a taxation year of the parent for the provision of a guarantee to a person or partnership (in this subsection referred to as the "lender") for the repayment, in whole or in part, of a particular amount owing to the lender by a non-resident person, if

(16) Subsection 247(10) of the Act is replaced by the following:

No adjustment unless appropriate

(10) An adjustment (other than an adjustment that results in or increases a transfer pricing capital adjustment or a transfer pricing income adjustment of a taxpayer for a taxation year) shall not be made under subsection (2.02) unless, in the opinion of the Minister, the circumstances are such that it would be appropriate that the adjustment be made.

(17) Subparagraph 247(12)(b)(i) of the Act is amended by striking out "and" at the end of clause (A) and by replacing clause (B) with the following:

(B) the definition *transfer pricing capital adjustment* in subsection (1) were read without reference to the references therein to "1/2 of", and

(C) the definition *transfer pricing income adjustment* in subsection (1) were read as follows: "of a taxpayer for a taxation year means the total of all amounts each of which is the amount, if any, that would result, from an adjustment made under subsection (2.02) (other than an adjustment included in determining a transfer pricing

capital adjustment of the taxpayer for a taxation year), in an increase in the taxpayer's income for the year or a decrease in a loss of the taxpayer for the year from a source if that adjustment were the only adjustment made under subsection (2.02)"

(18) Subparagraph 247(12)(b)(ii) of the Act is amended by striking out “and” at the end of clause (A) and by replacing clause (B) with the following:

(B) the definition *transfer pricing capital adjustment* in subsection (1) were read without reference to the references therein to “1/2 of”,

(C) the definition *transfer pricing income adjustment* in subsection (1) were read as follows: “of a taxpayer for a taxation year means the total of all amounts each of which is the amount, if any, that would result, from an adjustment made under subsection (2.02) (other than an adjustment included in determining a transfer pricing capital adjustment of the taxpayer for a taxation year), in an increase in the taxpayer's income for the year or a decrease in a loss of the taxpayer for the year from a source if that adjustment were the only adjustment made under subsection (2.02)”, and

(D) the definition *transfer pricing income setoff adjustment* in subsection (1) were read as follows: “of a taxpayer for a taxation year means the total of all amounts each of which is the amount, if any, that would result, from an adjustment made under subsection (2.02) (other than an adjustment included in determining a transfer pricing capital setoff adjustment of the taxpayer for a taxation year), in a decrease in the taxpayer's income for the year or in an increase in a loss of the taxpayer for the year from a source if that adjustment were the only adjustment made under subsection (2.02)”.

(19) Subsections (1) to (18) apply to taxation years and fiscal periods that begin after Budget Day.

Investment Income Derived from Assets Supporting Canadian Insurance Risks

1 (1) Subparagraph 95(2)(a.2)(i) of the Act is replaced by the following:

(i) there shall be included the income of the affiliate for the year from the insurance of specified Canadian risks (which, for the purposes of this paragraph, includes the reinsurance of specified Canadian risks and the holding of any property by the affiliate in connection with the insurance or reinsurance of specified Canadian risks by any person or partnership), unless more than 90% of the gross revenue of the affiliate for the year from the insurance of risks (net of reinsurance ceded) was in respect of the insurance of risks (other than specified Canadian risks) of persons with whom the affiliate deals at arm's length,

(2) Subsection (1) applies to taxation years of a foreign affiliate of a taxpayer that begin after Budget Day.