LEGISLATIVE PROPOSALS RELATING TO THE INCOME TAX ACT AND RELATED REGULATIONS

INCOME TAX ACT

1. (1) Section 34.2 of the *Income Tax Act* is replaced by the following:

Definitions

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

"adjusted stub period accrual" « *montant comptabilisé ajusté pour la période tampon* »

"adjusted stub period accrual" of a corporation in respect of a partnership — in which the corporation has a significant interest at the end of the last fiscal period of the partnership that ends in the corporation's taxation year in circumstances where another fiscal period (in this definition referred to as the "particular period") of the partnership begins in the year and ends after the year — means

(*a*) if paragraph (*b*) does not apply, the amount determined by the formula

$$((A - B) \times C/D) - (E + F)$$

where

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for a fiscal period of the partnership that ends in the year (other than any amount for which a deduction is available under section 112 or 113),

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the description of A — of the partnership for a fiscal period of the partnership that ends in the year,

C is the number of days that are in both the year and the particular period,

D is the number of days in fiscal periods of the partnership that end in the year,

E is the amount of the qualified resource expense in respect of the particular period of the partnership that is designated by the corporation for the year under subsection (6) in its return of income for the year filed with the Minister on or before its filing-due date for the year, and

F is an amount designated by the corporation in its return of income for the year (other than an amount included in the description of E) and filed with the Minister on or before its filing-due date for the year; and

(*b*) if a fiscal period of the partnership ends in the corporation's taxation year and the year is the first taxation year in which the fiscal period of the partnership is aligned with the fiscal period of one or more other partnerships under a multi-tier alignment (in this paragraph referred to as the "eligible fiscal period"),

(i) where a fiscal period of the partnership ends in the year and before the eligible fiscal period, the amount determined by the formula

$$((A - B) \times C/D) - (E + F)$$

where

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the first fiscal period of the partnership that ends in the year (other than any amount for which a deduction is available under section 112 or 113),

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the description of A — of the partnership for the first fiscal period of the partnership that ends in the year,

C is the number of days that are in both the year and the particular period,

D is the number of days in the first fiscal period of the partnership that ends in the year,

E is the amount of the qualified resource expense in respect of the particular period of the partnership that is designated by the corporation for the year under subsection (6) in its return of income for the year filed with the Minister on or before its filing-due date for the year, and

F is an amount designated by the corporation in its return of income for the year (other than an amount included in the description of E) and filed with the Minister on or before its filing-due date for the year, and

(ii) where the eligible fiscal period of the partnership is the first fiscal period of the partnership that ends in the corporation's taxation year, the amount determined by the formula

$$(A - B - C) \times D/E - (F + G)$$

where

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the eligible fiscal period (other than any amount for which a deduction is available under section 112 or 113),

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the description of A — of the partnership for the eligible fiscal period,

C is the corporation's eligible alignment income for the eligible fiscal period,

D is the number of days that are in both the year and the particular period,

E is the number of days that are in the eligible fiscal period that ends in the year,

F is the amount of the qualified resource expense in respect of the particular period of the partnership that is designated by the corporation for the year under subsection (6) in its return of income for the year filed with the Minister on or before its filing-due date for the year, and

G is an amount designated by the corporation in its return of income for the year (other than an amount included in the description of F) and filed with the Minister on or before its filing-due date for the year.

"eligible alignment income" « *revenu d'alignement admissible* »

"eligible alignment income", of a corporation, means

(*a*) if a partnership is subject to a single-tier alignment, the first aligned fiscal period of the partnership ends in the first taxation year of the corporation ending after March 22, 2011 (in this paragraph referred to as the "eligible fiscal period") and the corporation is a member of the partnership at the end of the eligible fiscal period,

(i) where the eligible fiscal period is preceded by another fiscal period of the partnership that ends in the corporation's first taxation year that ends after March 22, 2011 and the corporation is a member of the partnership at the end of that preceding fiscal period, the amount determined by the formula

$$A - B - C$$

where

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the eligible fiscal period (other than any amount for which a deduction is available under section 112 or 113),

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the description of A — of the partnership for the eligible fiscal period, and

C is, where an outlay or expense of the partnership is deemed by subsection 66(18) to be made or incurred by the corporation at the end of the eligible fiscal period, the total of all amounts each of which is an amount that would be deductible by the corporation for the taxation year under any of sections 66.1, 66.2, 66.21 and 66.4 determined as if each such outlay or expense were the only amount relevant in determining the amount deductible, or

(ii) where the eligible fiscal period is the first fiscal period of the partnership that ends in the corporation's first taxation year ending after March 22, 2011, nil; and

(*b*) if a partnership is subject to a multi-tier alignment, the first aligned fiscal period of the partnership ends in the taxation year of the corporation (in this paragraph referred to

as the "eligible fiscal period") and the corporation is a member of the partnership at the end of the eligible fiscal period, the amount determined by the formula

$$A - B - C$$

where

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the eligible fiscal period, other than any amount

(i) for which a deduction is available under section 112 or 113, or

(ii) that would be included in computing the income of the corporation for the year if there were no multi-tier alignment,

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the description of A — of a partnership for the eligible fiscal period, and

C is, where an outlay or expense of the partnership is deemed by subsection 66(18) to be made or incurred by the corporation at the end of the eligible fiscal period, the total of all amounts each of which is an amount that would be deductible by the corporation for the taxation year under any of sections 66.1, 66.2, 66.21 and 66.4 determined as if each such outlay or expense were the only amount relevant in determining the amount deductible.

"multi-tier alignment" « *alignement pour paliers multiple* »

"multi-tier alignment", in respect of a partnership, means the alignment under subsection 249.1(9) or (11) of the fiscal period of the partnership and the fiscal period of one or more other partnerships.

"qualified resource expense" « *dépense admissible relative à des ressources* »

"qualified resource expense", of a corporation for a taxation year in respect of a fiscal period of a partnership that begins in the year and ends after the year, means an expense incurred by the partnership in the portion of the fiscal period that is in the year and that is described in any of the following definitions:

(*a*) "Canadian exploration expense" in subsection 66.1(6);

(*b*) "Canadian development expense" in subsection 66.2(5);

(*c*) "foreign resource expense" in subsection 66.21(1); and

(*d*) "Canadian oil and gas property expense" in subsection 66.4(5).

"qualifying transitional income" « *revenu admissible à l'allègement* »

"qualifying transitional income", of a corporation that is a member of a partnership on March 22, 2011, means the amount that is the total of the following amounts, computed in accordance with subsection (15),

(*a*) the corporation's eligible alignment income in respect of the partnership; and

(*b*) the corporation's adjusted stub period accrual in respect of the partnership for

(i) if there is a multi-tier alignment in respect of the partnership, the corporation's taxation year during which ends the fiscal period of the partnership that is aligned with the fiscal period of one or more other partnerships under the multi-tier alignment, or

(ii) in any other case, the corporation's first taxation year that ends after March 22, 2011.

"significant interest" « *participation importante* »

"significant interest", of a corporation in a partnership at any time, means a membership interest of the corporation in the partnership if the corporation, or the corporation together with one or more persons or partnerships related to or affiliated with the corporation, is entitled at that time to more than 10% of

(*a*) the income or loss of the partnership; or

(*b*) the assets (net of liabilities) of the partnership if it were to cease to exist.

"single-tier alignment" « *alignement pour palier unique* »

"single-tier alignment", in respect of a partnership, means the ending of a fiscal period of the partnership under subsection 249.1(8).

"specified percentage" « *pourcentage déterminé* »

"specified percentage", of a corporation for a particular taxation year in respect of a partnership, means

(*a*) if the first taxation year for which the corporation has qualifying transitional income ends in 2011 and the particular year ends in

(i) 2011, 100%,

(ii) 2012, 85%,

(iii) 2013, 65%,

(iv) 2014, 45%,

(v) 2015, 25%, and

(vi) 2016, 0%;

(*b*) if the first taxation year for which the corporation has qualifying transitional income ends in 2012 and the particular year ends in

(i) 2012, 100%,

(ii) 2013, 85%,

(iii) 2014, 65%,

(iv) 2015, 45%,

(v) 2016, 25%, and

(vi) 2017, 0%; and

(*c*) if the first taxation year for which the corporation has qualifying transitional income ends in 2013 and the particular year ends in

(i) 2013, 85%,

(ii) 2014, 65%,

(iii) 2015, 45%,

(iv) 2016, 25%, and

(v) 2017, 0%.

Income inclusion – adjusted stub period accrual

(2) Subject to subsections (5) and (9), a corporation (other than a professional corporation) shall include in computing its income for a taxation year its adjusted stub period accrual in respect of a partnership if

(*a*) the corporation has a significant interest in the partnership at the end of the last fiscal period of the partnership that ends in the year;

(*b*) another fiscal period of the partnership begins in the year and ends after the year; and

(*c*) at the end of the year, the corporation is entitled to a share of an income, loss, taxable capital gain or allowable capital loss of the partnership for the fiscal period referred to in paragraph (*b*).

Income inclusion — new partner designation

(3) Subject to subsection (5), if a corporation (other than a professional corporation) becomes a member of a partnership during a fiscal period of the partnership (in this subsection referred to as the "particular period") that begins in the corporation's taxation year and ends on or before the filing-due date for the taxation year and the corporation has a significant interest in the partnership at the end of the particular period, the corporation may include in computing its income for the taxation year in respect of the partnership the lesser of

(*a*) the amount, if any, designated by the corporation in its return of income for the taxation year, and

(*b*) the amount determined by the formula

$$A \times B/C$$

where

A is the corporation's income from the partnership for the particular period (other than any amount for which a deduction is available under section 112 or 113),

B is the number of days that are both in the corporation's taxation year and the particular period, and

C is the number of days in the particular period.

Deduction in following year

(4) A corporation may deduct in computing its income for a taxation year each amount that was included in computing its income in respect of a partnership for the immediately preceding taxation year under subsection (2) or (3).

Character of stub period accrual — additional income and deduction

(5) For the purposes of this Act, the following rules apply:

(*a*) in computing the income of a corporation for a taxation year,

(i) an adjusted stub period accrual included under subsection (2) in respect of a partnership for the year is deemed to be income and taxable capital gains having the same character and to be in the same proportions as any income and taxable capital gains that were allocated by the partnership to the corporation for all fiscal periods of the partnership ending in the year,

(ii) an amount included under subsection (3) in respect of a partnership for the year is deemed to be income and taxable capital gains having the same character and to be in the same proportions as any income and taxable capital gains that were allocated by the partnership to the corporation for the particular period referred to in that subsection,

(iii) an amount deductible under subsection (4) in respect of a partnership for the year is deemed to have the same character and to be in the same proportions as the income and taxable capital gains included in the corporation's income for the immediately preceding taxation year under subsection (2) or (3) in respect of the partnership,

(iv) an amount deductible as a reserve under subsection (11) in respect of a partnership for the year is deemed to have the same character and to be in the same proportions as the qualifying transitional income in respect of the partnership for the year, and

(v) an amount included in income under subsection (12) in respect of the partnership for the year is deemed to have the same character and to be in the same proportions as the amount deducted under subsection (11) for the immediately preceding taxation year; and

(*b*) a corporation is deemed to have realized at the end of a taxation year an allowable capital loss equal to the amount determined by the formula

$$A - (B - C)$$

where

A is the amount deductible by the corporation under subsection (4) for the year in respect of taxable capital gains of a partnership,

B is the amount that is the total of all taxable capital gains allocated by the partnership to the corporation for the year, and

C is the lesser of the amount that is the total of all allowable capital losses allocated by the partnership to the corporation for the year and the amount determined for the description of B.

Designation — qualified resource expense

(6) A corporation may designate an amount for a taxation year in respect of a qualified resource expense under the definition"adjusted stub period accrual" subject to the following rules:

(*a*) the corporation cannot designate an amount for the year in respect of a qualified resource expense in respect of a partnership except to the extent the corporation obtains from the partnership, before the corporation's filing-due date for the year, information in writing identifying the corporation's qualified resource expenses described

(i) in paragraph (*h*) of the definition "Canadian exploration expense" in subsection 66.1(6), determined as if those expenses had been incurred by the partnership in its last fiscal period that ended in the year,

(ii) in paragraph (*f*) of the definition "Canadian development expense" in subsection 66.2(5), determined as if those expenses had been incurred by the partnership in its last fiscal period that ended in the year,

(iii) in paragraph (*e*) of the definition "foreign resource expense" in subsection 66.21(1), determined as if those expenses had been incurred by the partnership in its last fiscal period that ended in the year, and

(iv) in paragraph (*b*) of the definition "Canadian oil and gas property expense" in subsection 66.4(5), determined as if those expenses had been incurred by the partnership in its last fiscal period that ended in the year; and

(*b*) the amount designated for the year by the corporation may not exceed the maximum amount that would be deductible by the corporation under any of sections 66.1, 66.2, 66.21 and 66.4 in computing its income for the year if

(i) the amounts referred to in paragraph (*a*) in respect of the partnership were the only amounts relevant in determining the maximum amount, and

(ii) the fiscal period of the partnership that begins in the year and ends after the year had ended at the end of the year and each qualified resource expense were deemed under subsection 66(18) to be incurred by the corporation at the end of the year.

No additional income — bankrupt

(7) Subsections (2) and (3) do not apply in computing a corporation's income for a taxation year in respect of a partnership if the corporation becomes a bankrupt in the year.

Foreign affiliates

(8) This section does not apply for the purposes of computing, for a taxation year of a foreign affiliate of a corporation resident in Canada,

(*a*) the foreign accrual property income of the affiliate in respect of the corporation; and

(*b*) except to the extent that the context otherwise requires, the exempt surplus or deficit and the taxable surplus or deficit (as those terms are defined in subsection 5907(1) of the *Income Tax Regulations*) of the affiliate in respect of the corporation.

Special case – multi-tier alignment

(9) If a corporation is a member of a partnership subject to a multi-tier alignment, subsection (2) does not apply to the corporation in respect of the partnership for taxation years preceding the taxation year that includes the end of the first aligned fiscal period of the partnership under the multi-tier alignment.

Designations may not be amended or revoked

(10) Once a corporation makes a designation in calculating its adjusted stub period accrual in respect of a partnership for a taxation year under any of the description of E or F of paragraph (*a*), the description of E or F of subparagraph (*b*)(i) and the description of F or G of subparagraph (*b*)(ii), of the definition "adjusted stub period accrual", the designation may not be amended or revoked.

Transitional reserve

(11) A corporation that has qualifying transitional income in respect of a partnership for a particular taxation year may deduct in computing its income, as a reserve, for the particular year such amount as the corporation claims not exceeding the least of

(*a*) the specified percentage for the particular year of the corporation's qualifying transitional income in respect of the partnership;

(*b*) if, for the immediately preceding taxation year, an amount was deductible under this subsection in computing the corporation's income in respect of the partnership, the amount that is the total of

(i) the amount included under subsection (12) in computing the corporation's income for the particular year in respect of the partnership, and

(ii) the amount by which the corporation's qualifying transitional income in respect of the partnership is increased in the particular year because of the application of subsections (16) and (17); and

(*c*) the corporation's income for the particular year computed before deducting any amount under this subsection in respect of the partnership or under sections 61.3 and 61.4.

Inclusion of prior year reserve

(12) A corporation shall include in computing its income in respect of a partnership for a taxation year the amount, if any, deducted by it under subsection (11) in respect of the partnership for its immediately preceding taxation year.

No reserve

(13) No deduction shall be made under subsection (11) in computing a corporation's income for a taxation year in respect of a partnership if

(*a*) in the case of a corporation that is a member of a partnership in respect of which

(i) there is a multi-tier alignment, unless the corporation has been a member of the partnership continuously since before March 22, 2011 to the end of the year, or

(ii) there is no multi-tier alignment, unless the corporation is a member of the partnership

(A) at the end of the partnership's fiscal period that begins before March 22, 2011 and ends in the year of the corporation that includes March 22, 2011,

(B) at the end of the partnership's fiscal period commencing immediately after the fiscal period referred to in clause (A) and until after the end of the year of the corporation that includes March 22, 2011, and

(C) continuously since before March 22, 2011 until the end of the year;

(*b*) at the end of the year or at any time in the following taxation year,

(i) the corporation's income is exempt from tax under this Part, or

(ii) the corporation is non-resident and the partnership does not carry on business through a permanent establishment (as defined for the purpose of subsection 16.1(1)) in Canada; or

(*c*) the year ends immediately before another taxation year

(i) at the beginning of which the partnership no longer principally carries on the activities to which the reserve relates,

(ii) in which the corporation becomes a bankrupt, or

(iii) in which the corporation is dissolved or wound up (other than in circumstances to which subsection 88(1) applies).

Deemed partner

(14) For the purposes of subsection (13), a corporation that was a member of a partnership, but that does not satisfy paragraph (11)(*a*) at the end of a particular taxation year solely because it has disposed of its interest in the partnership, is deemed to be a member of the partnership at the end of the particular taxation year if

(*a*) the corporation disposed of its interest to another corporation related to, or affiliated with, the corporation at the time of the disposition, and

(*b*) a corporation related to, or affiliated with, the corporation has the partnership interest referred to in paragraph (*a*) at the end of the particular taxation year.

Computing qualifying transitional income — special rules

(15) For the purposes of determining a corporation's qualifying transitional income, the income or loss, as the case may be, of a partnership for a fiscal period shall be computed as if

(*a*) the partnership had deducted for the period the maximum amount deductible in respect of any expense, reserve, allowance or other amount;

(*b*) the Act were read without reference to paragraph 28(1)(*b*); and

(*c*) the partnership has made an election under paragraph 34(*a*).

Qualifying transition income adjustment — conditions for application

(16) Subsection (17) applies for a particular taxation year of a corporation and for each subsequent taxation year for which the corporation may deduct an amount under subsection (11) in respect of a partnership if the particular year is the first taxation year

(*a*) that is after the taxation year in which the corporation has an adjusted stub period accrual that is included in the corporation's qualifying transitional income in respect of the partnership by reason of paragraph (*b*) of the definition "qualifying transitional income"; and

(*b*) in which ends the fiscal period of the partnership that began in the taxation year referred to in paragraph (*a*).

Adjustment of stub period accrual included in qualifying transitional income

(17) If this subsection applies in respect of a partnership for a taxation year of a corporation, the adjusted stub period accrual included in the corporation's qualifying transitional income in respect of the partnership for the year is computed as if

(*a*) the descriptions in paragraph (*a*) and subparagraph (*b*)(i) of the definition "adjusted stub period accrual" in subsection (1) read as follows:

A is the total of all amounts each of which is the corporation's share of an income or a taxable capital gain of the partnership for the particular period (other than any amount for which a deduction is available under section 112 or 113),

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable losses does not exceed the total of all taxable capital gains included in the description of A — of the partnership for the particular period,

C is the number of days that are in both the year and the particular period,

D is the number of days in the particular period,

E is the amount of the qualified resource expense in respect of the particular period of the partnership that is designated by the corporation for the year under subsection (6) in its return of income for the year filed with the Minister on or before its filing-due date for the year, and

F is nil; and

(*b*) the descriptions in subparagraph (*b*)(ii) of the definition "adjusted stub period accrual" in subsection (1) read as follows:

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the partnership for the particular period (other than any amount for which a deduction is available under section 112 or 113),

B the total of all amounts each of which is the corporation's share of a loss or allowable capital loss — to the extent that the total of all allowable capital losses does not exceed the total of all taxable capital gains included in the description of A — of the partnership for the particular period,

C is the corporation's eligible alignment income for the eligible fiscal period,

D is the number of days that are in both the year and the particular period,

E is the number of days in the particular period,

F is the amount of the qualified resource expense in respect of the particular period of the partnership that is designated by the corporation for the year under subsection (6) in its return of income for the year filed with the Minister on or before its filing-due date for the year, and

G is nil.

Anti-avoidance

(18) If it is reasonable to conclude that one of the main reasons a corporation is a member of a partnership in a taxation year is to avoid the application of subsection (13), the corporation is deemed not to be a member of the partnership for the purposes of that subsection.

Definitions

34.3 (1) The definitions in this subsection and in subsection 34.2(1) apply in this section.

"actual stub period accrual" « *montant comptabilisé réel pour la période tampon* »

"actual stub period accrual", of a corporation in respect of a qualifying partnership for a taxation year, means the positive or negative amount determined by the formula

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

where

A is the total of all amounts each of which is the corporation's share of an income or taxable capital gain of the qualifying partnership for the last fiscal period of the partnership that began in the base year (other than any amount for which a deduction was available under section 112 or 113);

B is the total of all amounts each of which is the corporation's share of a loss or allowable capital loss of the qualifying partnership for the last fiscal period of the partnership that began in the base year (to the extent that the total of all allowable capital losses included under this description in respect of all qualifying partnerships for the taxation year does not exceed the total of all taxable capital gains of all qualifying partnerships for the taxation year);

C is the number of days that are in both the base year and the fiscal period;

D is the number of days in the fiscal period; and

E is the amount of the qualified resource expense in respect of the qualifying partnership that was designated by the corporation for the base year under subsection 34.2(6) in its return of income for the base year filed with the Minister on or before its filing-due date for the base year.

"base year" « *année de base* »

"base year", of a corporation in respect of a qualifying partnership for a taxation year, means the preceding taxation year of the corporation in which began a fiscal period of the partnership that ends in the corporation's taxation year.

"income shortfall adjustment" « *rajustement pour revenu insuffisant* »

"income shortfall adjustment", of a corporation in respect of a qualifying partnership for a taxation year, means the positive or negative amount determined by the formula

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

where

A is the amount that is the lesser of

(*a*) the actual stub period accrual in respect of the qualifying partnership, and

(*b*) the amount that would be the corporation's adjusted stub period accrual for the base year in respect of the qualifying partnership if the value of F in paragraph (*a*) of the definition "adjusted stub period accrual" in subsection 34.2(1) were nil;

B is the amount included under subsection 34.2(2) in computing the corporation's income for the base year in respect of the qualifying partnership;

C is the number of days in the period that

(*a*) begins on the day after the day on which the base year ends, and

(*b*) ends on the day on which the taxation year ends; and

D is the average daily rate of interest determined by reference to the rate of interest prescribed under paragraph 4301(*a*) of the *Income Tax Regulations* for the period referred to in the description of C.

"qualifying partnership" « *société de personnes admissible* »

"qualifying partnership", in respect of a corporation for a particular taxation year, means a partnership

(*a*) a fiscal period of which began in a preceding taxation year and ends in the particular taxation year; and

(*b*) in respect of which the corporation was required to calculate an adjusted stub period accrual for the preceding taxation year.

Application of subsection (3)

(2) Subsection (3) applies to a corporation for a taxation year if

(*a*) the corporation has designated an amount for the purpose of the description of F in paragraph (*a*) of the definition "adjusted stub period accrual" in subsection 34.2(1) in calculating its adjusted stub period accrual for the base year in respect of a qualifying partnership for the taxation year; and

(*b*) where the corporation has qualifying transitional income, the taxation year is after the first taxation year of the corporation to which subsection 34.2(17) applies.

Income shortfall adjustment — inclusion

(3) If this subsection applies to a corporation for a taxation year, the corporation shall include in computing its income for the taxation year the amount determined by the formula

$$A + 0.50 \times (A - B)$$

where

A is the amount that is the total of all amounts each of which is the corporation's income shortfall adjustment in respect of a qualifying partnership for the year; and

B is the amount that is the total of all amounts each of which is 25% of the positive amount, if any, that would be the income shortfall adjustment in respect of a qualifying partnership

for the year if the value of the description of B in the definition "income shortfall adjustment" were nil.

(2) Subsection (1) applies to taxation years ending after March 22, 2011.

2. (1) The Act is amended by adding the following after section 38:

Tax-deferred transaction — Flow-through shares

38.1 If a taxpayer acquires a property (in this section referred to as the "acquired property") that is included in a flow-through share class of property in the course of a transaction or series of transactions to which any of section 51, subsections 73(1), 85(1) and (2) and 85.1(1), sections 86 and 87 and subsections 88(1) and 98(3) apply

(*a*) if the transfer of the acquired property is part of a gifting arrangement (within the meaning assigned by section 237.1) or of a transaction or series of transactions to which subsection 98(3) applies, or the transferor is a person with whom the taxpayer was, at the time of the acquisition, not dealing at arm's length, there shall be added, at the time of the transfer, to the taxpayer's exemption threshold in respect of the flow-through share class of property, and deducted from the transferor's exemption threshold in respect of the flow-through share class of property, the amount determined by the formula

$$A \times B$$

where

A is the amount by which the transferor's exemption threshold in respect of the flow-through share class of property immediately before that time exceeds the capital gain, if any, of the transferor as a result of the transfer, and

B is the proportion that the fair market value of the acquired property immediately before the transfer is of the fair market value of all property of the transferor immediately before the transfer that is included in the flow-through share class of property; and

(*b*) if the transferor receives particular shares of the capital stock of the taxpayer as consideration for the acquired property and those particular shares are listed on a designated stock exchange or are shares of a mutual fund corporation, then for the purposes of this section and subsection 40(12)

(i) the particular shares are deemed to be flow-through shares of the transferor, and

(ii) there shall be added to the transferor's exemption threshold in respect of the flow-through share class of property that includes the particular shares the amount that is determined under paragraph (*a*), or that would be so determined if paragraph (*a*) applied to the taxpayer.

(2) Subsection (1) is deemed to have come into force on March 22, 2011.

3. (1) Section 40 of the Act is amended by adding the following after subsection (11):

Donated flow-through shares

(12) If at any time a taxpayer disposes of one or more capital properties that are included in a flow-through share class of property and subparagraph 38(*a.1*)(i) or (iii) applies to the disposition (in this subsection referred to as the "actual disposition"), then the taxpayer is

deemed to have a capital gain from a disposition at that time of another capital property equal to the lesser of

(*a*) the taxpayer's exemption threshold at that time in respect of the flow-through share class of property; and

(*b*) the total of all amounts each of which is a capital gain from the actual disposition (for greater certainty, calculated without reference to this subsection).

(2) Subsection (1) applies to dispositions made on or after March 22, 2011.

4. (1) The portion of subsection 43.1(1) of the Act before paragraph (*a*) is replaced by the following:

Life estates in real property

43.1 (1) Notwithstanding any other provision of this Act, if at any time a taxpayer disposes of a remainder interest in real property (except as a result of a transaction to which subsection 73(3) would otherwise apply or by way of a gift to a donee described in the definition "total charitable gifts", "total Crown gifts" or "total ecological gifts" in subsection 118.1(1)) to a person or partnership and retains a life estate or an estate *pur autre vie* (in this section referred to as the "life estate") in the property, the taxpayer is deemed

(2) The portion of subsection 43.1(1) of the Act before paragraph (*a*), as enacted by subsection (1), is replaced by the following:

Life estates in real property

43.1 (1) Notwithstanding any other provision of this Act, if at any time a taxpayer disposes of a remainder interest in real property (except as a result of a transaction to which subsection 73(3) would otherwise apply or by way of a gift to a qualified donee) to a person or partnership and retains a life estate or an estate *pur autre vie* (in this section referred to as the "life estate") in the property, the taxpayer is deemed

(3) Subsection (1) applies to dispositions that occur after February 27, 1995.

(4) Subsection (2) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

5. (1) The portion of subsection 48.1(1) of the Act after paragraph (*b*) and before paragraph (*c*) is replaced by the following:

the individual is deemed, except for the purposes of sections 7 and 35, paragraph 110(1)(*d.1*) and subsections 120.4(4) and (5),

(2) Subsection (1) applies to dispositions that occur on or after March 22, 2011.

6. (1) Subparagraph 53(2)(*c*)(i.4) of the Act is replaced by the following:

(i.4) unless that time is immediately before a disposition of the interest, if the taxpayer is a member of the partnership and the taxpayer has been a specified member of the partnership at all times since becoming a member of the partnership, or the taxpayer is at that time a limited partner of the partnership for the purposes of subsection 40(3.1),

(A) where that time is in the taxpayer's first taxation year for which the taxpayer is eligible to deduct an amount in respect of the partnership under subsection 34.2(11), the portion of the amount deducted in computing the taxpayer's income for the tax-

ation year under subsection 34.2(11) in respect of the partnership that would have been deductible if the definition "qualifying transitional income" in subsection 34.2(1) were read without reference to paragraph (*b*), and

(B) where that time is in any other taxation year, the portion of the amount deducted in computing the taxpayer's income for the taxation year immediately preceding that other year under subsection 34.2(11) in respect of the partnership that would have been deductible if the definition "qualifying transitional income" in subsection 34.2(1) were read without reference to paragraph (*b*),

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

7. (1) Section 54 of the Act is amended by adding the following in alphabetical order:

"exemption threshold" « *seuil d'exonération* »

"exemption threshold", of a taxpayer at a particular time in respect of a flow-through share class of property, means the amount determined by the formula

A – B

where

A is the total of

(*a*) the total of all amounts, each of which is an amount that would be the cost to the taxpayer, computed without reference to subsection 66.3(3), of a flow-through share that was included at any time before the particular time in the flow-through share class of property and that was issued by a corporation to the taxpayer on or after the taxpayer's fresh-start date in respect of the flow-through share class of property at that time, other than a flow-through share that the taxpayer was obligated, before March 22, 2011, to acquire pursuant to the terms of a flow-through share agreement entered into between the corporation and the taxpayer, and

(*b*) the total of all amounts, each of which is an amount that would be the adjusted cost base to the taxpayer of an interest in a partnership – computed as if subparagraph 53(1)(*e*)(vii.1) and clauses 53(2)(*c*)(ii)(C) and (D) did not apply to any amount incurred by the partnership in respect of a flow-through share held by the partnership, either directly or indirectly through another partnership – that was included at any time before the particular time in the flow-through share class of property, if

(i) the taxpayer

(A) acquired the interest on or after the taxpayer's fresh-start date in respect of the flow-through share class of property at the particular time (other than an interest that the taxpayer was obligated, before Announcement Date, to acquire pursuant to the terms of an agreement in writing entered into by the taxpayer), or

(B) made a contribution of capital to the partnership on or after Announcement Date,

(ii) at any time after the taxpayer acquired the interest or made the contribution of capital, the taxpayer is deemed by subsection 66(18) to have made or incurred an outlay or expense in respect of a flow-through share held by the partnership, either directly or indirectly through another partnership, and

(iii) at any time between the time that the taxpayer acquired the interest or made the contribution of capital and the particular time, more than 50% of the fair market value of the assets of the partnership is attributable to property included in a flow-through share class of property, and

B is the total, if any, of all amounts, each of which is the lesser of

(*a*) the total of all amounts, each of which is a capital gain from a disposition of a property included in the flow-through share class of property, other than a capital gain referred to in paragraph 38.1(*a*), at an earlier time that is

(i) before the particular time, and

(ii) after the first time that the taxpayer acquired a flow-through share referred to in paragraph (*a*) of the description of A or acquired a partnership interest referred to in paragraph (*b*) of the description of A, and

(*b*) the exemption threshold of the taxpayer in respect of the flow-though share class of property immediately before that earlier time;

"flow-through share class of property" « *catégorie de biens constituée d'actions accréditives* »

"flow-through share class of property" means a group of properties,

(*a*) in respect of a class of shares of the capital stock of a corporation, each of which is

(i) a share of the class, if any share of the class or any right described in subparagraph (ii) is, at any time, a flow-through share to any person,

(ii) a right to acquire a share of the class, if any share of that class or any right described in this subparagraph is, at any time, a flow-through share to any person, or

(iii) a property that is an identical property of a property described in subparagraph (i) or (ii), or

(*b*) each of which is an interest in a partnership, if at any time more than 50% of the fair market value of the partnership's assets is attributable to property included in a flow-through share class of property;

"fresh-start date" « *date de nouveau départ* »

"fresh-start date", of a taxpayer at a particular time in respect of a flow-through share class of property, means

(*a*) in the case of a partnership interest that is included in the flow-through share class of property, the day that is the later of

(i) Announcement Date, and

(ii) the last day, if any, before the particular time, on which the taxpayer held an interest in the partnership, and

(*b*) in the case of any other property that is included in the flow-though share class of property, the day that is the later of

(i) March 22, 2011, and

(ii) the last day, if any, before the particular time, on which the taxpayer disposed of all property included in the flow-through share class of property;

(2) Subsection (1) is deemed to have come into force on March 22, 2011.

8. (1) Subparagraph (*b*)(ii) of the definition "Canadian resource property" in subsection 66(15) of the Act is replaced by the following:

(ii) prospect, explore, drill or mine for minerals in a mineral resource in Canada other than a bituminous sands deposit or an oil shale deposit,

(2) Paragraph (*c*) of the definition "Canadian resource property" in subsection 66(15) of the Act is replaced by the following:

(*c*) any oil or gas well in Canada or any real property or immovable in Canada the principal value of which depends on its petroleum, natural gas or related hydrocarbon content (not including any depreciable property),

(3) Paragraphs (*d*) and (*e*) of the definition "Canadian resource property" in subsection 66(15) of the Act are replaced by the following:

(*d*) any right to a rental or royalty computed by reference to the amount or value of production from an oil or a gas well in Canada, or from a natural accumulation of petroleum, natural gas or a related hydrocarbon in Canada, if the payer of the rental or royalty has an interest in, or for civil law a right in, the well or accumulation, as the case may be, and 90% or more of the rental or royalty is payable out of, or from the proceeds of, the production from the well or accumulation,

(*e*) any right to a rental or royalty computed by reference to the amount or value of production from a mineral resource in Canada, other than a bituminous sands deposit or an oil shale deposit, if the payer of the rental or royalty has an interest in, or for civil law a right in, the mineral resource and 90% or more of the rental or royalty is payable out of, or from the proceeds of, the production from the mineral resource,

(4) Paragraphs (*f*) and (*g*) of the definition "Canadian resource property" in subsection 66(15) of the Act are replaced by the following:

(*f*) any real property or immovable in Canada (not including any depreciable property) the principal value of which depends on its mineral resource content other than where the mineral resource is a bituminous sands deposit or an oil shale deposit,

(*g*) any right to or interest in — or, for civil law, any right to or in — any property described in any of paragraphs (*a*) to (*e*), other than a right or an interest that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership, or

(*h*) an interest in real property described in paragraph (*f*) or a real right in an immovable described in that paragraph, other than an interest or a right that the taxpayer has because the taxpayer is a beneficiary under a trust or a member of a partnership;

(5) Subsections (1), (2) and (4) apply in respect of properties and rights acquired after March 21, 2011 except that, in respect of a property or right acquired by a taxpayer before 2012 if the taxpayer was obligated to acquire the property or right pursuant to an agreement in writing entered into by the taxpayer before March 22, 2011,

(*a*) subparagraph (*b*)(ii) of the definition "Canadian resource property" in subsection 66(15) of the Act, as enacted by subsection (1), is to be read without reference to "other than a bituminous sands deposit or an oil shale deposit";

(*b*) the reference to "petroleum, natural gas or related hydrocarbon content" in paragraph (*c*) of the definition "Canadian resource property" in subsection 66(15) of the Act, as enacted by subsection (2), is to be read as a reference to "petroleum or natural gas content"; and

(*c*) paragraph (*f*) of the definition "Canadian resource property" in subsection 66(15) of the Act, as enacted by subsection (4), is to be read without reference to "other than where the mineral resource is a bituminous sands deposit or an oil shale deposit".

(6) Subsection (3) applies in respect of rights acquired after December 20, 2002 except that, in respect of a right acquired before March 22, 2011 or in respect of a right that is acquired by a taxpayer after March 21, 2011 and before 2012 and that the taxpayer is obligated to acquire pursuant to an agreement in writing entered into by the taxpayer before March 22, 2011,

(*a*) the reference to "petroleum, natural gas or related hydrocarbon" in paragraph (*d*) of the definition "Canadian resource property" in subsection 66(15) of the Act, as enacted by subsection (3), is to be read as a reference to "petroleum or natural gas"; and

(*b*) paragraph (*e*) of the definition "Canadian resource property" in subsection 66(15) of the Act, as enacted by subsection (3), is to be read without reference to ", other than a bituminous sands deposit or an oil shale deposit,".

9. (1) Paragraph (*f*) of the definition "Canadian exploration expense"in subsection 66.1(6) of the Act is amended by deleting "or" at the end of subparagraph (v) and by replacing subparagraph (vi) with the following:

(v.1) any expense described in subparagraphs (i), (iii) or (iv) in respect of the mineral resource, incurred before a new mine in the mineral resource comes into production in reasonable commercial quantities, that results in revenue or can reasonably be expected to result in revenue earned before the new mine comes into production in reasonable

commercial quantities, except to the extent that the total of all such expenses exceeds the total of those revenues, or

(vi) any expense that may reasonably be considered to be related to a mine in the mineral resource that has come into production in reasonable commercial quantities or to be related to a potential or actual extension of the mine,

(2) Paragraph (*g*) of the definition "Canadian exploration expense" in subsection 66.1(6) of the Act is replaced by the following:

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

(3) The definition "Canadian exploration expense" in subsection 66.1(6) of the Act is amended by adding the following after paragraph (*g.1*):

(*g.2*) any expense incurred by the taxpayer after March 21, 2011, that is

(i) a specified oil sands mine development expense, or

(ii) an eligible oil sands mine development expense,

(4) Paragraph (*k.2*) of the definition "Canadian exploration expense" in subsection 66.1(6) of the Act is repealed.

(5) Subsection 66.1(6) of the Act is amended by adding the following in alphabetical order:

"bitumen mine development project" « *projet de mise en valeur d'une mine de bitume* »

"bitumen mine development project", of a taxpayer, means an undertaking for the sole purpose of developing a new mine to extract and process tar sands from a mineral resource of the taxpayer to produce bitumen or a similar product;

"bitumen upgrading development project" « *projet de valorisation du bitume* »

"bitumen upgrading development project", of a taxpayer, means an undertaking for the sole purpose of constructing an upgrading facility to process bitumen or a similar feedstock (all or substantially all of which is from a mineral resource of the taxpayer) from a new mine to the crude oil stage or its equivalent;

"completion" « *achèvement* »

"completion", of a specified oil sands mine development project, means the first attainment of a level of average output, measured over a 60-day period, equal to at least 60% of the planned level of average daily output (as determined in paragraph (*b*) of the definition

"specified oil sands mine development project") for the specified oil sands mine development project;

"designated asset" « *bien désigné* »

"designated asset", in respect of an oil sands mine development project of a taxpayer, means a property that is a building, a structure, machinery or equipment and is, or is an integral and substantial part of,

(*a*) in the case of a bitumen mine development project,

(i) a crusher,

(ii) a froth treatment plant,

(iii) a primary separation unit,

(iv) a steam generation plant,

(v) a cogeneration plant, or

(vi) a water treatment plant, or

(*b*) in the case of a bitumen upgrading development project,

(i) a gasifier unit,

(ii) a vacuum distillation unit,

(iii) a hydrocracker unit,

(iv) a hydrotreater unit,

(v) a hydroprocessor unit, or

(vi) a coker;

"eligible oil sands mine development expense" « *frais d'aménagement admissibles relatifs à une mine de sables bitumineux* »

"eligible oil sands mine development expense", of a taxpayer, means an expense incurred by the taxpayer after March 21, 2011 and before 2016, the amount of which is determined by the formula

$$A \times B$$

where

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

B is

(i) 100% if the expense is incurred before 2013,

(ii) 80% if the expense is incurred in 2013,

(iii) 60% if the expense is incurred in 2014, and

(iv) 30% if the expense is incurred in 2015;

"oil sands mine development project" « *projet de mise en valeur d'une mine de sables bitumineux* »

"oil sands mine development project", of a taxpayer, means a bitumen mine development project or a bitumen upgrading development project of the taxpayer;

"preliminary work activity" « *travaux préliminaires* »

"preliminary work activity", in respect of an oil sands mine development project, means activity that is preliminary to the acquisition, construction, fabrication or installation by or on behalf of a taxpayer of designated assets in respect of the taxpayer's oil sands mine development project including, without limiting the generality of the foregoing, the following activities:

(*a*) obtaining permits or regulatory approvals,

(*b*) performing design or engineering work,

(*c*) conducting feasibility studies,

(*d*) conducting environmental assessments, and

(*e*) entering into contracts;

"specified oil sands mine development expense" « *frais d'aménagment déterminés relatifs à une mine de sables bitumineux* »

"specified oil sands mine development expense", of a taxpayer, means an expense that

(*a*) would be a Canadian exploration expense described in paragraph ~~(~~*g*) of the definition "Canadian exploration expense" if that paragraph were read without reference to "other than a bituminous sands deposit or an oil shale deposit",

(*b*) is incurred by the taxpayer after March 21, 2011 and before 2015, and

(*c*) is incurred by the taxpayer to achieve completion of a specified oil sands mine development project of the taxpayer;

"specified oil sands mine development project" « *projet déterminé de mise en valeur d'une mine de sables bitumineux* »

"specified oil sands mine development project", of a taxpayer, means an oil sands mine development project (not including any preliminary work activity) in respect of which

(*a*) one or more designated assets was, before March 22, 2011,

(i) acquired by the taxpayer, or

(ii) in the process of being constructed, fabricated or installed, by or on behalf of the taxpayer, and

(*b*) the planned level of average daily output (where that output is bitumen or a similar product in the case of a bitumen mine development project, or synthetic crude oil or a similar product in the case of a bitumen upgrading development project) that can reasonably be expected, is the lesser of

(i) the level that was the demonstrated intention of the taxpayer as of March 21, 2011 to produce from the oil sands mine development project, and

(ii) the maximum level of output associated with the design capacity, as of March 21, 2011, of the designated asset referred to in paragraph (*a*);

(6) Subsections (1), (2) and (4) apply to expenses incurred after November 5, 2010 except that in respect of expenses incurred before March 22, 2011 paragraph (*g*) of the definition "Canadian exploration expense" in subsection 66.1(6) of the Act, as enacted by subsection (2), is to be be read without reference to ", other than a bituminous sands deposit or an oil shale deposit," .

(7) Subsection (3) applies to expenses incurred after March 21, 2011.

(8) Subsection (5) is deemed to have come into force on March 22, 2011.

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

(*c.1*) any expense, or portion of any expense, that is not a Canadian exploration expense, incurred by the taxpayer for the purpose of bringing a new mine in a mineral resource in Canada that is a bituminous sands deposit or an oil shale deposit into production and incurred before the new mine comes into production in reasonable commercial quantities, including an expense for clearing the land, removing overburden and stripping, or building an entry ramp,

(2) The portion of description of F in the definition "cumulative Canadian development expense" in subsection 66.2(5) of the Act before paragraph (*a*) is replaced by the following:

F is the total of all amounts each of which is an amount in respect of property described in paragraph (*b*), (*e*) or (*f*) of the definition "Canadian resource property" in subsection

66(15) or property disposed of after March 21, 2011 which was described in any of those paragraphs and the cost of which when acquired by the taxpayer was included in the Canadian development expense of the taxpayer,or any right to or interest in– or for civil law, any right in or to – such a property, other than such a right or an interest that the taxpayer has by reason of being a beneficiary under a trust or a member of a partnership, (in this description referred to as "the particular property") disposed of by the taxpayer before that time equal to the amount, if any, by which

(3) Subsection (1) applies to expenses incurred after March 21, 2011.

(4) Subsection (2) is deemed to have come into force on March 22, 2011.

11. (1) The portion of subsection 81(4) of the Act after paragraph (*b*) is replaced by the following:

there shall not be included in computing the individual's income derived from the performance of those duties the lesser of $1,000 and the total of those amounts, other than, if the individual makes a claim under section 118.06 for the year, amounts received in respect of duties as a firefighter.

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

12. (1) Clause (*a*)(i)(A) of the definition "capital dividend account" in subsection 89(1) of the Act is replaced by the following:

(A) the amount of the corporation's capital gain from the disposition (other than a disposition under subsection 40(12) or that is the making of a gift after December 8, 1997 that is not a gift described in subsection 110.1(1)) of a property in the period beginning at the beginning of its first taxation year (that began after the corporation last became a private corporation and that ended after 1971) and ending immediately before the particular time (in this definition referred to as "the period")

(2) Subparagraph (*a*)(i) of the definition "capital dividend account" in subsection 89(1) of the Act is amended by striking out "and" at the end of clause (B) and by adding the following that clause:

(B.1) the corporation's taxable capital gain from a disposition in the period under subsection 40(12), and

(3) Subsections (1) and (2) apply to dispositions that occur on or after March 22, 2011.

13. (1) Subparagraphs 96(1)(*d*)(i) and (ii) of the Act are replaced by the following:

(i) this Act were read without reference to sections 34.1 and 34.2, subsection 59(1), paragraph 59(3.2)(*c.1*) and subsections 66.1(1), 66.2(1) and 66.4(1), and

(ii) no deduction were permitted under any of section 29 of the *Income Tax Application Rules*, subsection 65(1) and sections 66, 66.1, 66.2, 66.21 and 66.4;

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

14. (1) Paragraph 110.1(1)(*a*) of the Act is amended by adding the following after subparagraph (iv):

(iv.1) a municipal or public body performing a function of government in Canada,

(2) The portion of paragraph 110.1(1)(*a*) of the Act, as amended by subsection (1), before the formula is replaced by the following:

Charitable gifts

(*a*) the total of all amounts each of which is the fair market value of a gift (other than a gift described in paragraph (*b*), (*c*) or (*d*)) made by the corporation in the year or in any of the five preceding taxation years to a qualified donee, not exceeding the lesser of the corporation's income for the year and the amount determined by the formula

(3) Subparagraph 110.1(3)(*a*)(i) of the Act is replaced by the following:

(i) capital property to a qualified donee, or

(4) Subsection 110.1(6) of the Act is replaced by the following:

Non-qualifying securities

(6) Subsections 118.1(13) to (14) and (16) to (20) apply to a corporation as if the references in those subsections to an individual were read as references to a corporation and as if a non-qualifying security of a corporation included a share (other than a share listed on a designated stock exchange) of the capital stock of the corporation.

(5) Section 110.1 of the Act is amended by adding the following after subsection (9):

Options

(10) Subject to subsections (12) and (13), if a corporation has granted an option to a qualified donee in a taxation year, no amount in respect of the option is to be included in computing an amount under any of paragraphs (1)(*a*) to (*d*) in respect of the corporation for any year.

Application of subsection (12)

(11) Subsection (12) applies if

(*a*) an option to acquire a property of a corporation is granted to a qualified donee;

(*b*) the option is exercised so that the property is disposed of by the corporation and acquired by the qualified donee at a particular time; and

(*c*) either

(i) the amount that is 80% of the fair market value of the property at the particular time is greater than or equal to the total of

(A) the consideration (other than a non-qualifying securityof any person) received by the corporation from the qualified donee for the property, and

(B) the consideration (other than a non-qualifying security of any person) received by the corporation from the qualified donee for the option; or

(ii) the corporation establishes to the satisfaction of the Minister that the granting of the option or the disposition of the property was made by the corporation with the intention to make a gift to the qualified donee.

Granting of an option

(12) If this subsection applies, notwithstanding subsection 49(3),

(*a*) the corporation is deemed to have received proceeds of disposition of the property equal to the property's fair market value at the particular time; and

(*b*) there shall be included in the total referred to in paragraph (1)(*a*), for the corporation's taxation year that includes the particular time, the amount by which the property's fair market value exceeds the total described in subparagraph (11)(*c*)(i).

Disposition of an option

(13) If an option to acquire a particular property of a corporation is granted to a qualified donee and the option is disposed of by the qualified donee (otherwise than by the exercise of the option) at a particular time

(*a*) the corporation is deemed to have disposed of a property at the particular time

(i) the adjusted cost base of which to the corporation immediately before the particular time is equal to the consideration, if any, paid by the qualified donee for the option, and

(ii) the proceeds of disposition of which are equal to the lesser of the fair market value of the particular property at the particular time and the fair market value of any consideration (other than a non-qualifying security of any person) received by the qualified donee for the option; and

(*b*) there shall be included in the total referred to in paragraph (1)(*a*) for the corporation's taxation year that includes the particular time the amount, if any, by which the proceeds of disposition as determined by paragraph (*a*) exceed the consideration, if any, paid by the qualified donee for the option.

Returned property

(14) Subsection (15) applies if a qualified donee has issued to a corporation a receipt referred to in subsection (2) in respect of a transfer of a property (in this subsection and subsection (15) referred to as the "original property") and a particular property that is

(*a*) the original property is later transferred to the corporation (unless that later transfer is reasonable consideration or remuneration for property acquired by or services rendered to a person); or

(*b*) any other property that may reasonably be considered compensation for or a substitute for, in whole or in part, the original property, is later transferred to the corporation.

Returned property

(15) If this subsection applies, then

(*a*) irrespective of whether the transfer of the original property by the corporation was a gift to the qualified donee referred to in subsection (14), the corporation is deemed not to have disposed of the original property at the time of that transfer nor to have made a gift;

(*b*) if the particular property is identical to the original property, the particular property is deemed to be the original property; and

(*c*) if the particular property is not the original property , then

(i) the corporation is deemed to have disposed of the original property at the time that the particular property is transferred to the corporation for proceeds of disposition equal

to the greater of the fair market value of the particular property at that time and the fair market value of the original property at the time that it was transferred by the corporation to the donee, and

(ii) if the transfer of the original property by the corporation would be a gift if this section were read without reference to paragraph (*c*), the corporation is deemed to have, at the time of that transfer, transferred to the donee a property that is the subject of a gift having a fair market value equal to the amount, if any, by which the fair market value of the original property at the time of that transfer exceeds the fair market value of the particular property at the time that it is transferred to the corporation.

Information return

(16) If subsection (15) applies in respect of a transfer of property to a corporation and that property has a fair market value greater than $50, the transferor must file an information return containing prescribed information with the Minister within 90 days of the transfer and provide a copy of it to the corporation.

Reassessment

(17) If subsection (15) applies in respect of a transfer of property to a corporation, the Minister may reassess a return of income of any person to the extent that the reassessment can reasonably be regarded as relating to the transfer.

(6) Subsection (1) applies to gifts made after May 8, 2000.

(7) Subsections (2) and (3) come into force on the later of the day on which this Act is assented to and January 1, 2012.

(8) Subsection (4) is deemed to have come into force on March 22, 2011.

(9) Subsections 110.1(10) to (13) of the Act, as enacted by subsection (5), apply to options granted on or after March 22, 2011.

(10) Subsections 110.1(14) to (17) of the Act, as enacted by subsection (5), apply to transfers of property made on or after March 22, 2011, except that an information return required to be filed under subsection 110.1(16) of the Act, as enacted by subsection (5), that is filed before the day that is 90 days after Announcement Date is deemed to have been filed on time.

15. (1) The portion of subsection 112(3.01) of the Act before paragraph (*a*) is replaced by the following:

Loss on share that is capital property — excluded dividends

(3.01) A qualified dividend shall not be included in the total determined under subparagraph (3)(*a*)(i) or paragraph (3)(*b*) if the taxpayer establishes that

(2) The portion of subsection 112(3.11) of the Act before paragraph (*a*) is replaced by the following:

Loss on share held by partnership — excluded dividends

(3.11) A qualified dividend shall not be included in the total determined under subparagraph (3.1)(*a*)(i) or paragraph (3.1)(*b*) or (*c*) if the taxpayer establishes that

(3) The portion of clause 112(3.2)(*a*)(ii)(C) of the Act before subclause (I) is replaced by the following:

(C) that is a qualified dividend received on the share and designated under subsection 104(19) by the trust in respect of a beneficiary that was a corporation, partnership or another trust where the trust establishes that

(4) The portion of clause 112(3.3)(*a*)(ii)(C) of the Act before subclause (I) is replaced by the following:

(C) that is a qualified dividend received on the share after that time and designated under subsection 104(19) by the trust in respect of a beneficiary that was a corporation, partnership or another trust where the trust establishes that

(5) The portion of subsection 112(3.31) of the Act before paragraph (*a*) is replaced by the following:

Loss on share held by trust — excluded dividends

(3.31) A qualified dividend received by a trust shall not be included under subparagraph (3.2)(*a*)(i) or (*b*)(ii) or (3.3)(*a*)(i) if the trust establishes that the dividend

(6) The portion of subsection 112(3.32) of the Act before paragraph (*a*) is replaced by the following:

Loss on share held by trust — excluded dividends

(3.32) A qualified dividend that is a taxable dividend received on the share and that is designated under subsection 104(19) by the trust in respect of a beneficiary that was a corporation, partnership or trust, shall not be included under paragraph (3.2)(*b*) or (3.3)(*b*) if the trust establishes that the dividend was received by an individual (other than a trust), or

(7) The portion of subsection 112(4.01) of the Act before paragraph (*a*) is replaced by the following:

Loss on share that is not capital property — excluded dividends

(4.01) A qualified dividend shall not be included in the total determined under paragraph (4)(*a*), (*b*) or (*c*) if the taxpayer establishes that

(8) The portion of subsection 112(4.11) of the Act before paragraph (*a*) is replaced by the following:

Fair market value of shares held as inventory — excluded dividends

(4.11) A qualified dividend shall not be included in the total determined under paragraph (4.1)(*a*), (*b*) or (*c*) if the shareholder establishes that

(9) The portion of subsection 112(4.21) of the Act before paragraph (*a*) is replaced by the following:

Loss on share held by trust — excluded dividends

(4.21) A qualified dividend shall not be included in the total determined under paragraph (4.2)(*a*) if the taxpayer establishes that

(10) The portion of subsection 112(4.22) of the Act before paragraph (*a*) is replaced by the following:

Loss on share held by trust — excluded dividends

(4.22) A qualified dividend shall not be included in the total determined under paragraph (4.2)(*b*) if the taxpayer establishes that

(11) Paragraph 112(5)(*c*) of the Act is replaced by the following:

(*c*) the taxpayer received

(i) a dividend on the share at a time when the taxpayer and persons with whom the taxpayer was not dealing at arm's length held in total more than 5% of the issued shares of any class of the capital stock of the corporation from which the dividend was received, or

(ii) a dividend on the share under subsection 84(3).

(12) The portion of subsection 112(5.21) of the Act before paragraph (*a*) is replaced by the following:

Subsection (5.2) — excluded dividends

(5.21) A dividend, other than a dividend received under subsection 84(3), shall not be included in the total determined under paragraph (*b*) of the description of B in subsection (5.2) unless

(13) Subsection 112 of the Act is amended by adding the following after subsection (6):

Interpretation — Qualifying dividend

(6.1) For the purposes of this section, a dividend on a share is a qualified dividend to the extent that

(*a*) it is a dividend other than a dividend received under subsection 84(3); or

(*b*) it is received under subsection 84(3) and,

(i) if the share is held by an individual other than a trust, the dividend is received by the individual,

(ii) if the share is held by a corporation, the dividend is received by the corporation while it is a private corporation, and is paid by another private corporation,

(iii) if the share is held by a trust,

(A) the dividend is received by the trust,

(B) the dividend is designated under subsection 104(19) by the trust in respect of a beneficiary and

(I) the beneficiary is an individual other than a trust,

(II) the beneficiary is a private corporation when the dividend is received by it and the dividend is paid by another private corporation,

(III) the beneficiary is another trust that does not designate the dividend under subsection 104(19), or

(IV) the beneficiary is a partnership all of the members of which are, when the dividend is received, a person described by any of subclauses (I) to (III), or

(C) the dividend is designated by the trust under subsection 104(19) in respect of a beneficiary that is another trust or a partnership and the trust establishes that the dividend is received by a person described by any of subclauses (iii)(B)(I) to (III), and

(iv) if the share is held by a partnership,

(A) the dividend is included in the income of a member of a partnership and

(I) the member is an individual, or

(II) the member is a private corporation when the dividend is received by it and the dividend is paid by another private corporation, or

(B) the dividend is designated under subsection 104(19) by a member of a partnership that is a trust in respect of a beneficiary described by any of subclauses (iii)(B)(I) to (IV) or is described by clause (iii)(C).

(14) Subsections (1) to (13) apply to dispositions occurring on or after March 22, 2011.

16. (1) Subparagraphs (*a*)(i) and (ii) of the description of B in subsection 118(1) of the Act are replaced by the following:

(i) $10,527, and

(ii) the amount determined by the formula

$$\$10,527 + C - C.1$$

where

C is

(A) $2,000 if the spouse or common-law partner is dependent on the individual by reason of mental or physical infirmity, and

(B) in any other case, nil, and

C.1 is the income of the individual's spouse or common-law partner for the year or, where the individual and the individual's spouse or common-law partner are living separate and apart at the end of the year because of a breakdown of their marriage or common-law partnership, the spouse's or common-law partner's income for the year while married to, or in a common-law partnership with, the individual and not so separated,

(2) Subparagraphs (*b*)(iii) and (iv) of the description of B in subsection 118(1) of the Act are replaced by the following:

(iii) $10,527, and

(iv) the amount determined by the formula

$$\$10,527 + D – D.1$$

where

D is

(A) $2,000 if

(I) the dependent person is, at the end of the taxation year, 18 years of age or older and is, at any time in the year, dependent on the individual by reason of mental or physical infirmity, or

(II) the dependent person is a person, other than a child of the individual in respect of whom paragraph (*b.1*) applies, who, at the end of the taxation year, is under the age of 18 years and who, by reason of mental or physical infirmity, is likely to be, for a long and continuous period of indefinite duration, dependent on others for significantly more assistance in attending to the dependent person's personal needs and care, when compared to persons of the same age, and is so dependent on the individual at any time in the year, and

(B) in any other case, nil, and

D.1 is the dependent person's income for the year,

(3) Paragraph (*b.1*) of the description of B in subsection 118(1) of the Act is replaced by the following:

(*b.1*) if

(i) a child, who is under the age of 18 years at the end of the taxation year, of the individual ordinarily resides throughout the taxation year with the individual together with another parent of the child, the total of

(A) $2,131 for each such child, and

(B) $2,000 for each such child who, by reason of mental or physical infirmity, is likely to be, for a long and continuous period of indefinite duration, dependent on others for significantly more assistance in attending to the child's personal needs and care, when compared to children of the same age, or

(ii) except where subparagraph (i) applies, the individual may deduct an amount under paragraph (*b*) in respect of the individual's child who is under the age of 18 years at the end of the taxation year, or could deduct such an amount in respect of that child if paragraph (4)(*a*) and the reference in paragraph (4)(*b*) to "or the same domestic establishment" did not apply to the individual for the taxation year and if the child had no income for the year, the total of

(A) $2,131 for each such child, and

(B) $2,000 for each such child who, by reason of mental or physical infirmity, is likely to be, for a long and continuous period of indefinite duration, dependent on

others for significantly more assistance in attending to the child's personal needs and care, when compared to children of the same age,

(4) The portion of paragraph (*c.1*) of the description of B in subsection 118(1) of the Act following subparagraph (iii) is replaced by the following:

the amount determined by the formula

$$\$18,906 + E – E.1$$

where

E is

(*a*) $2,000 if the particular person is dependent on the individual by reason of mental or physical infirmity, and

(*b*) in any other case, nil, and

E.1 is the greater of $14,624 and the particular person's income for the year,

(5) The portion of paragraph (*d*) of the description of B in subsection 118(1) of the Act following subparagraph (ii) is replaced by the following:

the amount determined by the formula

$$\$10,358 + \$2,000 – F$$

where

F is the greater of $6,076 and the dependant's income for the year, and

(6) Paragraph 118(4)(*b*) of the Act is replaced by the following:

(*b*) not more than one individual is entitled to a deduction under subsection (1) because of paragraph (*b*) of the description of B in that subsection for a taxation year in respect of the same person or the same domestic establishment and where two or more individuals otherwise entitled to such a deduction fail to agree as to the individual by whom the deduction may be made, no such deduction for the year shall be allowed to either or any of them;

(*b.1*) not more than one individual is entitled to a deduction under subsection (1) because of paragraph (*b.1*) of the description of B in that subsection for a taxation year in respect of the same child and where two or more individuals otherwise entitled to such a deduction fail to agree as to the individual by whom the deduction may be made, no such deduction for the year shall be allowed to either or any of them;

(7) Subsections (1) to (6) apply to the 2011 and subsequent taxation years, except that

(*a*) for the 2011 taxation year, the reference to "$2,000" in paragraphs (*a*), (*b*), (*b.1*), (*c.1*) and (*d*) of the description of B in subsection 118(1) of the Act, as amended by subsections (1) to (5) respectively, is to be read as a reference to "nil";

(*b*) for the 2011 taxation year, subsection 117.1(1) of the Act does not apply for the purposes of computing the amounts to be used under paragraphs (*a*), (*b*), (*b.1*),

(*c.1*) and (*d*) of the description of B in subsection 118(1) of the Act, as amended by subsections (1) to (5) respectively;

(*c*) for the 2012 taxation year, for the purpose of making the adjustment provided under subsection 117.1(1) of the Act as it applies to paragraph (*d*) of the description of B in subsection 118(1) of the Act, as amended by subsection (5), in lieu of the amounts of $10,358 and $6,076, the amounts to be used for the preceding year are $10,527 and $6,245, respectively; and

(*d*) for the 2012 taxation year, subsection 117.1(1) of the Act does not apply in respect of the amount of $2,000 referred to in paragraphs (*a*), (*b*), (*b.1*), (*c.1*) and (*d*) of the description of B in subsection 118(1) of the Act, , as amended by subsections (1) to (5) respectively.

17. (1) The Act is amended by adding the following after section 118.03:

Definitions

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

"eligible expense" « *dépense admissible* »

"eligible expense" in respect of a qualifying child of an individual for a taxation year means the amount of a fee paid to a qualifying entity (other than an amount paid to a person who is, at the time the amount is paid, the individual's spouse or common-law partner or another individual who is under 18 years of age) to the extent that the fee is attributable to the cost of registration or membership of the qualifying child in a prescribed program of artistic, cultural, recreational or developmental activity and, for the purposes of this section, that cost

(*a*) includes the cost to the qualifying entity of the program in respect of its administration, instruction, rental of required facilities, and uniforms and equipment that are not available to be acquired by a participant in the program for an amount less than their fair market value at the time, if any, they are so acquired; and

(*b*) does not include

(i) the cost of accommodation, travel, food or beverages,

(ii) any amount deductible in computing any person's income for any taxation year, or

(iii) any amount included in computing a deduction from any person's tax payable under any Part of this Act, for any taxation year.

"qualifying child" « *enfant admissible* »

"qualifying child" of an individual has the meaning assigned by subsection 118.03(1).

"qualifying entity" « *entité admissible* »

"qualifying entity" means a person or partnership that offers one or more programs of artistic, cultural, recreational or developmental activity prescribed for the purposes of the definition "eligible expense".

Children's arts tax credit

(2) For the purpose of computing the tax payable under this Part by an individual for a taxation year, there may be deducted the amount determined by the formula

$$A \times B$$

where

A is the appropriate percentage for the taxation year; and

B is the total of all amounts each of which is, in respect of a qualifying child of the individual for the taxation year, the lesser of $500 and the amount determined by the formula

C – D

where

C is total of all amounts each of which is an amount paid in the taxation year by the individual, or by the individual's spouse or common-law partner, that is an eligible expense in respect of the qualifying child of the individual, and

D is the total of all amounts that any person is or was entitled to receive, each of which relates to an amount included in computing the value determined for C in respect of the qualifying child that is the amount of a reimbursement, allowance or any other form of assistance (other than an amount that is included in computing the income for any taxation year of that person and that is not deductible in computing the taxable income of that person).

Children's arts tax credit — child with disability

(3) For the purpose of computing the tax payable under this Part by an individual for a taxation year there may be deducted in respect of a qualifying child of the individual an amount equal to $500 multiplied by the appropriate percentage for the taxation year if

(*a*) the amount referred to in the description of B in subsection (2) is $100 or more; and

(*b*) an amount is deductible in respect of the qualifying child under section 118.3 in computing any person's tax payable under this Part for the taxation year.

Apportionment of credit

(4) If more than one individual is entitled to a deduction under this section for a taxation year in respect of a qualifying child, the total of all amounts so deductible shall not exceed the maximum amount that would be so deductible for the year by any one of those individuals in respect of that qualifying child if that individual were the only individual entitled to deduct an amount for the year under this section in respect of that qualifying child, and if the individuals cannot agree as to what portion of the amount each can so deduct, the Minister may fix the portions.

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

18. (1) The Act is amended by adding the following after section 118.05:

Eligible volunteer firefighting services

118.06 (1) In this section, "eligible volunteer firefighting services" means services provided by an individual in the individual's capacity as a volunteer firefighter to a fire department that consist primarily of responding to and being on call for firefighting and related emergency calls, attending meetings held by the fire department and participating in required training related to the prevention or suppression of fires, but does not include services provided to a particular fire department if the individual provides firefighting services to the department otherwise than as a volunteer.

Volunteer firefighter tax credit

(2) For the purpose of computing the tax payable under this Part for a taxation year by an individual, there may be deducted the amount determined by multiplying $3,000 by the appropriate percentage for the taxation year if the individual

(*a*) performs not less than 200 hours of eligible volunteer firefighting services in the taxation year for one or more fire departments; and

(*b*) provides the certificates referred to in subsection (3) as and when requested by the Minister.

Certificate

(3) If the Minister so demands, an individual making a claim under this section in respect of a taxation year shall provide to the Minister a written certificate from the fire chief or a delegated official of each fire department to which the individual provided eligible volunteer firefighting services for the year, attesting to the number of hours of eligible volunteer firefighting services performed in the year by the individual for the particular fire department.

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

19. (1) Paragraph (*d*) of the definition "total charitable gifts" in subsection 118.1(1) of the Act is replaced by the following:

(*d*) a municipality in Canada,

(*d.1*) a municipal or public body performing a function of government in Canada,

(2) The definition "total charitable gifts" in subsection 118.1(1) of the Act, as amended by subsection (1), is replaced by the following:

"total charitable gifts" « *total des dons* »

"total charitable gifts", of an individual for a taxation year, means the total of all amounts each of which is the fair market value of a gift (other than a gift the fair market value of which in included in the total Crown gifts, the total cultural gifts or the total ecological gifts of the individual for the year) made by the individual in the year or in any of the five preceding taxation years (other than in a year for which a deduction under subsection 110(2) was claimed in computing the individual's taxable income) to a qualified donee, to the extent that the amount was not included in determining an amount that was deducted under this section in computing the individual's tax payable under this Part for a preceding taxation year;

(3) Paragraph 118.1(6)(*a*) of the Act is replaced by the following:

(*a*) capital property to a qualified donee, or

(4) Paragraph 118.1(13)(*c*) of the Act is replaced by the following:

(*c*) if the security is disposed of by the donee within 60 months after the particular time and paragraph (*b*) does not apply to the security, the individual is deemed to have made a gift to the donee of property at the time of the disposition and the fair market value of that gift is deemed to be the lesser of the fair market value of any consideration (other than a non-qualifying security of any person) received by the donee for the disposition and the amount of the gift made at the particular time that would, but for this subsection, have been included in the individual's total charitable gifts or total Crown gifts for a taxation year; and

(5) Section 118.1 of the Act is amended by adding the following after subsection (13):

Application of subsection (13.2)

(13.1) Subsection (13.2) applies if, as part of a series of transactions,

(*a*) an individual makes, at a particular time, a gift of a particular property to a qualified donee;

(*b*) a particular person holds a non-qualifying security of the individual; and

(*c*) the qualified donee acquires, directly or indirectly, a non-qualifying security of the individual or of the particular person.

Non-qualifying securities — third-party accommodation

(13.2) If this subsection applies,

(*a*) for the purposes of this section, the fair market value of the particular property is deemed to be reduced by an amount equal to the fair market value of the non-qualifying security acquired by the qualified donee; and

(*b*) for the purposes of subsection (13),

(i) if the non-qualifying security acquired by the qualified donee is a non-qualifying security of the particular person, it is deemed to be a non-qualifying security of the individual,

(ii) the individual is deemed to have made, at the particular time referred to in subsection (13.1), a gift of the non-qualifying security acquired by the qualified donee, the fair market value of which does not exceed the amount, if any, by which

(A) the fair market value of the particular property determined without reference to paragraph (*a*)

exceeds

(B) the fair market value of the particular property determined under paragraph (*a*), and

(iii) paragraph (13)(*b*) does not apply in respect of the gift.

Non-qualifying securities — anti-avoidance

(13.3) For the purposes of subsections (13.1) and (13.2), if, as part of a series of transactions, an individual makes a gift to a qualified donee and the qualified donee acquires a non-qualifying security of a person (other than the individual or particular person referred to in subsection (13.1)) and it may reasonably be considered, having regard to all the circumstances, that one of the purposes or results of the acquisition of the non-qualifying security by the qualified donee was to facilitate, directly or indirectly, the making of the gift by the individual, then the non-qualifying security acquired by the qualified donee is deemed to be a non-qualifying security of the individual.

(6) Section 118.1 of the Act is amended by adding the following after subsection (20):

Options

(21) Subject to subsections (23) and (24), if an individual has granted an option to a qualified donee in a taxation year, no amount in respect of the option is to be included in

computing an amount under any of total charitable gifts, total Crown gifts, total cultural gifts or total ecological gifts in respect of the individual for any year.

Application of subsection (23)

(22) Subsection (23) applies if

(*a*) an option to acquire a property of an individual is granted to a qualified donee;

(*b*) the option is exercised so that the property is disposed of by the individual and acquired by the qualified donee at a particular time; and

(*c*) either

(i) the amount that is 80% of the fair market value of the property at the particular time is greater than or equal to the total of

(A) the consideration (other than a non-qualifying security of any person) received by the individual from the qualified donee for the property, and

(B) the consideration (other than a non-qualifying security of any person) received by the individual from the qualified donee for the option; or

(ii) the individual establishes to the satisfaction of the Minister that the granting of the option or the disposition of the property was made by the individual with the intention to make a gift to the qualified donee.

Granting of an option

(23) If this subsection applies, notwithstanding subsection 49(3),

(*a*) the individual is deemed to have received proceeds of disposition of the property equal to the property's fair market value at the particular time; and

(*b*) there shall be included in the individual's total charitable gifts, for the taxation year that includes the particular time, the amount by which the property's fair market value exceeds the total described in subparagraph (22)(*c*)(i).

Disposition of an option

(24) If an option to acquire a particular property of an individual is granted to a qualified donee and the option is disposed of by the qualified donee (otherwise than by the exercise of the option) at a particular time

(*a*) the individual is deemed to have disposed of a property at the particular time

(i) the adjusted cost base of which to the individual immediately before the particular time is equal to the consideration, if any, paid by the qualified donee for the option, and

(ii) the proceeds of disposition of which are equal to the lesser of the fair market value of the particular property at the particular time and the fair market value of any consideration (other than a non-qualifying security of any person) received by the qualified donee for the option; and

(*b*) there shall be included in the total charitable gifts of the individual for the individual's taxation year that includes the particular time the amount, if any, by which the proceeds of disposition as determined by paragraph (*a*) exceed the consideration, if any, paid by the donee for the option.

Returned property

(25) Subsection (26) applies if a qualified donee has issued to an individual a receipt referred to in subsection (2) in respect of a transfer of a property (in this subsection and subsection (26) referred to as the "original property") and a particular property that is

(*a*) the original property is later transferred to the individual (unless that later transfer is reasonable consideration or remuneration for property acquired by or services rendered to a person); or

(*b*) any other property that may reasonably be considered compensation for or a substitute for, in whole or in part, the original property, is later transferred to the individual.

Returned property

(26) If this subsection applies, then

(*a*) irrespective of whether the transfer of the original property by the individual to the qualified donee referred to in subsection (25) was a gift, the individual is deemed not to have disposed of the original property at the time of that transfer nor to have made a gift;

(*b*) if the particular property is identical to the original property, the particular property is deemed to be the original property; and

(*c*) if the particular property is not the original property, then

(i) the individual is deemed to have disposed of the original property at the time that the particular property is transferred to the individual for proceeds of disposition equal to the greater of the fair market value of the particular property at that time and the fair market value of the original property at the time that it was transferred by the individual to the donee, and

(ii) if the transfer of the original property by the individual would be a gift if this section were read without reference to paragraph (*a*), the individual is deemed to have, at the time of that transfer, transferred to the donee a property that is the subject of a gift having a fair market value equal to the amount, if any, by which the fair market value of the original property at the time of that transfer exceeds the fair market value of the particular property at the time that it is transferred to the individual.

Information return

(27) If subsection (26) applies in respect of a transfer of property to an individual and that property has a fair market value greater than $50, the transferor must file an information return containing prescribed information with the Minister within 90 days of the transfer and provide a copy of it to the individual.

Reassessment

(28) If subsection (26) applies in respect of a transfer of property to an individual, the Minister may reassess a return of income of any person to the extent that the reassessment can reasonably be regarded as relating to the transfer.

(7) Subsection (1) applies to gifts made after May 8, 2000.

(8) Subsections (2) and (3) come into force on the later of the day on which this Act is assented to and January 1, 2012.

(9) Subsections (4) and (5) are deemed to have come into force on March 22, 2011.

(10) Subsections 118.1(21) to (24) of the Act, as enacted by subsection (6), apply in respect of options granted on or after March 22, 2011.

(11) Subsections 118.1(25) to (28) of the Act, as enacted by subsection (6), apply to transfers of property made on or after March 22, 2011, except that an information return required to be filed under subsection 118.1(27) of the Act, as enacted by subsection (6), that is filed before the day that is 90 days after Announcement Date is deemed to have been filed on time.

20. (1) The portion of the description of D in subsection 118.2(1) of the Act before the formula is replaced by the following:

D is the total of all amounts each of which is, in respect of a dependant of the individual (within the meaning assigned by subsection 118(6), other than a child of the individual who has not attained the age of 18 years before the end of the taxation year), the amount determined by the formula

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

21. (1) Paragraph 118.3(2)(*d*) of the Act is replaced by the following:

(*d*) the amount of that person's tax payable under this Part for the year computed before any deductions under this Division (other than under sections 118 to 118.06 and 118.7).

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

22. (1) The portion of paragraph 118.5(1)(*a*) of the Act before subpagraph (ii.1) is replaced by the following:

(*a*) subject to subsection (1.1), where the individual was during the year a student enrolled at an educational institution in Canada that is

(i) a university, college or other educational institution providing courses at a post-secondary school level, or

(ii) certified by the Minister of Human Resources and Skills Development to be an educational institution providing courses, other than courses designed for university credit, that furnish a person with skills for, or improve a person's skills in, an occupation,

an amount equal to the product obtained when the appropriate percentage for the year is multiplied by the amount of any fees for the individual's tuition paid in respect of the year to the educational institution, except to the extent that those fees

(2) Subparagraph 118.5(1)(*b*)(i) of the Act is replaced by the following:

(i) paid in respect of a course of less than three consecutive weeks duration,

(3) Subsection 118.5(1) of the Act is amended by striking out "and" at the end of paragraph (*b*), by adding "and" at the end of paragraph (*c*) and by adding the following after paragraph (*c*):

(*d*) subject to subsection (1.1), if the individual has taken an examination (in this section referred to as an "occupational, trade or professional examination") in the year that is required to obtain a professional status recognized under a federal or provincial statute,

or to be licensed or certified as a tradesperson, where that status, license or certification allows the individual to practice the profession or trade in Canada, an amount equal to the product obtained when the appropriate percentage for the year is multiplied by the amount of any fees paid in respect of the occupational, trade or professional examination to an educational institution referred to in paragraph (*a*), a professional association, a provincial ministry or other similar institution, except to the extent that the occupational, trade or professional examination fees

(i) are paid on behalf of, or reimbursed to, the individual by the individual's employer and the amount paid or reimbursed is not included in the individual's income, or

(ii) are fees in respect of which the individual is or was entitled to receive a reimbursement or any form of assistance under a program of Her Majesty in right of Canada or a province designed to facilitate the entry or re-entry of workers into the labour force, where the amount of the reimbursement or assistance is not included in computing the individual's income.

(4) Section 118.5 of the Act is amended by adding the following after subsection (1):

Minimum amount

(1.1) No amount may be deducted for a taxation year by an individual under paragraph (1)(*a*) or (*d*) in respect of any fees paid to a particular institution unless the total of the fees described in those paragraphs and paid to the particular institution in the year by the individual exceeds $100.

(5) Section 118.5 of the Act is amended by adding the following after subsection (3):

Ancillary fees and charges for examinations

(4) For the purpose of this section, "fees paid in respect of the occupational, trade or professional examination" of an individual includes ancillary fees and charges, other than fees and charges included in subsection (3), that are paid to an educational institution referred to in subparagraph (1)(*a*)(i), a professional association, a provincial ministry or other similar institution, in respect of an occupation, trade or professional examination taken by the individual, but does not include any fee or charge to the extent that it is levied in respect of

(*a*) property to be acquired by an individual;

(*b*) the provision of financial assistance to an individual, except to the extent that, if this Act were read without reference to subsection 56(3), the financial assistance would be required to be included in computing the income, and would not be deductible in computing the taxable income, of the individual;

(*c*) the construction, renovation or maintenance of any building or facility; or

(*d*) any fee or charge for a taxation year that, but for this paragraph, would be included because of this subsection in the fees for the individual's occupational, trade or professional examination and that is not required to be paid by all the individuals taking the occupational, trade or professional examination to the extent that the total for the year of all such fees and charges paid in respect of the individual's fees for the occupational, trade or professional examination exceeds $250.

(6) Subsections (1) and (3) to (5) apply to the 2011 and subsequent taxation years.

(7) Subsection (2) applies to tuition fees paid for the 2011 and subsequent taxation years.

23. (1) Paragraph (*b*) of the definition "designated educational institution" in subsection 118.6(1) of the Act is replaced by the following:

(*b*) a university outside Canada at which the individual referred to in subsection (2) was enrolled in a course, of not less than three consecutive weeks duration, leading to a degree, or

(2) Subsection (1) applies to tuition fees paid for the 2011 and subsequent taxation years.

24. (1) The description of C in subsection 118.61(1) of the 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 sections 118 to 118.06, 118.3 and 118.7);

(2) Paragraph 118.61(2)(*b*) of the 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 sections 118 to 118.06, 118.3 and 118.7).

(3) Subsections (1) and (2) apply to the 2011 and subsequent taxation years.

25. (1) Paragraph (*a*) of the description of C in section 118.8 of the Act is replaced by the following:

(*a*) the amount that would be the spouse's or common-law partner's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under subsection 118(1) because of paragraph (*c*) of the description of B in that subsection, under subsection 118(10) or under any of sections 118.01 to 118.06, 118.3, 118.61 and 118.7).

(2) Subparagraph (*b*)(ii) of the description of C in section 118.8 of the Act is replaced by the following:

(ii) the amount that would be the spouse's or common-law partner's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under any of sections 118 to 118.06, 118.3, 118.61 and 118.7).

(3) Subsections (1) and (2) apply to the 2011 and subsequent taxation years.

26. (1) The description of B in paragraph 118.81(*a*) of the Act is replaced by the following:

B is the amount that would be the person's tax payable under this Part for the year if no amount were deductible under this Division (other than an amount deductible under any of sections 118 to 118.06, 118.3, 118.61 and 118.7), and

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

27. (1) Section 118.92 of the Act is replaced by the following:

Ordering of credits

118.92 In computing an individual's tax payable under this Part, the following provisions shall be applied in the following order: subsections 118(1) and (2), section 118.7, subsections 118(3) and (10) and sections 118.01, 118.02, 118.03, 118.031, 118.04, 118.05, 118.06, 118.3, 118.61, 118.5, 118.6, 118.9, 118.8, 118.2, 118.1, 118.62 and 121.

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

28. (1) Section 118.94 of the Act is replaced by the following:

Tax payable by non-residents (credits restricted)

118.94 Sections 118 to 118.06 and 118.2, subsections 118.3(2) and (3) and sections 118.6, 118.8 and 118.9 do not apply for the purpose of computing the tax payable under this Part for a taxation year by an individual who at no time in the year is resident in Canada unless all or substantially all the individual's income for the year is included in computing the individual's taxable income earned in Canada for the year.

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

29. (1) The portion of the definition "excluded amount" in subsection 120.4(1) of the Act before paragraph (*a*) is replaced by the following:

"excluded amount" « *montant exclu* »

"excluded amount", in respect of an individual for a taxation year, means an amount that is the income from, or the taxable capital gain from the disposition of, a property acquired by or for the benefit of the individual as a consequence of the death of

(2) Section 120.4 of the Act is amended by adding the following after subsection (3):

Taxable capital gain

(4) If a specified individual would have for a taxation year, if this Act were read without reference to this section, a taxable capital gain (other than an excluded amount) from a disposition of shares (other than shares of a class listed on a designated stock exchange or shares of a mutual fund corporation) that are transferred, either directly or indirectly, in any manner whatever, to a person with whom the specified individual does not deal at arm's length, then the amount of that taxable capital gain is deemed not to be a taxable capital gain and twice the amount is deemed to be received by the specified individual in the year as a taxable dividend that is not an eligible dividend.

Taxable capital gain of trust

(5) If a specified individual would be, if this Act were read without reference to this section and subsection 104(21), required under paragraph 104(13)(*a*) or subsection 105(2) to include an amount in computing the specified individual's income for a taxation year, then to the extent that the amount can reasonably be considered to be attributable to a taxable capital gain (other than an excluded amount) of a trust from a disposition of shares (other than shares of a class listed on a designated stock exchange or shares of a mutual fund corporation) that are transferred, either directly or indirectly, in any manner whatever, to a person with whom the specified individual does not deal at arm's length, paragraph 104(13)(*a*) and subsection 105(2) do not apply in respect of the amount and twice the amount is deemed to be received by the specified individual in the year as a taxable dividend that is not an eligible dividend.

(3) Subsections (1) and (2) apply to dispositions that occur on or after March 22, 2011.

30. (1) Paragraphs 122.5(3.1)(*a*) and (*b*) of the Act are replaced by the following:

(*a*) the amount deemed by that subsection to have been paid by the eligible individual during the particular month specified for the taxation year is less than $50; and

(*b*) it is reasonable to conclude that the amount deemed by that subsection to have been paid by the eligible individual during each subsequent month specified for the taxation year will be less than $50.

(2) Subsection (1) applies to amounts deemed to be paid during months specified for the 2010 and subsequent taxation years.

31. (1) Subsection 122.61(2) of the Act is replaced by the following:

Exceptions

(2) Notwithstanding subsection (1), if a particular month is the first month during which an overpayment that is less than $20 (or such other amount as is prescribed) is deemed under that subsection to have arisen on account of a person's liability under this Part for the base taxation year in relation to the particular month, any such overpayment that would, but for this subsection, reasonably be expected at the end of the particular month to arise during another month in relation to which the year is the base taxation year is deemed to arise under that subsection during the particular month and not during the other month.

(2) Subsection (1) applies with respect to overpayments deemed to arise during months that are after June 2011.

32. (1) Subsections 122.62(5) to (7) of the Act are replaced by the following:

Death of cohabiting spouse

(5) If the cohabiting spouse or common-law partner of an eligible individual in respect of a qualified dependant dies,

(*a*) the eligible individual shall notify the Minister in prescribed form of that event before the end of the first calendar month that begins after that event; and

(*b*) subject to subsection (8), for the purpose of determining the amount deemed under subsection 122.61(1) to be an overpayment arising in that first month and any subsequent month on account of the eligible individual's liability under this Part for the base taxation year in relation to that first month, the eligible individual's adjusted income for the year is deemed to be equal to the eligible individual's income for the year.

Separation from cohabiting spouse

(6) If a person ceases to be an eligible individual's cohabiting spouse or common-law partner,

(*a*) the eligible individual shall notify the Minister in prescribed form of that event, before the end of the first calendar month that begins after that event; and

(*b*) subject to subsection (8), for the purpose of determining the amount deemed under subsection 122.61(1) to be an overpayment arising in that first month and any subsequent month on account of the eligible individual's liability under this Part for the base

taxation year in relation to that first month, the eligible individual's adjusted income for the year is deemed to be equal to the eligible individual's income for the year.

Person becoming a cohabiting spouse

(7) If a taxpayer becomes the cohabiting spouse or common-law partner of an eligible individual,

(*a*) the eligible individual shall notify the Minister in prescribed form of that event before the end of the first calendar month that begins after that event; and

(*b*) subject to subsection (8), for the purpose of determining the amount deemed under subsection 122.61(1) to be an overpayment arising in that first month and any subsequent month on account of the eligible individual's liability under this Part for the base taxation year in relation to that first month, the taxpayer is deemed to have been the eligible individual's cohabiting spouse or common-law partner at the end of the base taxation year in relation to that month.

Ordering of events

(8) If more than one event referred to in subsections (5) to (7) occur in a calendar month, only the subsection relating to the last of those events to have occurred applies.

(2) Subsection (1) applies in respect of events that occur after June 2011.

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

(*a*) that is a Canadian exploration expense incurred by a corporation after March 2011 and before 2013 (including, for greater certainty, an expense that is deemed by subsection 66(12.66) to be incurred before 2013) in conducting mining exploration activity from or above the surface of the earth for the purpose of determining the existence, location, extent or quality of a mineral resource described in paragraph (*c*) or (*d*) of the definition "mineral resource" in subsection 248(1),

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

(*c*) an amount in respect of which is renounced in accordance with subsection 66(12.6) by the corporation to the taxpayer (or a partnership of which the taxpayer is a member) under an agreement described in that subsection and made after March 2011 and before April 2012, and

(*d*) that is not an expense that was renounced under subsection 66(12.6) to the corporation (or a partnership of which the corporation is a member), unless that renunciation was under an agreement described in that subsection and made after March 2011 and before April 2012;

(3) Subsections (1) and (2) apply to expenses renounced under a flow-through share agreement made after March 2011.

34. (1) Paragraph 127.531(*a*) of the Act is replaced by the following:

(*a*) an amount deducted under any of subsections 118(1), (2) and (10), sections 118.01 to 118.06, subsection 118.3(1) and sections 118.5 to 118.7 in computing the individual's tax payable for the year under this Part; or

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

35. (1) Clause 128(2)(*e*)(iii)(A) of the Act is replaced by the following:

(A) under any of sections 118 to 118.06, 118.2, 118.3, 118.5, 118.6, 118.8 and 118.9,

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

36. (1) The description of G in the definition "surplus funds derived from operations" in subsection 138(12) of the Act is replaced by the following:

G is the total of all gifts made in the period by the insurer to a qualified donee, and

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

37. (1) The definition "non-qualified investment" in subsection 146(1) of the Act is repealed.

(2) The definition "benefit" in subsection 146(1) of the Act is amended by adding the following after paragraph (b):

(*b.1*) an amount in respect of which the annuitant pays a tax under Part XI.01, unless the tax is waived, cancelled or refunded,

(3) Paragraph 146(2)(*c.4*) of the Act is repealed.

(4) Subsection 146(6) of the Act is repealed.

(5) Subsection 146(10) of the Act is replaced by the following:

Property used as security for a loan

(10) Where at any time in a taxation year a trust governed by a registered retirement savings plan uses or permits to be used any property of the trust as security for a loan, the fair market value of the property at the time it commenced to be so used shall be included in computing the income for the year of the taxpayer who is the annuitant under the plan at that time.

(6) Subsections 146(11) and (11.1) of the Act are repealed.

(7) Subsection 146(13.1) of the Act is repealed.

(8) Subsections (1) and (4) to (6) apply in respect of investments acquired after March 22, 2011.

(9) Subsections (2) and (7) apply to transactions occurring, income earned, capital gains accruing and investments acquired after March 22, 2011.

(10) Subsection (3) is deemed to have come into force on March 23, 2011.

38. (1) Paragraph (*b*) of the definition "post-secondary educational institution" in subsection 146.1(1) of the Act is replaced by the following:

(*b*) an educational institution outside Canada that provides courses at a post-secondary school level and that is

(i) a university, college or other educational institution at which a beneficiary was enrolled in a course of not less than 13 consecutive weeks, or

(ii) a university at which a beneficiary was enrolled on a full-time basis in a course of not less than three consecutive weeks;

(2) Subsection (1) applies to educational assistance payments made after 2010.

39. (1) Subsection 146.3(2) of the Act is amended by adding "and" at the end of paragraph (*f*)(vii) and by repealing paragraph (*g*).

(2) Subsection 146.3(7) of the Act is replaced by the following:

Use of property as security for a loan

(7) Where at any time in a taxation year a trust governed by a registered retirement income fund uses or permits to be used any property of the trust as security for a loan, the fair market value of the property at the time it commenced to be so used shall be included in computing the income for the year of the taxpayer who is the annuitant under the fund at that time.

(3) Subsection 146.3(8) of the Act is repealed.

(4) Subsection 146.3(13) of the Act is repealed.

(5) Subsection (1) is deemed to have come into force on March 23, 2011.

(6) Subsections (2) and (3) apply in respect of investments acquired after March 22, 2011.

(7) Subsection (4) applies to transactions occurring, income earned, capital gains accruing and investments acquired after March 22, 2011.

40. (1) Subsection 149(1) of the Act is amended by adding the following after paragraph (*f*):

(*g*) a registered Canadian amateur athletic association;

(2) Subsection 149(1) of the Act is amended by striking out "or" at the end of paragraph (*y*) and by adding the following after paragraph (*z*):

(*z.1*) a trust

(i) that was created because of a requirement imposed by section 56 of the *Environment Quality Act*, R.S.Q., c. Q-2,

(ii) that is resident in Canada, and

(iii) in which the only persons that are beneficially interested are

(A) Her Majesty in right of Canada,

(B) Her Majesty in right of a province, or

(C) a municipality (as defined in section 1 of that Act) that is exempt because of this subsection from tax under this Part on all of its taxable income; or

(*z.2*) a trust

(i) that was created because of a requirement imposed by subsection 9(1) of the *Nuclear Fuel Waste Act*, S.C. 2002, c. 23,

(ii) that is resident in Canada, and

(iii) in which the only persons that are beneficially interested are

(A) Her Majesty in right of Canada,

(B) Her Majesty in right of a province,

(C) a nuclear energy corporation (as defined in section 2 of that Act) all of the shares of the capital stock of which are owned by one or more persons described in clause (A) or (B),

(D) the waste management organization established under section 6 of that Act if all of the shares of its capital stock are owned by one or more nuclear energy corporations described in clause (C), or

(E) Atomic Energy of Canada Limited, being the company incorporated or acquired pursuant to subsection 10(2) of the *Atomic Energy Control Act*, R.S., 1970, c. A-19.

(3) The portion of subsection 149(12) of the Act before paragraph (*a*) is replaced by the following:

Information returns

(12) Every person (other than a registered Canadian amateur athletic association) who, because of paragraph (1)(*e*) or (*l*), is exempt from tax under this Part on all or part of the person's taxable income shall, within six months after the end of each fiscal period of the person and without notice or demand, file with the Minister an information return for the period in prescribed form and containing prescribed information, if

(4) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

(5) Subsection (2) applies to the 1997 and subsequent taxation years.

(6) Subsection (3) applies to fiscal periods that begin on or after the later of the day on which this Act is assented to and January 1, 2012.

41. (1) The heading before section 149.1 of the Act is replaced by the following:

Qualified Donees

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

42. (1) The definitions "qualified donee", "related business" and "taxation year" in subsection 149.1(1) of the Act are respectively replaced by the following:

"qualified donee" « *donataire reconnu* »

"qualified donee", at any time, means a person that is

(*a*) registered by the Minister and that is

(i) a housing corporation resident in Canada and exempt from tax under this Part because of paragraph 149(1)(*i*) that has applied for registration,

(ii) a municipality in Canada,

(iii) a municipal or public body performing a function of government in Canada that has applied for registration,

(iv) a university outside Canada that is prescribed to be a university the student body of which ordinarily includes students from Canada, or

(v) a charitable organization outside Canada to which Her Majesty in right of Canada has made a gift in the 36–month period that begins 24 months before that time,

(*b*) a registered charity,

(*c*) a registered Canadian amateur athletic association, or

(*d*) Her Majesty in right of Canada or a province, the United Nations or an agency of the United Nations;

"related business" « *activité commerciale complémentaire* »

"related business", in relation to a charity<u>or Canadian amateur athletic association</u>, includes a business that is unrelated to the <u>purposes</u> of the charity <u>or association</u> if substantially all persons employed by the charity <u>or association</u> in the carrying on of that business are not remunerated for that employment;

"taxation year" « *année d'imposition* »

"taxation year" means, in the case of a registered charity <u>or registered Canadian amateur athletic association</u>, a fiscal period;

(2) Subsection 149.1(1) of the Act is amended by adding the following in alphabetical order:

"Canadian amateur athletic association" « *association canadienne de sport amateur* »

"Canadian amateur athletic association" means an association that

(*a*) was created under any law in force in Canada,

(*b*) is resident in Canada,

(*c*) has no part of its income payable to, or otherwise available for the personal benefit of, any proprietor, member or shareholder of the association unless the proprietor, member or shareholder was a club, society or association the primary purpose and primary function of which was the promotion of amateur athletics in Canada,

(*d*) has the promotion of amateur athletics in Canada on a nation-wide basis as its exclusive purpose and exclusive function, and

(*e*) devotes all of its resources to that purpose and function;

"ineligible individual" « *particulier non admissible* »

"ineligible individual", at any time, means an individual who has been

(*a*) convicted of a relevant criminal offence for which a pardon has not been granted,

(*b*) convicted of a relevant offence in the five-year period preceding that time,

(*c*) a director, trustee, officer or like official of a registered charity or a registered Canadian amateur athletic association during a period in which the charity or association engaged in conduct that can reasonably be considered to have constituted a serious breach of the requirements for registration under this Act and for which the registration of the charity or association was revoked in the five-year period preceding that time,

(*d*) an individual who controlled or managed, directly or indirectly, in any manner whatever, a registered charity or a registered Canadian amateur athletic association during a period in which the charity or association engaged in conduct that can reasonably be considered to have constituted a serious breach of the requirements for registration under this Act and for which its registration was revoked in the five-year period preceding that time, or

(*e*) a promoter in respect of a tax shelter that involved a registered charity or a registered Canadian amateur athletic association, the registration of which was revoked in the five-year period preceding that time for reasons that included or were related to participation in the tax shelter;

"promoter" « *promoteur* »

"promoter" has the meaning assigned by section 237.1;

"relevant criminal offence" « *infraction criminelle pertinente* »

"relevant criminal offence" means a criminal offence under the laws of Canada, and an offence that would be a criminal offence if it were committed in Canada, that

(*a*) relates to financial dishonesty, including tax evasion, theft and fraud, or

(*b*) in respect of a charity or Canadian amateur athletic association, is relevant to the operation of the charity or association;

"relevant offence" « *infraction pertinente* »

"relevant offence" means an offence, other than a relevant criminal offence, under the laws of Canada or a province, and an offence that would be such an offence if it took place in Canada, that

(*a*) relates to financial dishonesty, including an offence under charitable fundraising legislation, consumer protection legislation and securities legislation, or

(*b*) in respect of a charity or Canadian amateur athletic association, is relevant to the operation of the charity or association;

(3) Subsection 149.1(4.1) of the Act is amended by striking out "and" at the end of paragraph (*c*), by adding "and" at the end of paragraph (*d*) and by adding the following after paragraph (*d*):

(*e*) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever.

(4) Section 149.1 of the Act is amended by adding the following after subsection (4.1):

Revocation of registration of registered Canadian amateur athletic association

(4.2) The Minister may, in the manner described in section 168, revoke the registration of a registered Canadian amateur athletic association

(*a*) for any reason described in subsection 168(1);

(*b*) if the association carries on a business that is not a related business of that association; or

(*c*) if an ineligible individual is a director, trustee, officer or like official of the association, or controls or manages the association, directly or indirectly, in any manner whatever.

Revocation of a qualified donee

(4.3) The Minister may, in the manner described in section 168, revoke the registration of a qualified donee referred to in paragraph (*a*) of the definition "qualified donee" in subsection (1) for any reason described in subsection 168(1).

(5) Section 149.1 of the Act is amended by adding the following after subsection (6.2):

Political activities of a Canadian amateur athletic association

(6.201) For the purpose of the definition "Canadian amateur athletic association" in subsection (1), an association that devotes part of its resources to political activities is considered to devote those resources to its exclusive purpose and exclusive function if

(*a*) it devotes substantially all of its resources to its purpose and function; and

(*b*) those political activities

(i) are ancillary and incidental to its purpose and function, and

(ii) do not include the direct or indirect support of, or opposition to, any political party or candidate for public office.

(6) Subsection 149.1(14) of the Act is replaced by the following:

Information returns

(14) Every registered charity and registered Canadian amateur athletic association shall, within six months from the end of each taxation year of the charity or association and without notice or demand, file with the Minister both an information return and a public information return for the year in prescribed form and containing prescribed information.

(7) Paragraph 149.1(15)(*b*) of the Act is replaced by the following:

(*b*) the Minister may make available to the public in any manner that the Minister considers appropriate, in respect of each registered, or previously registered, charity, Canadian amateur athletic association and qualified donee referred in to paragraph (*a*) of the definition "qualified donee" in subsection (1),

(i) its name, address and date of registration,

(ii) in the case of a registered, or previously registered, charity or Canadian amateur athletic association, its registration number, and

(iii) the effective date of any revocation, annulment or termination of registration;

(8) Subsection 149.1(22) of the Act is replaced by the following:

Refusal to register

(22) The Minister may, by registered mail, give notice to a person that the application of the person for registration, as a registered charity, registered Canadian amateur athletic association or qualified donee referred to in subparagraph (*a*)(i) or (iii) of the definition "qualified donee" in subsection (1), is refused.

(9) Section 149.1 of the Act is amended by the adding following after subsection (24):

Refusal to register — ineligible individual

(25) The Minister may refuse to register a charity or Canadian amateur athletic association that has applied for registration as a registered charity or registered Canadian amateur athletic association if

(*a*) the application for registration is made on its behalf by an ineligible individual; or

(*b*) an ineligible individual is a director, trustee, officer or like official of the charity or association, or controls or manages the charity or association, directly or indirectly, in any manner whatever.

(10) Subsections (1) to (5) and (7) to (9) come into force on the later of the day on which this Act is assented to and January 1, 2012.

(11) Subsection (6) applies for fiscal periods that begin on or after the later of the day on which this Act is assented to and January 1, 2012.

43. (1) Subsection 168(1) of the Act is replaced by the following:

Notice of intention to revoke registration

168. (1) The Minister may, by registered mail, give notice to a person described in any of paragraphs (*a*) to (*c*) of the definition "qualified donee" in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

(*a*) applies to the Minister in writing for revocation of its registration;

(*b*) ceases to comply with the requirements of this Act for its registration;

(*c*) in the case of a registered charity or registered Canadian amateur athletic association, fails to file an information return as and when required under this Act or a regulation;

(*d*) issues a receipt for a gift otherwise than in accordance with this Act and the regulations or that contains false information;

(*e*) fails to comply with or contravenes any of sections 230 to 231.5; or

(*f*) in the case of a registered Canadian amateur athletic association, accepts a gift the granting of which was expressly orimplicitly conditional on the association making a gift to another person, club, society or association.

(2) Subsection 168(4) of the Act is replaced by the following:

Objection to proposal or designation

(4) A person may, on or before the day that is 90 days after the day on which the notice was mailed, serve on the Minister a written notice of objection in the manner authorized by the Minister, setting out the reasons for the objection and all the relevant facts, and the provisions of subsections 165(1), (1.1) and (3) to (7) and sections 166, 166.1 and 166.2 apply, with any modifications that the circumstances require, as if the notice were a notice of assessment made under section 152, if

(*a*) in the case of a person that is or was registered as a registered charity or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(2) to (4.1), (6.3), (22) and (23);

(*b*) in the case of a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.2) and (22); or

(*c*) in the case of a person described in any of subparagraphs (*a*)(i) to (v) of the definition "qualified donee" in subsection 149.1(1), that is or was registered by the Minister as a qualified donee or is an applicant for such registration, it objects to a notice under any of subsections (1) and 149.1(4.3) and (22).

(3) Subsections (1) and (2) come into force on the later of the day on which this Act is assented to and January 1, 2012.

44. (1) Paragraph 172(3)(*a*) of the Act is replaced by the following:

(*a*) confirms a proposal or decision in respect of which a notice was issued under any of subsections 149.1(4.2) and (22) and 168(1) by the Minister, to a person that is or was registered as a registered Canadian amateur athletic association or is an applicant for registration as a registered Canadian amateur athletic association, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(2) Subsection 172(3) of the Act is amended by adding the following after paragraph (*a.1*):

(*a.2*) confirms a proposal or decision in respect of which a notice was issued under subsection 149.1(4.3) or (22) or 168(1) by the Minister, to a person that is a person described in any of subparagraphs (*a*)(i) to (v) of the definition "qualified donee" in subsection 149.1(1) that is or was registered by the Minister as a qualified donee or is an applicant for such registration, or does not confirm or vacate that proposal or decision within 90 days after service of a notice of objection by the person under subsection 168(4) in respect of that proposal or decision,

(3) Paragraph 172(3)(*d*) of the Act is repealed.

(4) The portion of subsection 172(3) of the Act after paragraph (*g*) is replaced by the following:

the person in a case described in paragraph (*a*), (*a.1*) or (*a.2*), the applicant in a case described in paragraph (*b*), (*e*) or (*g*), a trustee under the plan or an employer of employees who are beneficiaries under the plan, in a case described in paragraph (*c*), the promoter in a case described in paragraph (*e.1*), or the administrator of the plan or an employer who participates in the plan, in a case described in paragraph (*f*) or (*f.1*), may appeal from the Minister's decision, or from the giving of the notice by the Minister, to the Federal Court of Appeal.

(5) Paragraph 172(4)(*c*) of the Act is repealed.

(6) Subsections (1) to (5) come into force on the later of the day on which this Act is assented to and January 1, 2012.

45. (1) Paragraph 180(1)(*b*) of the Act is repealed.

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

46. (1) The heading "TAX AND PENALTIES IN RESPECT OF REGISTERED CHARITIES" before section 187.7 of the Act is replaced by the following:

TAX AND PENALTIES IN RESPECT OF QUALIFIED DONEES

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

47. (1) Section 188 of the Act is amended by adding the following after subsection (1.3):

Eligible donee

(1.4) In this Part, an eligible donee in respect of a particular Canadian amateur athletic association is a registered Canadian amateur athletic association

(*a*) of which more than 50% of the members of the board of directors or trustees of the registered Canadian amateur athletic association deal at arm's length with each member of the board of directors or trustees of the particular Canadian amateur athletic association;

(*b*) that is not the subject of a suspension under subsection 188.2(1);

(*c*) that has no unpaid liabilities under this Act or under the *Excise Tax Act*; and

(*d*) that has filed all information returns required by subsection 149.1(14).

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

48. (1) Subsections 188.1(1) and (2) of the Act are replaced by the following:

Penalty — carrying on business

188.1 (1) Subject to subsection (2), a person is liable to a penalty under this Part equal to 5% of its gross revenue for a taxation year from any business that it carries on in the taxation year, if

(*a*) the person is a registered charity that is a private foundation;

(*b*) the person is a registered charity that is not a private foundation and the business is not a related business in relation to the charity; or

(*c*) the person is a registered Canadian amateur athletic association and the business is not a related business in relation to the association.

Increased penalty for subsequent assessment

(2) A person that, less than five years before a particular time, was assessed a liability under subsection (1) or this subsection, for a taxation year, is liable to a penalty under this Part equal to its gross revenue for a subsequent taxation year from any business that, after that assessment and in the subsequent taxation year, it carries on at the particular time if

(*a*) the person is a registered charity that is a private foundation;

(*b*) the person is a registered charity that is not a private foundation and the business is not a related business in relation to the charity; or

(*c*) the person is a registered Canadian amateur athletic association and the business is not a related business in relation to the association.

(2) Subsections 188.1(4) to (9) of the Act are replaced by the following:

Undue benefits

(4) A registered charity or registered Canadian amateur athletic association that, at a particular time in a taxation year, confers on a person an undue benefit is liable to a penalty under this Part for the taxation year equal to

(*a*) 105% of the amount of the benefit, except if the charity or association is liable under paragraph (*b*) for a penalty in respect of the benefit; or

(*b*) if the Minister has, less than five years before the particular time, assessed a liability under paragraph (*a*) or this paragraph for a preceding taxation year of the charity or association and the undue benefit was conferred after that assessment, 110% of the amount of the benefit.

Meaning of undue benefits

(5) For the purposes of this Part, an undue benefit conferred on a person (referred to in this Part as the "beneficiary") by a registered charity or registered Canadian amateur athletic association includes a disbursement by way of a gift or the amount of any part of the income, rights, property or resources of the charity or association that is paid, payable, assigned or otherwise made available for the personal benefit of any person who is a proprietor, member, shareholder, trustee or settlor of the charity or association, who has contributed or otherwise paid into the charity or association more than 50% of the capital of the charity or association, or who deals not at arm's length with such a person or with the charity or association, as well as any benefit conferred on a beneficiary by another person, at the direction or with the consent of the charity or association, that would, if it were not conferred on the beneficiary, be an amount in respect of which the charity or association would have a right, but does not include a disbursement or benefit to the extent that it is

(*a*) an amount that is reasonable consideration or remuneration for property acquired by or services rendered to the charity or association;

(*b*) a gift made, or a benefit conferred,

(i) in the case of a registered charity, in the course of a charitable act in the ordinary course of the charitable activities carried on by the charity, unless it can reasonably be considered that the eligibility of the beneficiary for the benefit relates solely to the relationship of the beneficiary to the charity, and

(ii) in the case of a registered Canadian amateur athletic association, in the ordinary course of promoting amateur athletics in Canada on a nation-wide basis; or

(*c*) a gift to a qualified donee.

Failure to file information returns

(6) Every registered charity and registered Canadian amateur athletic association that fails to file a return for a taxation year as and when required by subsection 149.1(14) is liable to a penalty equal to $500.

Incorrect information

(7) Except where subsection (8) or (9) applies, every registered charity and registered Canadian amateur athletic association that issues, in a taxation year, a receipt for a gift otherwise than in accordance with this Act and the regulations is liable for the taxation year to a penalty equal to 5% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

Increased penalty for subsequent assessment

(8) Except where subsection (9) applies, if the Minister has, less than five years before a particular time, assessed a penalty under subsection (7) or this subsection for a taxation year of a registered charity or registered Canadian amateur athletic association and, after that assessment and in a subsequent taxation year, the charity or association issues, at the particular time, a receipt for a gift otherwise than in accordance with this Act and the regulations, the charity or association is liable for the subsequent taxation year to a penalty equal to 10% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

False information

(9) If at any time a person makes or furnishes, participates in the making of or causes another person to make or furnish a statement that the person knows, or would reasonably be expected to know but for circumstances amounting to culpable conduct (within the meaning assigned by subsection 163.2(1)), is a false statement (within the meaning assigned by subsection 163.2(1)) on a receipt issued by, on behalf of or in the name of another person for the purposes of subsection 110.1(2) or 118.1(2), the person (or, where the person is an officer, employee, official or agent of a registered charity or registered Canadian amateur athletic association, the charity or association) is liable for their taxation year that includes that time to a penalty equal to 125% of the amount reported on the receipt as representing the amount in respect of which a taxpayer may claim a deduction under subsection 110.1(1) or a credit under subsection 118.1(3).

(3) Subsections (1) and (2) apply to taxation years that begin on or after the later of the day on which this Act is assented to and January 1, 2012.

49. (1) Subsections 188.2(1) to (4) of the Act are replaced by the following:

Notice of suspension with assessment

188.2 (1) The Minister shall, with an assessment referred to in this subsection, give notice by registered mail to a registered charity or registered Canadian amateur athletic association that the authority of the charity or association to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed, if the Minister has assessed the charity or association for a taxation year for

(*a*) a penalty under subsection 188.1(2);

(*b*) a penalty under paragraph 188.1(4)(*b*) in respect of an undue benefit, other than an undue benefit conferred by the charity or association by way of a gift; or

(*c*) a penalty under subsection 188.1(9) if the total of all such penalties for the taxation year exceeds $25,000.

Notice of suspension — general

(2) The Minister may give notice by registered mail to a person referred to in any of paragraphs (*a*) to (*c*) of the definition "qualified donee" in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed

(*a*) if the person contravenes any of sections 230 to 231.5;

(*b*) if it may reasonably be considered that the person has acted, in concert with another person that is the subject of a suspension under this section, to accept a gift or transfer of property on behalf of that other person;

(*c*) in the case of a person referred to in paragraph (*a*) of the definition "qualified donee" in subsection 149.1(1), if the person has issued a receipt for a gift otherwise than in accordance with this Act and the regulations; or

(*d*) in the case of a person that is a registered charity or registered Canadian amateur athletic association, if an ineligible individual is a director, trustee, officer or like official of the person, or controls or manages the person, directly or indirectly, in any manner whatever.

Effect of suspension

(3) If the Minister has issued a notice to a qualified donee under subsection (1) or (2), subject to subsection (4),

(*a*) the qualified donee is deemed, in respect of gifts made and property transferred to the qualified donee within the one-year period that begins on the day that is seven days after the day on which the notice is mailed, not to be a qualified donee for the purposes of subsections 110.1(1) and 118.1(1) and Part XXXV of the *Income Tax Regulations*; and

(*b*) if the qualified donee is, during that period, offered a gift from any person, the qualified donee shall, before accepting the gift, inform that person that

(i) it has received the notice,

(ii) no deduction under subsection 110.1(1) or credit under subsection 118.1(3) may be claimed in respect of a gift made to it in the period, and

(iii) a gift made to it in the period is not a gift to a qualified donee.

Application for postponement

(4) If a notice of objection to a suspension under subsection (1) or (2) has been filed by a qualified donee, the qualified donee may file an application to the Tax Court of Canada for a postponement of that portion of the period of suspension that has not elapsed until the time determined by the Court.

(2) Subsection (1) applies to taxation years that begin on or after the later of the day on which this Act is assented to and January 1, 2012.

50. (1) The portion of subsection 189(6.3) of the Act before paragraph (*b*) is replaced by the following:

Reduction of liability for penalties

(6.3) If the Minister has assessed a particular person in respect of the particular person's liability for penalties under section 188.1 for a taxation year, and that liability exceeds $1,000, that liability is, at any particular time, reduced by the total of all amounts, each of which is an amount, in respect of a property transferred by the particular person after the day on which the Minister first assessed that liability and before the particular time to another person that was at the time of the transfer an eligible donee in respect of the particular person, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the total of

(*a*) the consideration given by the other person for the transfer; and

(2) Subsection 189(7) of the Act is replaced by the following:

Minister may assess

(7) Without limiting the authority of the Minister to revoke the registration of a registered charity or registered Canadian amateur athletic association, the Minister may also at any time assess a taxpayer in respect of any amount that a taxpayer is liable to pay under this Part.

(3) Subsections (1) and (2) apply to taxation years that begin on or after the later of the day on which this Act is assented to and January 1, 2012.

51. (1) Subparagraph 204.9(5)(*c*)(ii) of the Act is replaced by the following:

(ii) a parent of a beneficiary under the transferee plan was a parent of an individual who was, immediately before the particular time, a beneficiary under the transferor plan and

(A) the transferee plan is a plan that allows more than one beneficiary under the plan at any one time, or

(B) in any other case, the beneficiary under the transferee plan had not attained 21 years of age at the time the transferee plan was entered into;

(2) Subsection (1) applies in respect of property transferred after 2010.

52. (1) The heading "TAXES IN RESPECT OF TFSAs" before section 207.01 of the Act is replaced by the following:

TAXES IN RESPECT OF RRIFs, RRSPs and TFSAs

(2) Subsection (1) is deemed to have come into force on March 23, 2011.

53. (1) The portion of subsection 207.01(1) of the Act before the definition "advantage" is replaced by the following:

Definitions

207.01 (1) The following definitions and the definitions in subsections 146(1) (other than the definition "benefit"), 146.2(1) and 146.3(1) apply in this Part.

(2) The definitions "advantage", "non-qualified investment", "specified non-qualified investment income" and "swap transaction" in subsection 207.01(1) of the Act are respectively replaced by the following:

"advantage"
« *avantage* »

"advantage", in relation to a registered plan, means

(*a*) any benefit, loan or indebtedness that is conditional in any way on the existence of the registered plan, other than

(i) a benefit derived from the provision of administrative or investment services in respect of the registered plan,

(ii) a loan or an indebtedness (including, in the case of a TFSA, the use of the TFSA as security for a loan or an indebtedness) the terms and conditions of which are terms and conditions that persons dealing at arm's length with each other would have entered into,

(iii) a payment out of or under the registered plan in satisfaction of all or part of the controlling individual's interest in the registered plan, and

(iv) the payment or allocation of any amount to the registered plan by the issuer or carrier;

(*b*) a benefit that is an increase in the total fair market value of the property held in connection with the registered plan if it is reasonable to consider, having regard to all the circumstances, that the increase is attributable, directly or indirectly, to

(i) a transaction or event or a series of transactions or events that

(A) would not have occurred in an open market in which parties deal with each other at arm's length and act prudently, knowledgeably and willingly, and

(B) had as one of its main purposes to enable a person or a partnership to benefit from the exemption from tax under Part I of any amount in respect of the registered plan,

(ii) a payment received as, on account or in lieu of, or in satisfaction of, a payment

(A) for services provided by a person who is, or who does not deal at arm's length with, the controlling individual of the registered plan, or

(B) of interest, of a dividend, of rent, of a royalty or of any other return on investment, or of proceeds of disposition, in respect of property (other than property held in connection with the registered plan) held by a person who is, or who does not deal at arm's length with, the controlling individual of the registered plan,

(iii) a swap transaction, or

(iv) specified non-qualified investment income that has not been paid from the registered plan to its controlling individual within 90 days of receipt by the controlling individual of a notice issued by the Minister under subsection 207.06(4);

(*c*) a benefit that is income (including a capital gain) that is reasonably attributable, directly or indirectly, to

(i) a prohibited investment in respect ofthe registered plan or any other registered plan of the controlling individual,

(ii) in the case of a RRIF or RRSP, an amount received by the controlling individual of the registered plan, or by a person who does not deal at arm's length with the controlling individual (if it is reasonable to consider, having regard to all the circumstances, that the amount was paid in relation to, or would not have been paid but for, property held in connection with the registered plan) and the amount was paid as, on account or in lieu of, or in satisfaction of, a payment

(A) for services provided by a person who is, or who does not deal at arm's length with, the controlling individual of the registered plan, or

(B) of interest, of a dividend, of rent, of a royalty or of any other return on investment, or of proceeds of disposition, or

(iii) a deliberate over-contribution;

(*d*) an RRSP strip in respect of the registered plan; and

(*e*) a prescribed benefit.

"non-qualified investment" « *placement non admissible* »

"non-qualified investment" for a trust governed by a registered plan means property that is not a qualified investment for the trust.

"specified non-qualified investment income" « *revenu de placement non admissible déterminé* »

"specified non-qualified investment income", in respect of a registered plan and its controlling individual, means income (including a capital gain) that is reasonably attributable, directly or indirectly, to an amount in respect of which tax was payable under Part I by a trust governed by the registered plan, or by any other registered plan of the controlling individual.

"swap transaction" « *opération de swap* »

"swap transaction", in respect of a registered plan, means a transfer of property between the registered plan and its controlling individual or a person with whom the controlling individual does not deal at arm's length, but does not include

(*a*) a payment out of or under the registered plan in satisfaction of all or part of the controlling individual's interest in the registered plan,

(*b*) a payment into the registered plan that is a contribution, a premium, or an amount transferred in accordance with paragraph 146.3(2)(*f*), or

(*c*) a transfer of a prohibited investment from the registered plan, in circumstances where the controlling individual is entitled to a refund under subsection 207.04(4) on the transfer.

(3) The portion of the definition "prohibited investment" in subsection 207.01(1) of the Act before paragraph (*c*) is replaced by the following:

"prohibited investment" « *placement interdit* »

"prohibited investment", at any time, for a trust governed by a registered plan means property (other than prescribed excluded property) that is at that time

(*a*) a debt of the controlling individual of the registered plan;

(*b*) a share of the capital stock of, an interest in, or a debt of

(i) a corporation, partnership or trust in which the controlling individual has a significant interest, or

(ii) a person or partnership that does not deal at arm's length with the controlling individual or with a person or partnership described in subparagraph (i);

(4) Subsection 207.01(1) of the Act is amended by adding the following in alphabetical order:

"controlling individual" « *particulier contrôlant* »

"controlling individual" of a registered plan means the holder of a TFSA or the annuitant of a RRIF or RRSP, as the case may be.

"RRSP strip" « *somme découlant d'un dépouillement de REER* »

"RRSP strip", in respect of a RRIF or RRSP, means an amount used or obtained by the controlling individual of the RRIF or RRSP, or a person who does not deal at arm's length with the controlling individual, as part of a transaction or event or a series of transactions or events one of the main purposes of which is to enable the controlling individual, or a person who does not deal at arm's length with the controlling individual, to use or obtain the benefit of property held in connection with the RRIF or RRSP, but does not include an amount that is

(*a*) included in the income of the controlling individual or their spouse or common-law partner under section 146 or 146.3;

(*b*) an excluded withdrawal under section 146.01 or 146.02;

(*c*) described in subsection 146(16) or 146.3(14.2); or

(*d*) the principal amount of a debt obligation that is a prescribed excluded property.

"registered plan" « *régime enregistré* »

"registered plan" means a RRIF, RRSP or TFSA.

"transitional prohibited investment benefit" « *bénéfice transitoire provenant d'un placement interdit* »

"transitional prohibited investment benefit" means income earned or a capital gain realized in a taxation year by a trust that is governed by a RRIF or RRSP if

(*a*) the income or gain is attributable to a property that was a prohibited investment for the trust (or another trust that is governed by a RRIF or RRSP of the same annuitant) on March 23, 2011;

(*b*) in the case of income, it is earned after March 22, 2011 and before 2017 and, in the case of a gain, it accrues after March 22, 2011 and is realized before 2017; and

(*c*) the amount of the income or gain is paid to the annuitant of the RRIF or RRSP within 90 days after the end of the taxation year.

(5) Subsection 207.01(5) of the Act is replaced by the following:

Obligation of issuer

(5) The issuer or carrier of a registered plan shall exercise the care, diligence and skill of a reasonably prudent person to minimize the possibility that a trust governed by the registered plan holds a non-qualified investment.

(6) Subsections (1) and (2) apply to transactions occurring, income earned, capital gains accruing and investments acquired, after March 22, 2011, except that the definition "swap transaction" in subsection 207.01(1) of the Act, as enacted by subsection (2), applies

(*a*) after 2012 in relation to a swap transaction undertaken to remove a property from a RRIF or RRSP if it is reasonable to conclude that the retention of the property in the RRIF or RRSP would result in a tax being payable under Part XI.01 of the Act, and

(*b*) in any other case, after June 2011.

(7) Subsection (3) applies after March 22, 2011 in respect of investments acquired at any time.

(8) Subsections (4) and (5) are deemed to have come into force on March 23, 2011.

54. (1) The portion of subsection 207.04(1) of the Act before paragraph (*a*) is replaced by the following:

Tax payable on prohibited or non-qualified investment

207.04 (1) The controlling individual of a registered plan that governs a trust shall pay a tax under this Part for a calendar year if, at any time in the year,

(2) Subsection 207.04(3) of the Act is replaced by the following:

Where both prohibited and non-qualified investment

(3) For the purposes of this section and subsections 146(10.1), 146.2(6) and 146.3(9), if a trust governed by a registered plan holds property at any time that is, for the trust, both a prohibited investment and a non-qualified investment, the property is deemed at that time not to be a non-qualified investment, but remains a prohibited investment, for the trust.

(3) The portion of subsection 207.04(4) of the Act before paragraph (*a*) is replaced by the following:

Refund of tax on disposition of investment

(4) If in a calendar year a trust governed by a registered plan disposes of a property in respect of which a tax is imposed under subsection (1) on the controlling individual of the registered plan, the controlling individual is entitled to a refund for the year of an amount equal to

(4) Subparagraph 207.04(4)(*b*)(i) of the Act is replaced by the following:

(i) if it is reasonable to consider that the controlling individual knew, or ought to have known, at the time the property was acquired by the trust, that it was, or would become, a property described in subsection (1), or

(5) Subsections (1) to (4) apply in respect of investments acquired after March 22, 2011.

55. (1) Subsection 207.05(1) of the Act is replaced by the following:

Tax payable in respect of advantage

207.05 (1) A tax is payable under this Part for a calendar year if, in the year, an advantage in relation to a registered plan is extended to, or is received or receivable by, the controlling individual of the registered plan, a trust governed by the registered plan or any other person who does not deal at arm's length with the controlling individual.

(2) Subsection 207.05(2) of the Act is amended by striking out "and" at the end of paragraph (*a*), by adding "and" at the end of paragraph (*b*) and by adding the following after paragraph (*b*):

(*c*) in the case of an RRSP strip, the amount of the RRSP strip.

(3) Subsection 207.05(3) of the Act is replaced by the following:

Liability for tax

(3) The controlling individual of a registered plan in connection with which a tax is imposed under subsection (1) is liable to pay the tax except that, if the advantage is extended by the issuer or carrier of the registered plan or by a person with whom the issuer or carrier is not dealing at arm's length, the issuer or carrier, and not the controlling individual, is liable to pay the tax.

Transitional rule

(4) If the annuitant of a RRIF or RRSP has elected before July 2012 in prescribed form to have this subsection apply, for the purpose of applying subsection 207.05(2) in respect of an advantage in relation to the RRIF or RRSP, paragraph (*a*) of that subsection is to be read as:

(*a*) in the case of a transitional prohibited investment benefit, 42.9% of the fair market value of the benefit;

(*a.1*) in the case of any other benefit, the fair market value of the benefit;

(4) Subsections (1) to (3) are deemed to have come into force on March 23, 2011.

56. (1) Paragraph 207.06(2)(*b*) of the Act is replaced by the following:

(*b*) the extent to which the transaction or series of transactions that gave rise to the tax also gave rise to another tax under this Act.

(2) Subsections 207.06(3) and (4) of the Act are replaced by the following:

Waiver of tax payable – advantage

(3) The Minister shall not waive or cancel a liability imposed under subsection 207.05(3) on an individual in respect of a registered plan unless one or more payments are made without delay from the registered plan to the individual, the total amount of which is not less than the amount of the liability waived or cancelled.

Other powers of Minister

(4) The Minister may notify the controlling individual of a registered plan that the controlling individual must cause a payment to be made from the registered plan to the controlling individual within 90 days of receipt of the notice, the amount of which is not less than the amount of specified non-qualified investment income in respect of the registered plan.

(3) Subsections (1) and (2) are deemed to have come into force on March 23, 2011.

57. (1) Subsection 207.1(1) of the Act is repealed.

(2) Subsection 207.1(4) of the Act is repealed.

(3) Subsections (1) and (2) apply in respect of property acquired after March 22, 2011.

58. (1) Subsection 211.6(1) of the Act is replaced by the following:

Charging provision

211.6 (1) Every trust that is a qualifying environmental trust at the end of a taxation year (other than a trust that is at that time described in paragraph 149(1)(*z.1*) or (*z.2*)) shall pay a tax under this Part for the year equal to 28% of its income under Part I for the year.

(2) Subsection 211.6(1) of the Act, as enacted by subsection (1), is replaced by the following:

Definitions

211.6 (1) The definitions in this section apply for the purposes of this Part.

"excluded trust" « *fiducie exclue* »

"excluded trust", at any time, means a trust that

(*a*) relates at that time to the reclamation of a well;

(*b*) is not maintained at that time to secure the reclamation obligations of one or more persons or partnerships that are beneficiaries under the trust;

(*c*) borrows money at that time;

(*d*) if the trust is not a trust to which paragraph (*e*) applies, acquires at that time any property that is not described by any of paragraphs (*a*), (*b*) and (*f*) of the definition "qualified investment" in section 204;

(*e*) if the trust is created after 2011 (or if the trust was created before 2012, it elects in writing filed with the Minister on or before its filing-due date for a particular taxation year to have subparagraphs (i) and (ii) apply to it for the particular taxation year and all subsequent taxation years, and that election is made jointly with Her Majesty in right of Canada or a particular province, depending upon the qualifying law or qualifying contract in respect of the trust),

(i) acquires at that time any property that is not described by any of paragraphs (*a*), (*b*), (*c*), (*c.1*), (*d*) and (*f*) of the definition "qualified investment" in section 204, or

(ii) holds at that time a prohibited investment;

(*f*) elected in writing filed with the Minister, before 1998 or before April of the year following the year in which the first contribution to the trust was made, never to have been a qualifying environmental trust; or

(*g*) was at any previous time during its existence not a qualifying environmental trust (as determined under the definition "qualifying environmental trust" in subsection 248(1) as it applied at that previous time).

"prohibited investment" « *placement interdit* »

"prohibited investment", of a trust at any time, means a property that

(*a*) at the time it was acquired by the trust, was described by any of paragraphs (*c*), (*c.1*) or (*d*) of the definition "qualified investment" in section 204; and

(*b*) was issued by

(i) a person or partnership that has contributed property to, or that is a beneficiary under, the trust,

(ii) a person that is related to, or a partnership that is affiliated with, a person or partnership that has contributed property to, or that is a beneficiary under, the trust, or

(iii) a particular person or partnership if

(A) another person or partnership holds a significant interest (within the meaning assigned by subsection 207.01(4) with any modifications that the circumstances require) in the particular person or partnership, and

(B) the holder of that significant interest has contributed property to, or is a beneficiary under, the trust.

"QET income tax rate" « *taux d'impôt sur le revenu de FEA* »

"QET income tax rate", for a trust's taxation year, means the amount, expressed as a decimal fraction, by which

(*a*) the percentage rate of tax provided under paragraph 123(1)(*a*) for the taxation year

exceeds

(*b*) the total of

(i) the percentage that would, if the trust were a corporation, be its general rate reduction percentage, within the meaning assigned by subsection 123.4(1), for the taxation year, and

(ii) the percentage deduction from tax provided under subsection 124(1) for the taxation year.

"qualifying contract" « *contrat admissible* »

"qualifying contract", in respect of a trust, means a contract entered into with Her Majesty in right of Canada or a province on or before the later of January 1, 1996 and the day that is one year after the day on which the trust was created.

"qualifying environmental trust" « *fiducie pour l'environnement admissible* »

"qualifying environmental trust" means a trust

(*a*) each trustee of which is

(i) Her Majesty in right of Canada or a province, or

(ii) a corporation resident in Canada that is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee;

(*b*) that is maintained for the sole purpose of funding the reclamation of a qualifying site;

(*c*) that is, or may become, required to be maintained under

(i) the terms of a qualifying contract, or

(ii) a qualifying law; and

(*d*) that is not an excluded trust.

"qualifying law" « *loi admissible* »

"qualifying law", in respect of a trust, means

(*a*) a law of Canada or a province that was enacted on or before the later of January 1, 1996 and the day that is one year after the day on which the trust was created; and

(*b*) if the trust was created after 2011, an order made

(i) by a tribunal constituted under a law described by paragraph (*a*), and

(ii) on or before the day that is one year after the day on which the trust was created.

"qualifying site" « *site admissible* »

"qualifying site", in respect of a trust, means a site in Canada that is or has been used primarily for, or for any combination of,

(*a*) the operation of a mine;

(*b*) the extraction of clay, peat, sand, shale or aggregates (including dimension stone and gravel);

(*c*) the deposit of waste; or

(*d*) if the trust was created after 2011, the operation of a pipeline.

(3) Subsection 211.6(2) of the Act is replaced by the following:

Charging provision

(2) Every trust that is a qualifying environmental trust at the end of a taxation year (other than a trust that is at that time described by paragraph 149(1)(*z.1*) or (*z.2*)) shall pay a tax under this Part for the year equal to the amount determined by the formula

$$A \times B$$

where

A is the trust's income (computed as if this Act were read without reference to subsections 104(4) to (31) and sections 105 to 107) under Part I for the year, and

B is the QET income tax rate for the year.

(4) Subsection (1) applies to the 1997 to 2011 taxation years.

(5) Subsections (2) and (3) apply to the 2012 and subsequent taxation years.

59. (1) The portion of subsection 230(2) of the Act before paragraph (*a*) is replaced by the following:

Records and books

(2) Every qualified donee referred to in paragraphs (*a*) to (*c*) of the definition "qualified donee" in subsection 149.1(1) shall keep records and books of account — in the case of a qualified donee referred to in any of subparagraphs (*a*)(i) and (iii) and paragraphs (*b*) and (*c*) of that definition, at an address in Canada recorded with the Minister or designated by the Minister — containing

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

60. (1) Paragraph 241(3.2)(*h*) of the Act is replaced by the following:

(*h*) an application by the charity, and information filed in support of the application, for a designation, determination or decision by the Minister under subsection 149.1(5), (6.3), (7), (8) or (13).

(2) Subsection 241(3.2) of the Act, as amended by subsection (1), is replaced by the following:

Registered charities and registered Canadian amateur athletic associations

(3.2) An official may provide to any person the following taxpayer information relating to another person (in this subsection referred to as the "registrant") that was at any time a registered charity or registered Canadian amateur athletic association:

(*a*) a copy of the registrant's governing documents, including its statement of purpose , and function in the case of a Canadian amateur athletic association;

(*b*) any information provided in prescribed form to the Minister by the registrant on applying for registration under this Act;

(*c*) the names of the persons who at any time were the registrant's directors and the periods during which they were its directors;

(*d*) a copy of the notification of the registrant's registration, including any conditions and warnings;

(*e*) if the registration of the registrant has been revoked or annulled, a copy of the entirety of or any part of any letter sent by or on behalf of the Minister to the registrant relating to the grounds for the revocation or annulment;

(*f*) financial statements required to be filed with an information return referred to in subsection 149.1(14);

(*g*) a copy of the entirety of or any part of any letter or notice by the Minister to the registrant relating to a suspension under section 188.2 or an assessment of tax or penalty under this Act (other than the amount of a liability under subsection 188(1.1)); and

(*h*) in the case of a registrant that is a charity, an application by the registrant, and information filed in support of the application, for a designation, determination or decision by the Minister under any of subsections 149.1(5), (6.3), (7), (8) and (13).

(3) Subsection (1) applies in respect of documents that, after May 13, 2005,

(*a*) are sent by the Minister of National Revenue; or

(*b*) are filed or required to be filed with that Minister.

(4) Subsection (2) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

61. (1) The definitions "net income stabilization account", "qualifying environmental trust", "registered Canadian amateur athletic association", "registered retirement income fund" and "registered retirement savings plan" in subsection 248(1) of the Act are respectively replaced by the following:

"net income stabilization account" « *compte de stabilisation du revenu net* »

"net income stabilization account" means an account of a taxpayer

(*a*) under the net income stabilization account program under the *Farm Income Protection Act*, or

(*b*) that is a prescribed account;

"qualifying environmental trust" « *fiducie pour l'environnement admissible* »

"qualifying environmental trust" has the meaning assigned by subsection 211.6(1);

"registered Canadian amateur athletic association" « *association canadienne enregistrée de sport amateur* »

"registered Canadian amateur athletic association" means a Canadian amateur athletic association within the meaning assigned by subsection 149.1(1) that has applied to the Minister in prescribed form for registration, that has been registered and whose registration has not been revoked;

"registered retirement income fund" or "RRIF" « *fonds enregistré de revenu de retraite* » *ou* « *FERR* »

"registered retirement income fund" or "RRIF" have the same meaning as "registered retirement income fund" in subsection 146.3(1);

"registered retirement savings plan" or "RRSP" « *régime enregistré d'épargne-retraite* » *ou* « *REER* »

"registered retirement savings plan" or "RRSP" have the same meaning as "registered retirement savings plan" in subsection 146(1);

(2) The definition "compte d'épargne libre d'impôt" in subsection 248(1) of the French version of the Act is replaced by the following:

« compte d'épargne libre d'impôt » ou « CELI » "*TFSA*"

« compte d'épargne libre d'impôt » ou « CELI » S'entend au sens du paragraphe 146.2(5).

(3) Paragraph (*a*) of the definition "NISA Fund No. 2" in subsection 248(1) of the Act is replaced by the following:

(*a*) that is described in paragraph 8(2)(*b*) of the *Farm Income Protection Act* or is a prescribed fund, and

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

"foreign accrual property income" « *revenu étranger accumulé, tiré de biens* »

"foreign accrual property income" has the meaning assigned by section 95;

(5) Subsection 248(3.1) of the Act is replaced by the following:

Gift of bare ownership of immovables

(3.1) Subsection (3) does not apply in respect of a usufruct or a right of use of an immovable in circumstances where a taxpayer disposes of the bare ownership of the immovable by way of a gift to a qualified donee and retains, for life, the usufruct or the right of use.

(6) The definition "net income stabilization account" in subsection 248(1) of the Act, as enacted by subsection (1), and subsection (3) apply to the 2011 and subsequent taxation years.

(7) The definition "qualifying environmental trust" in subsection 248(1) of the Act, as enacted by subsection (1), applies to the 2012 and subsequent taxation years.

(8) The definition "registered Canadian amateur athletic association" in subsection 248(1) of the Act, as enacted by subsection (1), and subsection (5) come into force on the later of the day on which this Act is assented to and January 1, 2012.

(9) The definitions "registered retirement income fund" or "RRIF" and "registered retirement savings plan" or "RRSP" in subsection 248(1) of the Act, as enacted by subsection (1), and subsection (2) are deemed to have come into force on March 23, 2011.

(10) Subsection (4) applies to taxation years that begin after 2006.

62. (1) Paragraph 249.1(1)(*c*) of the Act is replaced by the following:

(*c*) in the case of a partnership (other than a partnership to which subparagraph (*b*)(ii) or subsection (9) applies) that is a member of a partnership or has a member that is a partnership, after the end of the calendar year in which it began, if at the end of the calendar year

(i) a corporation has a significant interest, as defined in section 34.2, in the partnership,

(ii) the partnership is a member of another partnership in which a corporation has a significant interest as defined in section 34.2,

(iii) a membership interest in the partnership is held directly, or indirectly through one or more partnerships, by a partnership described in subparagraph (i) or (ii), or

(iv) the partnership holds directly, or indirectly through one or more partnerships, a membership interest in a partnership described in any of subparagraphs (i) to (iii), or

(*d*) in any other case, more than 12 months after the period began,

(2) Section 249.1 of the Act is amended to add the following after subsection (7):

Single-tier fiscal period alignment

(8) The members of a partnership that has a fiscal period that begins before March 22, 2011 and that would, if this Act were read without reference to this subsection and subsection (10), end on a day after March 22, 2011, may elect to end that fiscal period on a particular day that is before the day on which the fiscal period would otherwise end (in this subsection and subsection (10) referred to as a "single-tier alignment election") if

(*a*) each member of the partnership is, on the particular day, a corporation that is not a professional corporation;

(*b*) the partnership is not, on the particular day, a member of another partnership;

(*c*) at least one member of the partnership is, on the particular day, a corporation that has a significant interest, as defined in section 34.2, in the partnership;

(*d*) at least one member of the partnership referred to in paragraph (*c*) has a taxation year that ends on a day that differs from the day on which the fiscal period of the partnership would end if this Act were read without reference to this subsection and subsection (10);

(*e*) the particular day is after March 22, 2011 and no later than the latest day that is the last day of the first taxation year that ends after March 22, 2011 of any corporation that has been a member of the partnership continuously since March 21, 2011; and

(*f*) subsection (10) applies to the single-tier alignment election.

Multi-tier fiscal period alignment — one-time election

(9) The members of a partnership to which paragraph (1)(*c*) would apply if it were read without reference to this subsection may elect (in this subsection and subsections (10) and (11) referred to as a "multi-tier alignment election") to end a fiscal period of the partnership on a particular day if

(*a*) as a consequence of the multi-tier alignment election, the fiscal period of the partnership, and of each other partnership described in relation to the partnership by any of subparagraphs (1)(*c*)(ii) to (iv), end on the particular day;

(*b*) the particular day is before March 22, 2012; and

(*c*) subsection (10) applies to the multi-tier alignment election.

Conditions to align a partnership fiscal period

(10) This subsection applies to a single-tier alignment election or a multi-tier alignment election, as the case may be, for a partnership if

(*a*) the election is filed in writing and in prescribed form with the Minister of National Revenue

(i) in the case of a single-tier alignment election, by a corporation that is a member of the partnership on or before the day that is the earliest filing-due date of any corporation that is a member of the partnership for its first taxation year ending after March 22, 2011, and

(ii) in the case of a multi-tier alignment election,

(A) by a corporation that is a member of the partnership, or of a partnership described in relation to the partnership by any of subparagraphs (1)(*c*)(ii) to (iv), and

(B) on or before the day that is the earliest filing-due date of any corporation that is a member of a partnership referred to in clause (A) for the first taxation year of the corporation ending after March 22, 2011;

(*b*) as a consequence of the election, the fiscal period of each partnership to which the election applies is no more than 12 months in duration;

(*c*) the election was made by a corporation that has the authority to act for the members of the partnership and each member of any other partnership described in relation to the partnership in subparagraph (1)(*c*)(ii) to (iv); and

(*d*) no other election is filed with the Minister to end the fiscal period of the partnership, or of any other partnership described in relation to the partnership in subparagraph (1)(*c*)(ii) to (iv), on a day other than the particular day referred to in subsection (8) or (9), as the case may be.

Deemed multi-tier alignment election – to December 31

(11) For the purposes of this Act, if paragraph (1)(*c*) applies to end the fiscal period of a partnership on December 31, 2011, a multi-tier alignment election under subsection (9) is deemed to have been made to end the fiscal period of the partnership on December 31, 2011.

(3) Subsections (1) and (2) apply to 2011 and subsequent fiscal periods.

63. (1) Subsection 250(7) of the Act is repealed.

(2) Subsection (1) applies to the 2012 and subsequent taxation years.

64. (1) The portion of subsection 259(1) of the Act before paragraph (*a*) is replaced by the following:

Proportional holdings in trust property

259. (1) For the purposes of designated provisions , if at any time a specified taxpayer acquires, holds or disposes of a particular unit in a qualified trust and the qualified trust elects for any period that includes that time to have this subsection apply,

(2) Section 259 of the Act is amended by adding the following in alphabetical order:

"designated provisions" « *dispositions désignées* »

"designated provisions" means sections 146, 146.1, 146.2, 146.3 and 146.4 and Parts X, XI, XI.01 and XI.1 as they apply in respect of investments that are not qualified investments for a trust, and Part X.2;

"specified taxpayer" « *contribuable déterminé* »

"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*) or (*x*).

(3) Subsection (1) and (2) apply after 1999, except that

(*a*) the definition "designated provisions" in subsection 259(5) of the Act, as enacted by subsection (2),

(i) in its application to taxation years that begin before 2005, is to be read as follows:

"designated provisions" means subsections 146(6), (10) and (10.1), 146.1(2.1), 146.3(7), (8) and (9), and Parts X, X.2, XI and XI.1;

(ii) in its application to taxation years that begin after 2004 and before 2008, is to be read as follows:

"designated provisions" means subsections 146(6), (10) and (10.1), 146.1(2.1), 146.3(7), (8) and (9), and Parts X, X.2 and XI.1;

(iii) in its application to taxation years that begin after 2007 and before 2009, is to be read as follows:

"designated provisions" means subsections 146(6), (10) and (10.1), 146.1(2.1), 146.3(7), (8) and (9), and 146.4(5), and Parts X, X.2, XI and XI.1;

(iv) in its application to taxation years that begin after 2008 and end before March 23, 2011, is to be read as follows:

"designated provisions" means subsections 146(6), (10) and (10.1), 146.1(2.1), 146.2(6), 146.3(7), (8) and (9), and 146.4(5), and Parts X, X.2 and XI to XI.1;

(*b*) the definition "specified taxpayer" in subsection 259(5) of the Act, as enacted by subsection (2),

(i) in its application to taxation years that begin before 2005, is to be read as follows:

"specified taxpayer" means a taxpayer described in section 205.

(ii) in its application to taxation years that begin after 2004 and before 2008, is to be read as follows:

"specified taxpayer" means a taxpayer that is a registered investment or that is described in any of paragraphs 149(1)(*r*), (*s*), (*u*) or (*x*).

(iii) in its application to taxation years that begin after 2007 and before 2009, is to be read as follows:

"specified taxpayer" means a taxpayer that is a registered investment or that is described in any of paragraphs 149(1)(*r*), (*s*), (*u*), (*u.1*) or (*x*).

INCOME TAX REGULATIONS

65. (1) Subsection 214(2) of the *Income Tax Regulations* is replaced by the following:

(2) If, in a taxation year, subsection 146(7), (9) or (10) of the Act or, in relation to a non-qualified investment, subsection 207.04(1) or (4) of the Act applies in respect of a trust governed by a registered retirement savings plan, the trustee of the plan shall make an information return in prescribed form.

(2) Subsection (1) applies in respect of investments acquired after March 22, 2011.

66. (1) Subsection 215(3) of the Regulations is replaced by the following:

(3) If subsection 146.3(4), (7) or (10) of the Act or, in relation to a non-qualified investment, subsection 207.04(1) or (4) of the Act applies in respect of any transaction or event with respect to property of a registered retirement income fund, the carrier of the fund shall make an information return in prescribed form in respect of the transaction or event.

(2) Subsection (1) applies in respect of investments acquired after March 22, 2011.

67. (1) Section 216 of the Regulations and the heading before it are repealed.

(2) Subsection (1) applies to fiscal periods of registered Canadian amateur athletic associations that begin on or after the later of the day on which this Act is assented to and January 1, 2012.

68. (1) The definition "thermal waste" in subsection 1104(13) of the Regulations is replaced by the following:

"thermal waste" means waste heat energy extracted from a distinct point of rejection in an industrial process that would otherwise

(*a*) be vented to the atmosphere or transferred to a liquid, and

(*b*) not be used for a useful purpose. (*déchets thermiques*)

(2) Subsection (1) applies in respect of property acquired on or after March 22, 2011.

69. (1) The heading "RECEIPTS FOR DONATIONS AND GIFTS" before section 3500 of the Regulations is replaced by the following:

GIFTS

(2) Subsection (1) is deemed to have come into force on March 23, 2011.

70. (1) The definition "other recipient of a gift" in section 3500 of the Regulations is replaced by the following

"other recipient of a gift" means a person, to whom a gift is made by a taxpayer, referred to in any of paragraphs (*a*) and (*d*) of the definition "qualified donee" in subsection 149.1(1), paragraph 110.1(1)(*c*) and subparagraph 110.1(3)(*a*)(ii) of the Act; (*autre bénéficiaire d'un don*)

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

71. (1) The Regulations are amended by adding the following after section 3501:

CONTENTS OF INFORMATION RETURNS

3501.1 (1) Every information return required to be filed under subsection 110.1(16) or 118.1(27) of the Act in respect of a transfer of property must contain

(*a*) a description of the transferred property;

(*b*) the fair market value of the transferred property at the time of the transfer;

(*c*) the date on which the property was transferred;

(*d*) the name and address of the transferee of the property including, in the case of an individual, their first name and initial; and

(*e*) if the transferor of the property, or a person not dealing at arm's length with the transferor, issued the receipt referred to in subsection 110.1(14) or 118.1(25) of the Act, the information contained in that receipt.

(2) Subsection (1) is deemed to have come into force on March 23, 2011.

72. (1) Section 3503 of the Regulations is replaced by the following:

3503. For the purposes of subparagraph (*a*)(iv) of the definition "qualified donee" in subsection 149.1(1) of the Act, the universities outside Canada named in Schedule VIII are prescribed to be universities the student body of which ordinarily includes students from Canada.

(2) Subsection (1) comes into force on the later of the day on which this Act is assented to and January 1, 2012.

73. (1) The portion of subsection 4900(6) of the Regulations before paragraph (*b*) is replaced by the following:

(3) Subject to subsections (8) and (9), for the purposes of paragraph (*d*) of the definition "qualified investment" in subsection 146(1) of the Act, paragraph (*e*) of the definition "qualified investment" in subsection 146.1(1) of the Act and paragraph (*c*) of the definition "qualified investment" in subsection 146.3(1) of the Act, a property is prescribed as a qualified investment for a trust governed by a registered retirement savings plan, a registered education savings plan and a registered retirement income fund at any time if at that time the property is not a prohibited investment for the trust and is

(*a*) a share of the capital stock of an eligible corporation (as defined in subsection 5100(1)) unless, in the case of a registered education savings plan, a beneficiary or subscriber under the plan is a designated shareholder of the corporation;

(2) Subsection 4900(8) of the Regulations is replaced by the following:

(8) For the purposes of subsection (6), a property that is held by a trust governed by a registered education savings plan ceases to be a qualified investment for the trust immediately before an amount is received if

(*a*) the property is a share referred to in paragraph (6)(*a*), an interest in a small business investment limited partnership that holds a small business security, or an interest in a small business investment trust that holds a small business security,

(*b*) a person who is a beneficiary or subscriber under the plan provides services to or for the issuer of the share or small business security, or to or for a person related to that issuer,

(*c*) the amount is received in respect of the share or small business security, and

(*d*) it can reasonably be considered, having regard to all the circumstances (including the terms and conditions of the share or small business security or of any related agreement, and the rate of interest or the dividend provided on the share or small business security), that the amount is on account, in lieu or in satisfaction of payment for the services.

(3) Subsection 4900(10) of the Regulations is repealed.

(4) Subsection 4900(12) of the Regulations is replaced by the following:

(12) For the purposes of paragraph (*e*) of the definition "qualified investment" in subsection 146.1(1) of the Act, a property is prescribed as a qualified investment for a trust governed by a registered education savings plan at any time if

(*a*) at the time the property was acquired by the trust,

(i) the property was a share of the capital stock of a specified small business corporation,

(ii) the property was a share of the capital stock of a venture capital corporation described in any of sections 6700 to 6700.2, or

(iii) the property was a qualifying share in respect of a specified cooperative corporation and the plan; and

(*b*) immediately after the time the property was acquired by the trust, each person who is a beneficiary or a subscriber under the plan was not a connected shareholder of the corporation.

(5) Paragraph 4900(13)(*a*) of the Regulations is replaced by the following:

(*a*) a share that is otherwise a qualified investment for the purposes paragraph (*e*) of the definition "qualified investment" in subsection 146.1(1) of the Act solely because of subsection (12) is held by a trust governed by a registered education savings plan,

(6) The portion of subsection 4900(14) of the Regulations before paragraph (*a*) is replaced by the following:

(14) For the purposes of paragraph (*d*) of the definition "qualified investment" in subsection 146(1) of the Act, paragraph (*c*) of the definition "qualified investment" in subsection 146.3(1) of the Act, and paragraph (*c*) of the definition "qualified investment" in subsection 207.01(1) of the Act, a property is prescribed as a qualified investment for a trust governed by a RRIF, RRSP or TFSA at any time if, at the time the property was acquired by the trust, the property

(7) Subparagraph 4900(14)(*a*)(iii) of the Regulations is replaced by the following:

(iii) a qualifying share in respect of a specified cooperative corporation and the RRIF, RRSP or TFSA; and

(8) Subsections (1), (2) and (4) to (7) apply in respect of investments acquired after March 22, 2011.

74. (1) Section 5000 of the Regulations is replaced by the following:

Non-prohibited investment

5000. For the purpose of the definition "prohibited investment" in subsection 207.01(1) of the Act, an investment is prescribed excluded property at any time if it is

(*a*) property described in paragraph 4900(1)(*j.1*); or

(*b*) a share of a mutual fund corporation or a unit of a mutual fund trust where

(i) the corporation or trust is a mutual fund that is subject to, and complies with, the requirements of *National Instrument 81-102 Mutual Funds*, as amended from time to time, of the Canadian Securities Administrators, and

(ii) the time is before the end of the second taxation year of the corporation or trust.

(2) Subsection (1) applies after March 22, 2011 in respect of investments acquired at any time.

75. (1) Section 5001 of the Regulations is replaced by the following:

Prohibited investment

5001. For the purpose of the definition "prohibited investment" in subsection 207.01(1) of the Act, property that is a qualified investment for a trust governed by a RRIF, RRSP or

TFSA solely because of subsection 4900(14) is prescribed property for the trust at any time if, at that time, it is not described in any of subparagraphs 4900(14)(*a*)(i) to (iii).

(2) Subsection (1) applies after March 22, 2011 in respect of investments acquired at any time.

76. (1) The Regulations are amended by adding the following after section 5502:

STABILIZATION OF FARM INCOME

5503. (1) For the purposes of the definition "NISA Fund No. 2" in subsection 248(1) of the Act, a prescribed fund is Fonds 2 as defined under the Agri-Québec program established by La Financière agricole du Québec.

(2) For the purposes of the definition "net income stabilization account" in subsection 248(1) of the Act, a prescribed account is an account created under the Agri-Québec program established by La Financière agricole du Québec.

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

77. (1) Paragraph 5800(1)(*d*) of the Regulations is amended by adding "and" at the end of subparagraph (ii), by striking out "and" at the end of subparagraph (iii) and by repealing subparagraph (iv).

(2) Paragraph 5800(1)(*f*) of the Regulations is replaced by the following:

(*f*) in respect of duplicates of receipts for gifts that are received by a qualified donee to which subsection 230(2) of the Act applies, the period ending on the day that is two years after the end of the last calendar year to which the receipts relate; and

(3) Subsections (1) and (2) come into force on the later of the day on which this Act is assented to and January 1, 2012.

78. (1) Subsection 8300(1) of the Regulations is amended by adding the following definitions in alphabetical order:

"designated savings arrangement" of an individual means a RRIF or RRSP under which the individual is the annuitant, or the individual's account under a money purchase provision of a registered pension plan; (*mécanisme d'épargne désigné*)

"individual pension plan", in respect of a calendar year, means a registered pension plan that contains a defined benefit provision if, at any time in the year or a preceding year, the plan

(*a*) has fewer than four members and at least one of them is related to a participating employer in the plan, or

(*b*) is a designated plan and it is reasonable to conclude that the rights of one or more members to receive benefits under the plan exist primarily to avoid the application of paragraph (*a*); (*régime de retraite individuel*)

(2) Section 8300 of the Regulations is amended by adding the following after subsection (1):

(1.1) The Minister may waive in writing the application of the definition "individual pension plan" in subsection (1) if is just and equitable to do so having regard to all of the circumstances.

(3) Subsections (1) and (2) are deemed to have come into force on March 23, 2011.

79. (1) The portion of subsection 8303(6) of the Regulations before paragraph (*a*) is replaced by the following:

(6) For the purposes of subsections (3) and 8304(5), (7) and (10), and subject to subsection (6.1) and paragraph 8304(2)(*h*), the amount of an individual's qualifying transfers made in connection with a past service event is the total of all amounts each of which is

(2) Subsection (1) is deemed to have come into force on March 23, 2011.

80. (1) The portion of subsection 8304(5) of the Regulations before paragraph (*a*) is replaced by the following:

(5) Subject to subsection (10), if

(2) Section 8304 of the Regulations is amended by adding the following after subsection (9):

(10) If there is a past service event in relation to an individual pension plan, the provisional PSPA of an individual with respect to an employer that is associated with the past service event, is the amount, if any, determined by the formula

A – B

where

A is the greater of

(*a*) the provisional PSPA that would be determined if

(i) this subsection did not apply,

(ii) the value of C in subsection 8303(3) were nil, and

(iii) the value of D in subsection 8304(5) were nil, and

(*b*) the lesser of

(i) the total of

(A) the fair market value of all property held in connection with the individual's designated savings arrangements at the time of the past service event, and

(B) the individual's unused RRSP deduction room at the end of the year immediately preceding the calendar year that includes the past service event, and

(ii) the actuarial liabilities of the retirement benefits associated with the past service event, determined on the basis of the funding assumptions specified under subsections 8515(6) and (7), at the same effective date as the actuarial valuation that forms the basis for the recommendation referred to in subsection 147.2(2) of the Act that is not earlier than the calendar year of the past service event; and

B is the amount of the individual's qualifying transfers made in connection with the past service event.

(11) Subsection (10) does not apply to a past service event in relation to an individual pension plan if the provisional PSPA of the member determined under subsections 8303(3) and 8304(5) would be nil if no qualifying transfers were made in connection with the past service event, unless it is a past service event that results from the establishment of the plan or from an amendment to the plan to provide additional retirement benefits.

(3) Subsections (1) and (2) apply to past service events occurring after March 22, 2011.

81. (1) Subsection 8500(1) of the Regulations is amended by adding the following definition in alphabetical order:

"IPP minimum amount", for a year, for a person who is a member of an individual pension plan (or a beneficiary, in respect of the plan, who was, at the time of the member's death, a spouse or common-law partner of the member) means

(*a*) if there is only one such person in respect of the plan, the minimum amount that would be determined under subsection 146.3(1) of the Act for the year in respect of the plan if the plan were a registered retirement income fund that held the same property as the property held by the plan and the person were the annuitant of the fund; and

(*b*) in any other case, the minimum amount that would be determined under subsection 146.3(1) of the Act if the person were the annuitant of a registered retirement income fund and the fair market value of the property held in connection with the fund at the beginning of the year were determined by the formula

A x B/C

where

A is the fair market value of all property held in connection with the plan at the beginning of the year,

B is the amount of the actuarial liabilities in respect of the benefits payable to the person under the terms of the plan at the beginning of the year, and

C is the amount of the actuarial liabilities in respect of all benefits payable under the terms of the plan at the beginning of the year; (*minimum RRI*)

(2) Subsection (1) applies to the 2012 and subsequent taxation years.

82. (1) Paragraph 8501(1)(*e*) of the Regulations is replaced by the following:

(*e*) there is no reason to expect that the plan may become a revocable plan pursuant to subsection 147.1(8) or (9) of the Act or subsections 8503(15) or (26) or 8506(4);

(2) Subsection (1) applies to the 2012 and subsequent taxation years.

83. (1) Paragraph 8502(*d*) of the Regulations is amended by striking out "or" at the end of subparagraph (viii), by adding "or" at the end of subparagraph (ix) and by adding the following after subparagraph (ix):

(x) the portion of the IPP minimum amount for an individual that is not described in subparagraph (i).

(2) Subsection (1) applies to the 2012 and subsequent taxation years.

84. (1) Section 8503 of the Regulations is amended by adding the following after subsection (25):

IPP – minimum withdrawal

(26) An individual pension plan becomes a revocable plan at the end of a year if

(*a*) a person who is a member or a beneficiary, in respect of the plan, who was, at the time of the member's death, a spouse or common-law partner of the member, is in receipt of retirement benefits under the terms of the plan,

(*b*) the person has attained 71 years of age before the year, and

(*c*) the plan has not paid in the year an amount to the person equal to the greater of the retirement benefits payable to the person for the year and the IPP minimum amount for the person for the year.

(2) Subsection (1) applies to the 2012 and subsequent taxation years.

85. (1) The heading "PRESCRIBED PROGRAMS OF PHYSICAL ACTIVITY" before section 9400 of the Regulations is replaced by the following:

PRESCRIBED CHILDREN'S PROGRAMS

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

86. (1) The Regulations are amended by adding the following after section 9400:

PROGRAM OF ARTISTIC, CULTURAL, RECREATIONAL OR DEVELOPMENTAL ACTIVITY

Definition of "artistic, cultural, recreational or developmental activity"

9401. (1) In this section, "artistic, cultural, recreational or developmental activity" means a supervised activity, including an activity adapted for children in respect of whom an amount is deductible under section 118.3 of the Act, suitable for children (other than a physical activity), that

(*a*) is intended to contribute to a child's ability to develop creative skills or expertise, acquire and apply knowledge, or improve dexterity or coordination, in an artistic or cultural discipline including

(i) literary arts,

(ii) visual arts,

(iii) performing arts,

(iv) music,

(v) media,

(vi) languages,

(vii) customs, and

(viii) heritage;

(*b*) provides a substantial focus on wilderness and the natural environment;

(*c*) assists with the development and use of intellectual skills;

(*d*) includes structured interaction among children where supervisors teach or assist children to develop interpersonal skills; or

(*e*) provides enrichment or tutoring in academic subjects.

Prescribed program of artistic, cultural, recreational or developmental activity

(2) For the purpose of the definition "eligible expense" in subsection 118.031(1) of the Act, a prescribed program of artistic, cultural, recreational or developmental activity is

(*a*) a weekly program, that is not part of a school's curriculum, of a duration of eight or more consecutive weeks in which all or substantially all the activities include a significant amount of artistic, cultural, recreational or developmental activity;

(*b*) a program, that is not part of a school's curriculum, of a duration of five or more consecutive days of which more than 50% of the daily activities include a significant amount of artistic, cultural, recreational or developmental activity;

(*c*) a program, that is not part of a school's curriculum, of a duration of eight or more consecutive weeks, offered to children by a club, association or similar organization (in this section referred to as an "organization") in circumstances where a participant in the program may select amongst a variety of activities if

(i) more than 50% of those activities offered to children by the organization are activities that include a significant amount of artistic, cultural, recreational or developmental activity, or

(ii) more than 50% of the time scheduled for activities offered to children in the program is scheduled for activities that include a significant amount of artistic, cultural, recreational or developmental activity; or

(*d*) a membership in an organization, that is not part of a school's curriculum, of a duration of eight or more consecutive weeks if more than 50% of all the activities offered to children by the organization include a significant amount of artistic, cultural, recreational or developmental activity.

Mixed-use facility

(3) For the purpose of the definition "eligible expense" in subsection 118.031(1) of the Act, a prescribed program of artistic, cultural, recreational or developmental activity is that portion of a program, which program does not meet the requirements of paragraph (2)(*c*) and is not part of a school's curriculum, of a duration of eight or more consecutive weeks, offered to children by an organization in circumstances where a participant in the program may select amongst a variety of activities

(*a*) that is the percentage of those activities offered to children by the organization that are activities that include a significant amount of artistic, cultural, recreational or developmental activity; or

(*b*) that is the percentage of the time scheduled for activities in the program that is scheduled for activities that include a significant amount of artistic, cultural, recreational or developmental activity.

Membership

(4) For the purpose of the definition "eligible expense" in subsection 118.031(1) of the Act, a prescribed program of artistic, cultural, recreational or developmental activity is that portion of a membership in an organization, which membership does not meet the requirements of paragraph (2)(*d*) and is not part of a school's curriculum, of a duration of eight or more consecutive weeks that is the percentage of all the activities offered to children by the organization that are activities that include a significant amount of artistic, cultural, recreational or developmental activity.

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

87. (1) The portion of subparagraph (*c*)(iii) of Class 29 of Schedule II to the Regulations before clause (A) is replaced by the following:

(iii) after March 18, 2007 and before 2014 if the property is machinery, or equipment,

(2) Subsection (1) applies after 2011.

88. (1) The portion of paragraph (*c*) of Class 43.1 of Schedule II of the French version of the Regulations before clause (i)(A) is replaced by the following:

c) qui, selon le cas :

(i) font partie d'un système, sauf un système à cycles combinés amélioré, qui, à la fois :

(2) Clause (*c*)(ii)(A) of Class 43.1 of Schedule II to the Regulations is replaced by the following:

(A) is used by the taxpayer, or by a lessee of the taxpayer, to generate electrical energy using only a combination of natural gas and thermal waste from one or more natural gas compressor systems located on a natural gas pipeline,

(3) Paragraph (*c*) of Class 43.1 of Schedule II to the Regulations is amended by striking out "or" at the end of subparagraph (i), by adding "or" at the end of subparagraph (ii) and by adding the following after subparagraph (ii):

(iii) equipment that is used by the taxpayer, or by a lessee of the taxpayer, to generate electrical energy in a process all or substantially all of the energy input of which is thermal waste, other than

(A) equipment that uses heat from a gas turbine in the first stage of a combined cycle system, and

(B) equipment that, on the date of its acquisition, uses chlorofluorocarbons (CFCs) or hydrochlorofluorocarbons (HCFCs), within the meaning assigned by the

Ozone-Depleting Substances Regulations, 1998 , made under the *Canadian Environmental Protection Act, 1999*.

(4) Subsections (1) to (3) apply to property acquired on or after March 22, 2011.

CANADA EDUCATION SAVINGS REGULATIONS

89. (1) Subparagraph 16(1)(*a*)(ii) of the *Canada Education Savings Regulations* is replaced by the following:

(ii) a parent of a beneficiary under the receiving RESP was a parent of an individual who was, immediately before the particular time, a beneficiary under the transferring RESP and

(A) the receiving RESP is an RESP that allows more than one beneficiary at any one time, or

(B) in any other case, the beneficiary under the receiving RESP had not attained 21 years of age at the time the receiving RESP was entered into;

(2) Subsection (1) applies in respect of property transferred after 2010.