HOUSE OF COMMONS OF CANADA

Legislative Proposals Relating to Income Tax

Income Tax Act, Income Tax Application Rules and Income Tax Regulations

Ecological Gifts Program

1 (1) The portion of subsection 43(2) of the *Income Tax Act* before the formula in paragraph (a) is replaced by the following:

Ecological gifts

(2) For the purposes of subsection (1) and section 53, if at any time a taxpayer disposes of a covenant or an easement to which land is subject or, in the case of land in the Province of Quebec, a real or personal servitude, in circumstances where subsection 110.1(5) or 118.1(12) applies,

(a) the portion of the adjusted cost base to the taxpayer of the land immediately before the disposition that can reasonably be regarded as attributable to the covenant, easement or servitude, as the case may be, is deemed to be equal to the amount determined by the formula

(2) Subsection (1) applies in respect of gifts made after March 21, 2017.

2 (1) The portion of paragraph 110.1(1)(d) of the Act before subparagraph (i) is replaced by the following:

Ecological gifts

(d) the total of all amounts each of which is the eligible amount of a gift of land (including a covenant or an easement to which land is subject or, in the case of land in the Province of Quebec, a personal servitude (the rights to which the land is subject and which has a term of not less than 100 years) or a real servitude) if

(2) Clauses 110.1(1)(d)(iii)(B) to (D) of the Act are replaced by the following:

(B) a municipality in Canada that is approved by that Minister or the designated person in respect of the gift,

(C) a municipal or public body performing a function of government in Canada that is approved by that Minister or the designated person in respect of the gift, or

(D) a registered charity (other than a private foundation) one of the main purposes of which is, in the opinion of that Minister, the conservation and protection of Canada's environmental heritage, and that is approved by that Minister or the designated person in respect of the gift.

(3) The portion of paragraph 110.1(5)(b) of the Act before subparagraph (i) is replaced by the following:

(b) where the gift is a covenant or an easement to which land is subject or, in the case of land in the Province of Quebec, a real or personal servitude, the greater of

(4) Subsections (1) to (3) apply in respect of gifts made after March 21, 2017.

3 (1) The portion of paragraph (a) of the definition *total ecological gifts* in subsection 118.1(1) of the Act before subparagraph (i) is replaced by the following:

(a) of land (including a covenant or an easement to which land is subject or, in the case of land in the Province of Quebec, a personal servitude (the rights to which the land is subject and which has a term of not less than 100 years) or a real servitude)

(2) Subparagraphs (b)(i) and (ii) of the definition *total ecological gifts* in subsection 118.1(1) of the Act is replaced by the following:

(i) Her Majesty in right of Canada or of a province,

(i.1) a municipality in Canada, or a municipal or public body performing a function of government in Canada, that is approved by that Minister or the designated person in respect of the gift, or

(ii) a registered charity (other than a private foundation) one of the main purposes of which is, in the opinion of that Minister, the conservation and protection of Canada's environmental heritage, and that is approved by that Minister or the designated person in respect of the gift, and

(3) Subsections (1) and (2) apply in respect of gifts made after March 21, 2017.

4 (1) Section 207.31 of the Act is replaced by the following:

Ecological gift — tax payable

207.31 (1) A charity, municipality in Canada or municipal or public body performing a function of government in Canada (each of which is referred to in this section as the *recipient*) shall, in respect of a property, pay a tax under this Part in respect of a taxation year if

(a) at any time in the year, the recipient

(i) disposes of the property, or

(ii) in the opinion of the Minister of the Environment, or a person designated by that Minister, changes the use of the property;

(b) the property is described in paragraph 110.1(1)(d) or in the definition *total ecological gifts* in subsection 118.1(1); and

(c) the disposition or change is made without the authorization of the Minister of the Environment or a person designated by that Minister.

Ecological gift — amount of tax

(2) The amount of tax to be paid under subsection (1) is equal to 50% of the amount that would be determined for the purposes of section 110.1 or 118.1, if this Act were read without reference to subsections 110.1(3) and 118.1(6), to be the fair market value of the property referred to in subsection (1) if the property were given to the recipient immediately before the disposition or change referred to in paragraph (1)(a).

(2) Subsection (1) applies in respect of dispositions made, and changes of use that occur, after March 21, 2017.

Anti-avoidance Rules for Registered Plans

5 (1) The portion of subsection 87(10) of the Act after paragraph (f) is replaced by the following:

the new share is deemed, for the purposes of subsection 116(6), the definitions *qualified investment* in subsections 146(1), 146.1(1), 146.3(1) and 146.4(1), in section 204 and in subsection 207.01(1), and the definition *taxable Canadian property* in subsection 248(1), to be listed on the exchange until the earliest time at which it is so redeemed, acquired or cancelled.

(2) Subsection (1) comes into force on March 23, 2017.

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

(h) where a share to which paragraph (g) applies would, if this Act were read without reference to this paragraph, cease to be a *qualified investment* (within the meaning assigned by subsection 146(1), 146.1(1), 146.3(1) or 146.4(1), section 204 or subsection 207.01(1)) as a consequence of the qualifying exchange, the share is deemed to be a qualified investment until the earlier of the day that is 60 days after the day that includes the transfer time and the time at which it is disposed of in accordance with paragraph (g);

(2) Subsection (1) comes into force on March 23, 2017.

7 (1) Paragraph (b) of the definition *education savings plan* in subsection 146.1(1) of the Act is replaced by the following:

(b) a person (in this definition referred to as the *promoter*)

(2) Subsection 146.1(1) of the Act is amended by adding the following definition in alphabetical order:

promoter, of an arrangement, means the person described as the promoter in the definition *education savings plan*. (*promoteur*)

(3) Paragraphs 146.1(2.1)(a) and (b) of the Act are repealed.

(4) Subsection 146.1(5) of the Act is replaced by the following:

Trust not taxable

(5) No tax is payable under this Part by a trust that is governed by a RESP on its taxable income for a taxation year, except that, if at any time in the taxation year, it holds one or more properties that are not qualified investments for the trust, tax is payable under this Part by the trust on the amount that would be its taxable income for the taxation year if it had no income or losses from sources other than those properties, and no capital gains or capital losses other than from dispositions of those properties, and for that purpose,

(a) income includes dividends described in section 83;

(b) the trust's taxable capital gain or allowable capital loss from the disposition of a property is equal to its capital gain or capital loss, as the case may be, from the disposition; and

(c) the trust's income shall be computed without reference to subsection 104(6).

(5) Subsection 146.1(7) of the Act is replaced by the following:

Educational assistance payments

(7) There shall be included in computing an individual's income for a taxation year the total of all educational assistance payments paid out of registered education savings plans to or for the individual in the year that exceeds the total of all excluded amounts in respect of those plans and the individual for the year.

(6) Paragraph 146.1(7.1)(a) of the Act is replaced by the following:

(a) each accumulated income payment (other than an accumulated income payment made under subsection (1.2)) received in the year by the taxpayer under a registered education savings plan that exceeds the total of all excluded amounts in respect of those plans and the individual for the year; and

(7) Subsection 146.1(7.2) of the Act is replaced by the following:

Excluded amount

(7.2) An excluded amount in respect of a registered education savings plan is,

(a) for the purposes of subsection (7) and paragraph (7.1)(a), an amount in respect of which a subscriber pays a tax under section 207.05 in respect of the plan, or another plan for which the plan was substituted by the subscriber, that

(i) has not been waived, cancelled or refunded, and

(ii) has not reduced any other amount that would otherwise be included under subsections (7) or (7.1) in computing an individual's income for the year or a preceding year; and

(b) for the purposes of paragraph (7.1)(b),

(i) any amount received under the plan,

(ii) any amount received in satisfaction of a right to a refund of payments under the plan, or

(iii) any amount received by a taxpayer under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a division of property between the taxpayer and the taxpayer's spouse or common-law partner or former spouse or common-law partner in settlement of rights arising out of, or on the breakdown of, their marriage or common-law partnership.

(8) Subsections (1), (2) and (5) to (7) come into force on March 23, 2017.

(9) Subsections (3) and (4) apply in respect of

(a) any investment acquired after March 22, 2017; and

(b) any investment acquired before March 23, 2017 that ceases to be a *qualified investment* (as defined in subsection 146.1(1) of the Act) after March 22, 2017.

8 (1) The portion of paragraph (d) of the definition *contribution* in subsection 146.4(1) of the Act before subparagraph (i) is replaced by the following:

(d) other than for the purposes of paragraphs (4)(f) to (h) and (n),

(2) The portion of subparagraph (a)(i) of the definition *disability savings plan* in subsection 146.4(1) of the Act before clause (A) is replaced by the following:

(i) a corporation (in this definition referred to as the *issuer*)

(3) The description of A in the definition *specified maximum amount* in subsection 146.4(1) of the Act is replaced by the following:

A is 10% of the fair market value of the property held by the plan trust at the beginning of the calendar year (other than annuity contracts held by the plan trust that, at the beginning of the calendar year, are not described in paragraph (b) of the definition *qualified investment*), and

(4) Subparagraph (i) of the description of B in the definition *specified maximum amount* in subsection 146.4(1) of the Act is replaced by the following:

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

(5) Subsection 146.4(1) of the Act is amended by adding the following in alphabetical order:

issuer, of an arrangement, means the person described as the issuer in the definition *disability savings plan*. (*émetteur*)

qualified investment, for a trust governed by a RDSP, means

(a) an investment that would be described by any of paragraphs (a) to (d), (f) and (g) of the definition *qualified investment* in section 204 if the reference in that definition to "a trust governed by a deferred profit sharing plan or

revoked plan" were read as a reference to "a trust governed by a RDSP" and if that definition were read without reference to the words "with the exception of excluded property in relation to the trust";

(b) a contract for an annuity issued by a licensed annuities provider where

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

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

(c) a contract for an annuity issued by a licensed annuities provider where

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

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

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

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

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

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

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

(vi) the periodic payments

(A) are equal, or

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

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

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

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

A is the fair market value of the property held by the plan trust at the beginning of the calendar year (other than annuity contracts held by the plan trust that, at the beginning of the calendar year, are not described in paragraph (b) of the definition *qualified investment* in subsection (1)),

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

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

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

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

(9) Subsection 146.4(7) of the Act is replaced by the following:

Non-taxable portion of disability assistance payment

(7) The non-taxable portion of a disability assistance payment made at a particular time from a registered disability savings plan of a beneficiary is the lesser of the amount of the disability assistance payment and the amount determined by the formula

$$A \times B/C + D$$

where

A is the amount of the disability assistance payment;

B is the amount, if any, by which

(a) the total of all amounts each of which is the amount of a contribution made before the particular time to any registered disability savings plan of the beneficiary

exceeds

(b) the total of all amounts each of which is the amount that would be the non-taxable portion of a disability assistance payment made before the particular time from any registered disability savings plan of the beneficiary, if the formula in this subsection were read without reference to the description of D;

C is the amount by which the fair market value of the property held by the plan trust immediately before the payment exceeds the assistance holdback amount in relation to the plan; and

D is the amount in respect of which a holder of the plan pays a tax under section 207.05 in respect of the plan, or another plan for which the plan was substituted by the holder, that

(a) has not been waived, cancelled or refunded; and

(b) has not otherwise been used in the year or a preceding year in computing the non-taxable portion of a disability assistance payment made from the plan or another plan for which the plan was substituted.

(10) Subsection 146.4(13) of the Act is amended by adding "and" at the end of paragraph (c) and by repealing paragraph (d).

(11) Subsections (1) to (10) come into force on March 23, 2017.

9 (1) Part XI of the Act is repealed.

(2) Subsection (1) applies to transactions and events occurring, income earned, capital gains accruing and investments acquired, after March 22, 2017.

10 (1) The heading of Part XI.01 of the Act is replaced by the following:

Taxes in Respect of Registered Plans

(2) Subsection (1) comes into force on March 23, 2017.

11 (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*), 146.1(1), 146.2(1), 146.3(1) and 146.4(1) apply in this Part and Part XLIX of the *Income Tax Regulations*.

(2) The definition *RRSP strip* in subsection 207.01(1) of the Act is repealed.

(3) The definitions *controlling individual*, *registered plan* and *transitional prohibited property* in subsection 207.01(1) of the Act are replaced by the following:

controlling individual, of a registered plan, means

(a) the holder of a TFSA;

(b) a holder of a RDSP;

(c) a subscriber of a RESP; or

(d) the annuitant of a RRIF or RRSP. (*particulier contrôlant*)

registered plan means a RDSP, RESP, RRIF, RRSP or TFSA. (*régime enregistré*)

transitional prohibited property, at any time for a particular trust governed by a registered plan (other than a TFSA) of a controlling individual, means a property that is held by the particular trust at that time, that was held

(a) on March 22, 2011 by a trust governed by a RRIF or RRSP of the controlling individual and that was a prohibited investment for that trust on March 23, 2011; or

(b) on March 22, 2017 by a trust governed by a RDSP or RESP of the controlling individual and that was a prohibited investment for that trust on March 23, 2017. (*bien interdit transitoire*)

(4) Subparagraphs (a)(iii) and (iv) of the definition *advantage* in subsection 207.01(1) of the Act are replaced by the following:

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

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

(iv.1) an amount paid under or because of the *Canada Disability Savings Act*, the *Canada Education Savings Act* or under a designated provincial program, and

(5) The portion of subparagraph (c)(ii) of the definition *advantage* before clause (A) in subsection 207.01(1) of the Act is replaced by the following:

(ii) in the case of a registered plan that is not a TFSA, 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

(6) Paragraph (d) of the definition *advantage* in subsection 207.01(1) of the Act is replaced by the following:

(d) a registered plan strip in respect of the registered plan; and

(7) Paragraph (b) of the definition *swap transaction* in subsection 207.01(1) of the Act is replaced by the following:

(b) a payment into the registered plan that is

(i) a contribution, a premium or an amount transferred in accordance with paragraph 146.3(2)(f),

(ii) described in paragraph (a) or (b) of the definition *contribution* in subsection 146.1(1), or

(iii) described in any of paragraphs (a) to (d) of the definition *contribution* in subsection 146.4(1);

(8) Paragraph (d) of the definition *swap transaction* in subsection 207.01(1) of the Act is amended by striking out "or" at the end of subparagraph (i) and by adding the following after subparagraph (ii):

(iii) both registered plans are RDSPs, or

(iv) both registered plans are RESPs;

(9) Subsection 207.01(1) of the Act is amended by adding the following in alphabetical order:

registered plan strip, in respect of a registered plan that is not a TFSA, means the amount of a reduction in the fair market value of property held in connection with the registered plan, if the value is reduced 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 of the registered plan, or a person who does not deal at arm's length with the controlling individual, to obtain a benefit in respect of property held in connection with the registered plan or to obtain a benefit as a result of the reduction, but does not include an amount that is

(a) included in the income of a person under section 146, 146.1, 146.3 or 146.4;

(b) an excluded withdrawal under section 146.01 or 146.02;

(c) described in subsection 146(16), 146.3(14.2) or 146.4(8);

(d) a distribution to a trust governed by a RESP under circumstances to which subparagraph 204.9(5)(c)(i) or (ii) applies;

(e) an accumulated income payment made to a RDSP under circumstances to which subsection 146.1(1.2) applies;

(f) a refund of payments under a RESP; or

(g) the non-taxable portion of a disability assistance payment made from a RDSP. (*somme découlant d'un dépouillmement de régime enregistré*)

(10) Subsection 207.01(5) of the Act is replaced by the following:

Obligation of issuer

(5) The issuer, carrier or promoter 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.

(11) Subsection 207.01(7) of the Act is replaced by the following:

Adjusted cost base

(7) For the purpose of computing the adjusted cost base to a trust governed by a registered plan (other than a TFSA) of a property that is a transitional prohibited property for the trust, the cost to the trust of the property until the property is disposed of by the trust is deemed to be equal to the fair market value of the property,

(a) in the case of a RRIF or RRSP, at the end of March 22, 2011; and

(b) in the case of a RDSP or RESP, at the end of March 22, 2017.

(12) Paragraph 207.01(8)(a) of the Act is replaced by the following:

(a) the property would, in the absence of subsection (9), have ceased at any time (in this subsection and subsection (9) referred to as the *relevant time*) to be a prohibited investment for a trust governed by a registered plan (other than a TFSA) of a controlling individual;

(13) Paragraph 207.01(8)(c) of the Act is replaced by the following:

(c) in the case of a property held under a RRIF or RRSP, the controlling individual elected under subsection 207.05(4); and

(14) Subsection 207.01(9) of the Act is replaced by the following:

Prohibited investment status

(9) If this subsection applies in respect of a property, the property is deemed to be a prohibited investment at and after the relevant time for every trust governed by a registered plan (other than a TFSA) of the controlling individual referred to in paragraph (8)(a).

(15) Paragraph 207.01(12)(a) of the Act is replaced by the following:

(a) the property is acquired at any time (in this subsection and subsection (13) referred to as the *exchange time*) by a trust (in this section and subsection (13) referred to as the *exchanging trust*) governed by a registered plan (other than a TFSA) of a controlling individual in exchange for another property (in this subsection referred to as the *exchanged property*) in a transaction to which any of section 51, subsection 85(1) and sections 85.1, 86 and 87 apply;

(16) Paragraph 207.01(12)(d) of the Act is replaced by the following:

(d) in the case of a property held under a RRIF or RRSP, the controlling individual elected under subsection 207.05(4).

(17) Paragraphs 207.01(13)(a) and (b) of the Act are replaced by the following:

(a) other than for the purposes of subsection (7), the property is deemed to be, at and after the exchange time, a property,

(i) in the case of a trust governed by a RRIF or RRSP, that was

(A) held on March 22, 2011 by a trust governed by a RRIF or RRSP of the controlling individual referred to in subsection (12), and

(B) a prohibited investment for the trust on March 23, 2011, and

(ii) in the case of a trust governed by a RDSP or RESP, that was

(A) held on March 22, 2017 by a trust governed by a RDSP or RESP of the controlling individual referred to in subsection (12), and

(B) a prohibited investment for the trust on March 23, 2017; and

(b) if the property would, in the absence of this paragraph, not be a prohibited investment for the exchanging trust immediately after the exchange time, the property is deemed to be a prohibited investment at and after the exchange time for every trust governed by a registered plan (other than a TFSA) of the controlling individual.

(18) Subsections (1) to (9) apply to transactions and events occurring, income earned, capital gains accruing and investments acquired after March 22, 2017, except that the definition *swap transaction* in subsection 207.01(1) of the Act, as amended by subsections (7) and (8), applies

(a) after 2021 in relation to a swap transaction undertaken to remove a property from a RDSP or RESP if it is reasonable to conclude that tax would be payable under Part XI.01 of the Act if the property were retained in the RDSP or RESP;

(b) after 2027 in relation to a swap transaction undertaken to remove a transitional prohibited property (as defined in subsection 207.01(1) of the Act, as amended by subsection (3)), from a RDSP or RESP if it is reasonable to conclude that tax would be payable under Part XI.01 of the Act if the property were retained in the RDSP or RESP; and

(c) in any other case, after June 2017.

(19) Subsections (11) to (17) come into force on March 23, 2017.

12 (1) Subsection 207.04(3) of the Act is replaced by the following:

Both prohibited and non-qualified investment

(3) For the purposes of this section and subsections 146(10.1), 146.1(5), 146.2(6), 146.3(9), 146.4(5) and 207.01(6), 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.

(2) Section 207.04 of the Act is amended by adding the following after subsection (4):

Apportionment of refund

(5) If more than one person is entitled to a refund under subsection (4) for a calendar year in respect of the disposition of a property, the total of all amounts so refundable shall not exceed the amount that would be so refundable for the year to any one of those persons in respect of that disposition if that person were the only person entitled to a refund for the year under that subsection in respect of the disposition. If the persons cannot agree as to what portion of the refund each can so claim, the Minister may fix the portions.

Liability for tax

(6) Each person who is a holder of a RDSP or a subscriber of a RESP at the time that a tax is imposed under subsection (1) in connection with the plan is jointly and severally, or solidarily, liable to pay the tax.

(3) Subsections (1) and (2) come into force on March 23, 2017.

13 (1) Paragraph 207.05(2)(c) of the Act is replaced by the following:

(c) in the case of a registered plan strip, the amount of the registered plan strip.

(2) Subsection 207.05(3) of the Act is replaced by the following:

Liability for tax

(3) Each controlling individual of a registered plan in connection with which a tax is imposed under subsection (1) is jointly and severally, or solidarily, liable to pay the tax except that, if the advantage is extended by the issuer, carrier or promoter of the registered plan or by a person with whom the issuer, carrier or promoter is not dealing at arm's length, the issuer, carrier or promoter, and not the controlling individual, is liable to pay the tax.

(3) Subsections (1) and (2) come into force on March 23, 2017.

14 (1) Section 207.07 of the Act is amended by adding the following after subsection (1):

Multiple holders or subscribers

(1.1) If two or more holders of a RDSP, or two or more subscribers of a RESP, are jointly and severally, or solidarily, liable with each other to pay a tax under this Part for a calendar year in connection with the plan,

(a) a payment by any of the holders, or any of the subscribers, on account of that tax liability shall to the extent of the payment discharge the joint liability; and

(b) a return filed by one of the holders, or one of the subscribers, as required by this Part for the year is deemed to have been filed by each other holder, or each other subscriber, in respect of the joint liability to which the return relates.

(2) Subsection (1) comes into force on March 23, 2017.

15 (1) Subsection 207.1(3) of the Act is repealed.

(2) Subsection (1) applies in respect of

(a) any investment acquired after March 22, 2017; and

(b) any investment acquired before March 23, 2017 that ceases to be a *qualified investment* (as defined in subsection 146.1(1) of the Act) after March 22, 2017.

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

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

(2) Subsection (1) comes into force on March 23, 2017.

17 (1) Subsection 221(2) of the *Income Tax Regulations* is replaced by the following:

(2) Where in any taxation year a reporting person (other than a registered investment) claims that a share of its capital stock issued by it, or an interest as a beneficiary under it, is a qualified investment under section 146, 146.1, 146.3, 146.4, 204, or 207.01 of the Act, the reporting person shall, in respect of the year and within 90 days after the end of the year, make an information return in prescribed form.

(2) Subsection (1) comes into force on March 23, 2017.

18 (1) The Regulations are amended by adding the following after section 221:

222 The issuer of a RDSP, or the promoter of a RESP, that governs a trust shall notify the holders of the RDSP, or subscribers of the RESP, in prescribed form and manner before March of a calendar year if, at any time during the preceding calendar year,

(a) the trust acquires or disposes of property that is a not a qualified investment for the trust; or

(b) property held by the trust becomes or ceases to be a qualified investment for the trust.

(2) Subsection (1) comes into force on March 23, 2017.

19 (1) The portion of subsection 4900(1) of the Regulations before paragraph (a) is replaced by the following:

4900 (1) 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, paragraph (c) of the definition *qualified investment* in subsection 146.3(1) of the Act, paragraph (d) of the definition *qualified investment* in subsection 146.4(1) of the Act, paragraph (h) of the definition *qualified investment* in section 204 of the Act and paragraph (c) of the definition *qualified investment* in subsection 207.01(1) of the Act, each of the following investments is prescribed as a qualified investment for a plan trust at a particular time if at that time it is

(2) The portion of paragraph 4900(1)(g) of the Regulations before subparagraph (i) is replaced by the following:

(g) a bond, debenture, note or similar obligation (in this paragraph referred to as the *obligation*) issued by, or a deposit with, a credit union that has not at any time during the calendar year in which the particular time occurs granted any benefit or privilege to a person who is a connected person under the governing plan of the plan trust, as a result of the ownership by

(3) Subsection 4900(5) of the Regulations is replaced by the following:

(5) For the purposes of paragraph (e) of the definition *qualified investment* in subsection 146.1(1) of the Act, paragraph (d) of the definition *qualified investment* in subsection 146.4(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 registered disability savings plan, a registered education savings plan or a TFSA at any time if at that time the property is an interest in a trust or a share of the capital stock of a corporation that was a registered investment for a trust governed by a registered retirement savings plan during the calendar year in which that time occurs or during the preceding year.

(4) The portion of subsection 4900(6) of the Regulations before paragraph (b) is replaced by the following:

(6) Subject to subsection (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));

(5) Subsections 4900(8), (12) and (13) of the Regulations are repealed.

(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 (e) of the definition *qualified investment* in subsection 146.1(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 RESP, 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 RESP, RRIF, RRSP or TFSA; and

(8) The portion of subsection 4900(15) of the Regulations before paragraph (a) is replaced by the following:

(15) For the purposes 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 RESP, RRIF, RRSP or TFSA solely because of subsection (14) is prescribed property for the trust at any time if, at that time, the property is not described in any of subparagraphs (14)(a)(i) to (iii).

(9) Subsections (1) and (3) come into force on March 23, 2017.

(10) Subsections (2) and (4) to (8) apply in respect of

(a) any investment acquired after March 22, 2017; and

(b) any investment acquired before March 23, 2017 that ceases to be a *qualified investment* (as defined in subsection 146.1(1) of the Act) after March 22, 2017.

Investment Fund Mergers

20 (1) Paragraph 18(14)(c) of the Act is replaced by the following:

(c) the disposition is not a disposition that is deemed to have occurred by subsection 10.1(6) or (7), section 70, subsection 104(4), section 128.1, paragraph 132.2(3)(a) or (c) or subsection 138(11.3) or 138.2(4) or 149(10);

(2) Subsection (1) applies to taxation years that begin after 2017.

21 (1) Paragraph (c) of the definition "superficial loss" in section 54 of the Act is replaced by the following:

(c) a disposition deemed to have been made by subsection 45(1), section 48 as it read in its application before 1993, section 50 or 70, subsection 104(4), section 128.1, paragraph 132.2(3)(a) or (c), subsection 138(11.3) or 138.2(4) or 142.5(2), section 142.6 or any of subsections 144(4.1) and (4.2) and 149(10),

(2) Subsection (1) applies to taxation years that begin after 2017.

22 (1) Paragraph 126(4.4)(a) of the Act is replaced by the following:

(a) a disposition or acquisition of property deemed to be made by subsection 10(12) or (13) or 45(1), section 70, 128.1 or 132.2, subsections 138(11.3) or 138.2(4) or 142.5(2), paragraph 142.6(1)(b) or subsections 142.6(1.1) or (1.2) or 149(10) is not a disposition or acquisition, as the case may be; and

(2) Subsection (1) applies to taxation years that begin after 2017.

23 (1) The definition *qualifying exchange* in subsection 132.2(1) of the Act is replaced by the following:

qualifying exchange means a transfer at any time (in this section referred to as the *transfer time*) if

(a) the transfer is a transfer of all or substantially all of the property (including an exchange of a unit of a mutual fund trust for another unit of that trust) of

(i) a mutual fund corporation (other than a SIFT wind-up corporation) to one or more mutual fund trusts, or

(ii) a mutual fund trust to a mutual fund trust;

(b) all or substantially all of the shares issued by the mutual fund corporation referred to in subparagraph (a)(i) or the first mutual fund trust referred to in subparagraph (a)(ii) (in this section referred to as the *transferor*) and outstanding immediately before the transfer time are within 60 days after the transfer time disposed of to the transferor;

(c) no person disposing of shares of the transferor to the transferor within that 60-day period (otherwise than pursuant to the exercise of a statutory right of dissent) receives any consideration for the shares other than units of one or more mutual fund trusts referred to in subparagraph (a)(i) or the second mutual fund trust referred to in subparagraph (a)(ii) (in this section referred to as a *transferee* and, together with the transferor, as the *funds*);

(d) if property of the transferor has been transferred to more than one transferee,

(i) all shares of each class of shares, that is recognized under securities legislation as or as part of an investment fund, of the transferor are disposed of to the transferor within 60 days after the transfer time, and

(ii) the units received in consideration for a particular share of a class of shares, that is recognized under securities legislation as or as part of an investment fund, of the transferor are units of the transferee to which all or substantially all of the assets that were allocated to that investment fund immediately before the transfer time were transferred; and

(e) the funds jointly so elect, by filing a prescribed form with the Minister on or before the election's due date. (*échange admissible*)

(2) The portion of paragraph 132.2(3)(a) of the Act before subparagraph (i) is replaced by the following:

(a) each property of a fund, other than property disposed of by the transferor to a transferee at the transfer time and depreciable property, is deemed to have been disposed of, and to have been reacquired by the fund, at the first intervening time, for an amount equal to the lesser of

(3) Subsection 132.2(3) of the Act is amended by adding the following after paragraph (a):

(a.1) in respect of each property transferred by the transferor to a transferee, including an exchange of a unit of a transferee for another unit of that transferee, the transferor is deemed to have disposed of the property to the transferee, and to have received units of the transferee as consideration for the disposition of the property, at the transfer time;

(4) The portion of paragraph 132.2(3)(e) of the Act before subparagraph (i) is replaced by the following:

(e) except as provided in paragraph (m), the transferor's cost of any particular property received by the transferor from a transferee as consideration for the disposition of the property is deemed to be

(5) Paragraph 132.2(3)(f) of the Act is replaced by the following:

(f) the transferor's proceeds of disposition of any units of a transferee that were disposed of by the transferor at any particular time that is within 60 days after the transfer time in exchange for shares of the transferor, are deemed to be equal to the cost amount of the units to the transferor immediately before the particular time;

(6) The portion of paragraph 132.2(3)(g) of the Act before subparagraph (i) is replaced by the following:

(g) if, at any particular time that is within 60 days after the transfer time, a taxpayer disposes of shares of the transferor to the transferor in exchange for units of a transferee

(7) The portion of subparagraph 132.2(3)(g)(vi) of the Act before clause (A) is replaced by the following:

(vi) if the taxpayer is at the particular time affiliated with the transferor or the transferee,

(8) Paragraphs 132.2(3)(i) and (j) of the Act are replaced by the following:

(i) there shall be added to the amount determined under the description of A in the definition *refundable capital gains tax on hand* in subsection 132(4) in respect of a transferee for its taxation years that begin after the transfer time the amount determined by the formula

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

where

A is the transferor's *refundable capital gains tax on hand* (within the meaning assigned by subsection 131(6) or 132(4), as the case may be) at the end of its taxation year that includes the transfer time,

B is the transferor's *capital gains refund* (within the meaning assigned by paragraph 131(2)(a) or 132(1)(a), as the case may be) for that year,

C is the total fair market value of property of the transferor disposed of to, net of liabilities assumed by, the transferee on the qualifying exchange, and

D is the total fair market value of property of the transferor disposed of to, net of liabilities assumed by, all transferees on the qualifying exchange;

(j) no amount in respect of a non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss of a fund for a taxation year that began before the transfer time is deductible in computing the taxable income of any of the funds for a taxation year that begins after the transfer time;

(9) Paragraph 132.2(3)(l) of the Act is amended by striking out "and" at the end of subparagraph (i), by adding "and" at the end of subparagraph (ii) and by adding the following after subparagraph (ii):

(iii) for the purpose of subsection 131(1), a dividend that is made payable at a particular time after the acquisition time but within the 60 day period commencing immediately after the transfer time, and paid before the end of that period, by the transferor to taxpayers that held shares of a class of shares of the transferor, that was recognized under securities legislation as or as part of an investment fund, immediately before the transfer time is deemed to have become payable at the first intervening time if the transferor so elects in respect of the full amount of the dividend in prescribed manner on or before the day on which any part of the dividend was paid;

(10) Subparagraph 132.2(3)(m)(ii) of the Act is replaced by the following:

(ii) a transferee is deemed not to have acquired any property that was transferred to it on the qualifying exchange; and

(11) Paragraph 132.2(3)(m) of the Act is amended by striking out "and" at the end of subparagraph (i) and by adding the following after subparagraph (ii):

(iii) the amounts determined under the descriptions of A and B in the definition *capital gains redemptions* shall be determined as if the year ended immediately before the transfer time; and

(12) Paragraph 132.2(3)(n) of the Act is replaced by the following:

(n) except as provided in subparagraph (l)(i), the transferor is, notwithstanding subsections 131(8) and (8.01) and 132(6), deemed to be neither a mutual fund corporation nor a mutual fund trust for taxation years that begin after the transfer time.

(13) Clause 132.2(4)(b)(ii)(B) of the Act is replaced by the following:

(B) the amount that the transferor and the transferee agree on in respect of the property in their election, and

(14) Subsection 132.2(4) 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) if the property is a unit of the transferee and the unit ceases to exist when the transferee acquires it (or, for greater certainty, when the transferee would but for that cessation have acquired it), subparagraphs (a) and (b) do not apply to the transferee.

(15) Clause 132.2(5)(c)(ii)(B) of the Act is replaced by the following:

(B) the amount that the transferor and the transferee agree on in respect of the property in their election, and

(16) Subsection 132.2(7) of the Act is replaced by the following:

Amendment or Revocation of Election

(7) The Minister may, on joint application by the funds on or before the due date of an election referred to in paragraph (e) of the definition *qualifying exchange* in subsection (1), grant permission to amend or revoke the election.

(17) Subsections (1) to (10) and (12) to (16) apply in respect of transfers that occur after March 21, 2017.

(18) Subsection (11) applies in respect of qualifying exchanges where an election in respect of the qualifying exchange is filed or amended on or after Announcement Date.

24 (1) The portion of paragraph 138.1(1)(a) of the Act before subparagraph (i) is replaced by the following:

(a) a trust (in this section and section 138.2 referred to as the *related segregated fund trust*) is deemed to be created at the time that is the later of

(2) Paragraph 138.1(1)(f) of the Act is replaced by the following:

(f) the taxable income of the related segregated fund trust is deemed for the purposes of subsections 104(6), (13) and (24) to be an amount that has become payable in the year to the beneficiaries under the segregated fund trust and the amount therefor in respect of any particular beneficiary is equal to the amount determined by reference to the terms and conditions of the segregated fund policy;

(3) Subsections (1) and (2) apply to taxation years that begin after 2017.

25 Section 138.1 of the Act is amended by adding the following after subsection (2):

Transition — pre-2018 non-capital losses

(2.1) For the purpose of determining the taxable income of a related segregated fund trust for a taxation year that begins after 2017, the non-capital losses of the related segregated fund trust that arise in a taxation year that begins before 2018 are deemed to be nil.

26 (1) The Act is amended by adding the following after section 138.1:

Qualifying transfer of funds

138.2 (1) For the purposes of this section, a qualifying transfer occurs at a particular time (in this section referred to as the *transfer time*) if

(a) all of the property that, immediately before the transfer time, was property of a related segregated fund trust has become, at the transfer time, the property of another related segregated fund trust (in this section referred to as the *transferor* and *transferee*, respectively, and collectively as the *funds*);

(b) every person that had an interest in the transferor immediately before the transfer time (in this section referred to as a *beneficiary*) has ceased to be a beneficiary of the transferor at the transfer time and has received no consideration for the interest other than an interest in the transferee;

(c) the trustee of the funds is a resident of Canada; and

(d) the trustee of the funds so elects, by filing a prescribed form with the Minister on or before the election's due date.

General

(2) If there has been a qualifying transfer,

(a) the last taxation years of the funds that began before the transfer time are deemed to have ended at the transfer time and the next taxation year of the transferee is deemed to have begun immediately after the transfer time;

(b) no amount in respect of a non-capital loss, net capital loss, restricted farm loss, farm loss or limited partnership loss of a fund for a taxation year that began before the transfer time is deductible in computing the taxable income of the funds for a taxation year that begins after the transfer time;

(c) each beneficiary's interest in the transferor is deemed to have been disposed of at the transfer time for proceeds of disposition, and each beneficiary's interest in the transferee received in the qualifying transfer is deemed to have been acquired at a cost, equal to the cost amount to the beneficiary of the interest in the transferor immediately before the transfer time;

(d) any amount determined under subsection 138.1(6) in respect of a policyholder's interest in the transferor is deemed

(i) to have been charged, transferred or paid in respect of the policyholder's interest in the transferee that is acquired on the qualifying transfer, and

(ii) to not have been charged, transferred or paid in respect of the policyholder's interest in the transferor; and

(e) subsections 138.1(4) and (5) do not apply in respect of any disposition of an interest in the transferor arising on the qualifying transfer.

Transferor – capital gains and losses

(3) In respect of a qualifying transfer, each property of the transferor held immediately before the transfer time is deemed to have been disposed of by the transferor immediately before the transfer time for proceeds of disposition, and to have been acquired by the transferee at the transfer time for a cost, equal to the lesser of

(a) the fair market value of the property immediately before the transfer time; and

(b) the greater of

(i) the cost amount of the property to the transferor immediately before the transfer time, and

(ii) the amount that is designated in respect of the property in the election in respect of the qualifying transfer.

Transferee – capital gains and losses

(4) In respect of a qualifying transfer, each property of the transferee held immediately before the transfer time is deemed to have been disposed of by the transferee immediately before the transfer time for proceeds of disposition, and to have been reacquired by the transferee at the transfer time for a cost, equal to the lesser of

(a) the fair market value of the property immediately before the transfer time; and

(b) the greater of

(i) the cost amount of the property to the transferee immediately before the transfer time, and

(ii) the amount that is designated in respect of the property in the election in respect of the qualifying transfer.

Loss limitation

(5) Subsection 138.1(3) does not apply to capital losses of a fund from the disposition of property on a qualifying transfer under subsection (3) or (4) to the extent that the amount of such capital losses exceeds the amount of capital gains of the fund from the disposition of property on the qualifying transfer under subsection (3) or (4), as the case may be.

Due date

(6) The due date of an election referred to in paragraph (1)(d) is the later of

(a) the day that is six months after the day that includes the transfer time; and

(b) a day that the Minister may specify.

(2) Subsection (1) comes into force on January 1, 2018.

Clean Energy Generation Equipment: Geothermal Energy

27 (1) Clause 1104(17)(a)(ii)(A) of the Regulations is replaced by the following:

(A) any of subparagraphs (d) (vii) to (ix), (xi), (xiii), (xiv), (xvi) and (xvii) of Class 43.1, or

(2) Subsection (1) applies in respect of property acquired for use after March 21, 2017 that has not been used or acquired for use before March 22, 2017.

28 (1) Paragraph 1219(1)(f) of the Regulations is replaced by the following:

(f) for the drilling or completion of a well for the project, other than

(i) a well that is, or can reasonably be expected to be, used for the installation of underground piping that is included in paragraph (d) of Class 43.1 or paragraph (b) of Class 43.2 in Schedule II, or

(ii) a well referred to in paragraph (h);

(2) Subsection 1219(1) of the Regulations is amended by adding "or" at the end of paragraph (g) and by adding the following after that paragraph:

(h) if at least 50% of the depreciable property to be used in the project, determined by reference to its capital cost, is described in subparagraph (d)(vii) of Class 43.1,

(i) for the drilling of a well, or

(ii) solely for the purpose of determining the extent and quality of a geothermal resource.

(3) Section 1219 of the Regulations is amended by adding the following after subsection (4):

(5) A Canadian renewable and conservation expense does not include an expense incurred by a taxpayer at any time that is in respect of a geothermal project

(a) that at that time is described in paragraph (1)(h); and

(b) in respect of which the taxpayer is not at that time in compliance with the requirements of all environmental laws, by-laws and regulations of

(i) Canada,

(ii) a province or a municipality in Canada, or

(iii) a municipal or public body performing a function of government in Canada.

(4) Subsections (1) to (3) apply in respect of expenses incurred after March 21, 2017.

29 (1) Subparagraph (d)(vii) of Class 43.1 of Schedule II to the Regulations is replaced by the following:

(vii) equipment used by the taxpayer, or by a lessee of the taxpayer, primarily for the purpose of generating electrical energy or heat energy, or both electrical and heat energy, solely from geothermal energy, including such equipment that consists of piping (including above or below ground piping and the cost of completing a well (including the wellhead and production string), or trenching, for the purpose of installing that piping), pumps, heat exchangers, steam separators, electrical generating equipment and ancillary equipment used to collect the geothermal heat, but not including buildings, distribution equipment, equipment used to heat water for use in a swimming pool, equipment described in subclause (i)(A)(II), property otherwise included in Class 10 and property that would be included in Class 17 if that Class were read without reference to its paragraph (a.1),

(2) Clause (B) of subparagraph (d)(xv) of Class 43.1 of Schedule II to the Regulations is replaced by the following:

(B) is part of a district energy system that uses thermal energy that is primarily supplied by equipment that is described in subparagraphs (i), (iv), (vii) or (ix) or would be described in those subparagraphs if owned by the taxpayer, and

(3) Subsections (1) and (2) apply in respect of property acquired for use after March 21, 2017 that has not been used or acquired for use before March 22, 2017.

Canadian Exploration Expense: Oil and Gas Discovery Wells

30 Subparagraph (d)(i) of the definition *Canadian exploration expense* in subsection 66.1(6) of the Act is amended by striking out "and" at the end of clause (A), by adding "and" at the end of clause (B) and by adding the following after clause (B):

(C) the expense is incurred

(I) before 2021 (excluding an expense that is deemed by subsection 66(12.66) to have been incurred on December 31, 2020), if the expense is incurred in connection with an obligation that was committed to in writing (including a commitment to a government under the terms of a license or permit) by the taxpayer before March 22, 2017, or

(II) before 2019 (excluding an expense that is deemed by subsection 66(12.66) to have been incurred on the December 31, 2018), in any other case,

Reclassification of Expenses Renounced to Flow-Through Share Investors

31 (1) Paragraph 66(12.601)(b) of the Act is replaced by the following:

(b) during the period beginning on the particular day the agreement was entered into and ending on the earlier of December 31, 2018 and the day that is 24 months after the end of the month that included that particular day, the corporation incurred Canadian development expenses (excluding expenses that are deemed by subsection (12.66) to have been incurred on December 31, 2018) described in paragraph (a) or (b) of the definition *Canadian development expense* in subsection 66.2(5) or that would be described in paragraph (f) of that definition if the words "paragraphs (a) to (e)" in that paragraph were read as "paragraphs (a) and (b)",

(2) Subsection (1) comes into force on Royal Assent except that, in its application in respect of agreements entered into after 2016 and before March 22, 2017, paragraph 66(12.601)(b) of the Act, as enacted by subsection (1), is to be read without reference to the phrase "the earlier of December 31, 2018 and".

Meaning of Factual Control

32 (1) Section 256 of the Act is amended by adding the following after subsection (5.1):

Factual control — Interpretation

(5.11) For the purposes of the Act, the determination of whether a taxpayer has, in respect of a corporation, any direct or indirect influence that, if exercised, would result in control in fact of the corporation, shall

(a) take into consideration all factors that are relevant in the circumstances; and

(b) not be limited to, and the relevant factors need not include, whether the taxpayer has a legally enforceable right or ability to effect a change in the board of directors of the corporation, or the its powers, or to exercise influence over the shareholder or shareholders who have that right or ability.

(2) Subsection (1) applies to taxation years that begin after March 21, 2017.

Timing of Recognition of Gains and Losses on Derivatives

33 (1) The Act is amended by adding the following after section 10:

Mark-to-market election

10.1 (1) Subsection (4) applies to a taxpayer in respect of a taxation year and subsequent taxation years if the taxpayer elects to have subsection (4) apply to the taxpayer and has filed that election in prescribed form on or before its filing-due date for the taxation year.

Revocation

(2) The Minister may, on application by the taxpayer in prescribed form, grant permission to the taxpayer to revoke its election under subsection (1). The revocation applies to each taxation year of the taxpayer that begins after the day on which the taxpayer is notified in writing that the Minister concurs with the revocation, on such terms and conditions as are specified by the Minister.

Subsequent election

(3) Notwithstanding subsection (1), if a taxpayer has, under subsection (2), revoked an election, any subsequent election under subsection (1) shall result in subsection (4) applying to the taxpayer in respect of each taxation year that begins after the day on which the prescribed form in respect of the subsequent election is filed by the taxpayer.

Application

(4) If this subsection applies to a taxpayer in respect of a taxation year,

(a) if the taxpayer is a *financial institution* (as defined in subsection 142.2(1)) in the taxation year, each eligible derivative held by the taxpayer at any time in the taxation year is, for the purpose of applying the provisions of this Act and with such modifications as the context requires, deemed to be *mark-to-market property* (as defined in subsection 142.2(1)) of the taxpayer for the taxation year; and

(b) in any other case, subsection (6) applies to the taxpayer in respect of each eligible derivative held by the taxpayer at the end of the taxation year.

Eligible derivative

(5) For the purposes of this section, an ***eligible derivative***, of a taxpayer for a taxation year, means a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement, held at any time in the taxation year by the taxpayer, if

(a) the agreement is not a capital property, a Canadian resource property, a foreign resource property or an obligation on account of capital of the taxpayer;

(b) either

(i) the taxpayer has produced audited financial statements prepared in accordance with generally accepted accounting principles in respect of the taxation year, or

(ii) if the taxpayer has not produced audited financial statements described in subparagraph (i), the agreement has a readily ascertainable fair market value; and

(c) where the agreement is held by a *financial institution* (as defined in subsection 142.2(1)), the agreement is not a *tracking property* (as defined in subsection 142.2(1)), other than an *excluded property* (as defined in subsection 142.2(1)), of the financial institution.

Deemed disposition

(6) If this subsection applies to a taxpayer in respect of each eligible derivative held by the taxpayer at the end of a taxation year, for each eligible derivative held by the taxpayer at the end of the taxation year, the taxpayer is deemed

(a) to have disposed of the eligible derivative immediately before the end of the year and received proceeds or paid an amount, as the case may be, equal to its fair market value at the time of disposition; and

(b) to have reacquired, or reissued or renewed, the eligible derivative at the end of the year at an amount equal to the proceeds or the amount, as the case may be, determined under paragraph (a).

Election year — gains and losses

(7) If a taxpayer holds, at the beginning of its first taxation year in respect of which an election referred to in subsection (1) applies (in this subsection referred to as the *election year*), an eligible derivative and, in the taxation year immediately preceding the election year, the taxpayer did not compute its profit or loss in respect of that eligible derivative in accordance with a method of profit computation that produces a substantially similar effect to subsection (6), then

(a) the taxpayer is deemed

(i) to have disposed of the eligible derivative immediately before the beginning of the election year and received proceeds or paid an amount, as the case may be, equal to its fair market value at that time, and

(ii) to have reacquired, or reissued or renewed, the eligible derivative at the beginning of the election year at an amount equal to the proceeds or the amount, as the case may be, determined under subparagraph (i);

(b) the profit or loss that would arise (determined without reference to this paragraph) on the deemed disposition in subparagraph (a)(i)

(i) is deemed not to arise in the taxation year immediately preceding the election year, and

(ii) is deemed to arise in the taxation year in which the taxpayer disposes of the eligible derivative (otherwise than because of paragraphs (6)(a) or 142.5(2)(a)); and

(c) for the purpose of applying subsection 18(15) in respect of the disposition of the eligible derivative referred to in subparagraph (b)(ii), the profit or loss deemed to arise because of that subparagraph is included in determining the amount of the transferor's loss, if any, from the disposition.

Default realization method

(8) If subsection (4) does not apply to a taxpayer referred to in paragraph (4)(b) in respect of a taxation year, a method of profit computation that produces a substantially similar effect to subsection (6) shall not be used for the purpose of computing the taxpayer's income from a business or property in respect of a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement for the taxation year.

Interpretation

(9) For the purposes of subsections (4) to (7), if an agreement that is an eligible derivative of a taxpayer is not a property of the taxpayer, the taxpayer is deemed

(a) to hold the eligible derivative at any time while the taxpayer is a party to the agreement; and

(b) to have disposed of the eligible derivative when it is settled or extinguished in respect of the taxpayer.

(2) Subsection (1) applies to taxation years that begin after March 21, 2017.

34 (1) Paragraph 18(14)(c) of the Act is replaced by the following:

(c) the disposition is not a disposition that is deemed to have occurred by subsection 10.1(6) or (7), section 70, subsection 104(4), section 128.1, paragraph 132.2(3)(a) or (c) or subsection 138(11.3) or 149(10);

(2) Subsection (1) applies to taxation years that begin after March 21, 2017.

35 (1) Section 18 of the Act is amended by adding the following after subsection (16):

Definitions

(17) The following definitions apply in this subsection and subsections (18) to (23).

offsetting position, in respect of a particular position of a person or partnership (in this definition referred to as the *holder*), means one or more positions that

(a) are held by

(i) the holder,

(ii) a person or partnership that does not deal at arm's length with, or is affiliated with, the holder (in this subsection and subsections (20), (22) and (23) referred to as the *connected person*), or

(iii) for greater certainty, by any combination of the holder and one or more connected persons;

(b) have the effect, or would have the effect if each of the positions held by a connected person were held by the holder, of eliminating all or substantially all of the holder's risk of loss and opportunity for gain or profit in respect of the particular position; and

(c) if held by a connected person, can reasonably be considered to have been held with the purpose of obtaining the effect described in paragraph (b). (*position compensatoire*)

position, of a person or partnership, means one or more properties, obligations or liabilities of the person or partnership, if

(a) each property, obligation or liability is

(i) a share in the capital stock of a corporation,

(ii) an interest in a partnership,

(iii) an interest in a trust,

(iv) a commodity,

(v) foreign currency,

(vi) a swap agreement, a forward purchase or sale agreement, a forward rate agreement, a futures agreement, an option agreement or a similar agreement,

(vii) a debt owed to or owing by the person or partnership that, at any time,

(A) is denominated in a foreign currency,

(B) would be described in paragraph 7000(1)(d) of the *Income Tax Regulations* if that paragraph were read without reference to the words "other than one described in paragraph (a), (b) or (c)", or

(C) is convertible into or exchangeable for an interest, or for civil law a right, in any property that is described in any of subparagraphs (i) to (iv),

(viii) an obligation to transfer or return to another person or partnership a property identical to a particular property described in any of subparagraphs (i) to (vii) that was previously transferred or lent to the person or partnership by that other person or partnership, or

(ix) an interest, or for civil law a right, in any property that is described in any of subparagraphs (i) to (vii); and

(b) it is reasonable to conclude that, if there is more than one property, obligation or liability, each of them is held in connection with each other. (*position*)

successor position, in respect of a position (in this definition referred to as the *initial position*), means a particular position if

(a) the particular position is an offsetting position in respect of a second position;

(b) the second position was an offsetting position in respect of the initial position that was disposed of at a particular time; and

(c) the particular position was entered into during the period that begins 30 days before, and ends 30 days after, the particular time. (*position remplaçante*)

unrecognized loss, in respect of a position of a person or partnership at a particular time in a taxation year, means the loss, if any, that would be deductible in computing the income of the person or partnership for the year with respect to the position if it were disposed of immediately before the particular time at its fair market value at the time of disposition. (*perte non constatée*)

unrecognized profit, in respect of a position of a person or partnership at a particular time in a taxation year, means the profit, if any, that would be included in computing the income of the person or partnership for the year with respect to the position if it were disposed of immediately before the particular time at its fair market value at the time of disposition. (*bénéfice non constaté*)

When subsection (19) applies

(18) Subject to subsection (20), subsection (19) applies in respect of a disposition of a particular position by a person or partnership (in this subsection and subsections (19), (20) and (22) referred to as the *transferor*), if

(a) the disposition is not a disposition that is deemed to have occurred by section 70, subsection 104(4), section 128.1 or subsection 138(11.3) or 149(10);

(b) the transferor is not a *financial institution* (as defined in subsection 142.2(1)), a mutual fund corporation or a mutual fund trust; and

(c) the particular position was, immediately before the disposition, not a capital property, or an obligation or liability on account of capital, of the transferor.

Straddle losses

(19) If this subsection applies in respect of a disposition of a particular position by a transferor, the portion of the transferor's loss, if any, from the disposition of the particular position that is deductible in computing the transferor's income for a particular taxation year is the amount determined by the formula

A + B – C

where

A is

(a) if the particular taxation year is the taxation year in which the disposition occurs, the amount of the loss determined without reference to this subsection (which is, for greater certainty, subject to subsection (15)), and

(b) in any other taxation year, nil;

B is

(a) if the disposition occurred in a preceding taxation year, the amount determined for C in respect of the disposition for the immediately preceding taxation year, and

(b) in any other case, nil; and

C is the lesser of

(a) the amount determined for A for the taxation year in which the disposition occurs, and

(b) the amount determined by the formula

D – (E + F)

where

D is the total of all amounts each of which is the amount of unrecognized profit at the end of the particular taxation year in respect of

(i) the particular position,

(ii) positions that are offsetting positions in respect of the particular position (or would be, to the extent that there is no successor position in respect of the particular position, if the particular position continued to be held by the transferor),

(iii) successor positions in respect of the particular position (for this purpose, a successor position in respect of a position includes a successor position that is in respect of a successor position in respect of the position), and

(iv) positions that are offsetting positions in respect of any successor position referred to in subparagraph (iii) (or would be, if any such successor position continued to be held by the holder),

E is the total of all amounts each of which is the amount of unrecognized loss at the end of the particular taxation year in respect of positions referred to in subparagraphs (i) to (iv) of the description of D, and

F is the total of all amounts each of which is an amount determined by the formula

G – H

where

G is the amount determined for A for the taxation year in which the disposition occurs in respect of any position that was disposed of prior to the disposition of the particular position, if

(i) the particular position was a successor position in respect of that position (for this purpose, a successor position in respect of a position includes a successor position that is in respect of a successor position in respect of the position), and

(ii) that position was

(A) an offsetting position in respect of the particular position,

(B) an offsetting position in respect of a position in respect of which the particular position was a successor position (for this purpose, a successor position in respect of a position includes a successor position that is in respect of a successor position in respect of the position), or

(C) the particular position, and

H is the total of all amounts each of which is, in respect of a position described in G, an amount determined under the first formula in this subsection for the particular taxation year or a preceding taxation year.

Exceptions

(20) Subsection (19) does not apply in respect of a particular position of a transferor if

(a) it is the case that

(i) either the particular position, or the offsetting position in respect of the particular position, consists of

(A) commodities that the holder of the position manufactures, produces, grows, extracts or processes, or

(B) debt that the holder of the position incurs in the course of a business that consists of one or any combination of the activities described in clause (A), and

(ii) it can reasonably be considered that the position not described in subparagraph (i) — the particular position if the offsetting position is described in subparagraph (i) or the offsetting position if the particular position is described in that subparagraph — is held to reduce the risk, with respect to the position described in subparagraph (i), from

(A) in the case of a position described in clause (i)(A), price changes or fluctuations in the value of currency with respect to the goods described in clause (i)(A), or

(B) in the case of a position described in clause (i)(B), fluctuations in interest rates or in the value of currency with respect to the debt described in clause (i)(B);

(b) the transferor or a connected person (in this paragraph referred to as the *holder*) continues to hold a position — that would be an offsetting position in respect of the particular position if the particular position continued to be held by the transferor — throughout a 30-day period beginning on the date of disposition of the particular position, and at no time during the period

(i) is the holder's risk of loss or opportunity for gain or profit with respect to the position reduced in any material respect by another position entered into or disposed of by the holder, or

(ii) would the holder's risk of loss or opportunity for gain or profit with respect to the position be reduced in any material respect by another position entered into or disposed of by a connected person, if the other position were entered into or disposed of by the holder; or

(c) it can reasonably be considered that none of the main purposes of the series of transactions or events, or any of the transactions or events in the series, of which the holding of both the particular position and offsetting position are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

Application

(21) For the purposes of subsections (17) to (23),

(a) if a position of a person or partnership is not a property of the person or partnership, the person or partnership is deemed

(i) to hold the position at any time while it is a position of the person or partnership, and

(ii) to have disposed of the position when the position is settled or extinguished in respect of the person or partnership;

(b) a disposition of a position is deemed to include a disposition of a portion of the position; and

(c) a position held by one or more persons or partnerships referred to in paragraph (a) of the definition *offsetting position* in subsection (17) is deemed to be an offsetting position in respect of a particular position of a person or partnership if

(i) there is a high degree of negative correlation between changes in value of the position and the particular position, and

(ii) it can reasonably be considered that the principal purpose of the series of transactions or events, or any of the transactions in the series, of which the holding of both the position and the particular position are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

(d) one or more positions held by one or more persons or partnerships referred to in paragraph (a) of the definition offsetting position in subsection 18(17) are deemed to be a successor position in respect of a particular position of a person or partnership if

(i) a portion of the particular position was disposed of at a particular time,

(ii) the position is, or the positions include, as the case may be, a position that consists of the portion of the particular position that was not disposed of (in this paragraph referred to as the "remaining portion of the particular position"),

(iii) where there is more than one position, the position or positions that do not consist of the remaining portion of the particular position were entered into during the period that begins 30 days before, and ends 30 days after, the particular time,

(iv) the position is, or the positions taken together would be, as the case may be, an offsetting position in respect of a second position (within the meaning of the definition "successor position" in subsection (17)),

(v) the second position was an offsetting position in respect of the particular position, and

(vi) it can reasonably be considered that the principal purpose of the series of transactions or events, or any of the transactions in the series, of which the disposition of a portion of the particular position and the holding of one or more positions are part, is to avoid, reduce or defer tax that would otherwise be payable under this Act.

Different taxation years

(22) Subsection (23) applies if

(a) at any time in a particular taxation year of a transferor, a position referred to in any of subparagraphs (ii) to (iv) of the description of D in subsection (19) (in this subsection and subsection (23) referred to as the *gain position*) is held by a connected person;

(b) the connected person disposes of the gain position in the particular taxation year; and

(c) the taxation year of the connected person in which the disposition referred to in paragraph (b) occurs ends after the end of the particular taxation year.

Different taxation years

(23) If this subsection applies, for the purposes of the definition *unrecognized profit* in subsection (17) and subsection (19), the portion of the profit, if any, realized from the disposition of the gain position referred to in paragraph (22)(b) that is determined by the following formula is deemed to be unrecognized profit in respect of the gain position until the end of the taxation year of the connected person in which the disposition occurs:

A × B/C

where

A is the amount of the profit otherwise determined;

B is the number of days in the taxation year of the connected person in which the disposition referred to in paragraph (22)(b) occurs that are after the end of the particular taxation year; and

C is the total number of days in the taxation year of the connected person in which the disposition referred to in paragraph (22)(b) occurs.

(2) Subsection (1) applies in respect of a *position* (as defined in subsection 18(17) of the Act, as enacted by subsection (1)) of a person or partnership if

(a) the position is acquired, entered into, renewed or extended, or becomes owing, by the person or partnership after March 21, 2017; or

(b) an *offsetting position* (as defined in subsection 18(17) of the Act, as enacted by subsection (1)) in respect of the position is acquired, entered into, renewed or extended, or becomes owing, by the person or partnership or a connected person (as defined in subsection 18(17) of the Act, as enacted by subsection (1)) after March 21, 2017.

36 (1) Section 85 of the Act is amended by adding the following after subsection (1.11):

Eligible derivatives

(1.12) Notwithstanding subsection (1.1), an *eligible derivative* (as defined in subsection 10.1(5)) of a taxpayer to which subsection 10.1(6) applies is not an eligible property of the taxpayer in respect of a disposition by the taxpayer to a corporation.

(2) The portion of paragraph 85(2)(a) of the Act before subparagraph (i) is replaced by the following:

(a) a partnership has disposed, to a taxable Canadian corporation for consideration that includes shares of the corporation's capital stock, of any partnership property (other than an *eligible derivative*, as defined in subsection 10.1(5), of the partnership if subsection 10.1(6) applies to the partnership) that was

(3) Subsections (1) and (2) apply to taxation years that begin after March 21, 2017.

37 (1) Subsection 87(2) of the Act is amended by adding the following after paragraph (e.4):

(e.41) if subsection 10.1(6) applied to a predecessor corporation in its last taxation year, each *eligible derivative* (as defined in subsection 10.1(5)) of the predecessor corporation immediately before the end of its last taxation year is deemed to have been reacquired, or reissued or renewed, as the case may be, by the new corporation at its fair market value immediately before the amalgamation;

(e.42) for the purposes of subsection 10.1(7), the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

(2) Subsection (1) applies to taxation years that begin after March 21, 2017.

38 (1) Subsection 88(1) of the Act is amended by adding the following after paragraph (i):

(i.1) for the purposes of subsection 10.1(6), the subsidiary's taxation year in which an *eligible derivative* (as defined in subsection 10.1(5)) was distributed to, or assumed by, the parent on the winding-up is deemed to have ended immediately before the time when the eligible derivative was distributed or assumed;

(2) The portion of paragraph 88(1)(e.2) of the Act before subparagraph (i) is replaced by the following:

(e.2) paragraphs 87(2)(c), (d.1), (e.1), (e.3), (e.42), (g) to (l), (l.21) to (u), (x), (z.1), (z.2), (aa), (cc), (ll), (nn), (pp), (rr) and (tt) to (ww), subsection 87(6) and, subject to section 78, subsection 87(7) apply to the winding-up as if the references in those provisions to

(3) Subsections (1) and (2) apply to taxation years that begin after March 21, 2017.

39 (1) The portion of subsection 96(3) of the Act before paragraph (a) is replaced by the following:

Agreement or election of partnership members

(3) If a taxpayer who was a member of a partnership at any time in a fiscal period has, for any purpose relevant to the computation of the taxpayer's income from the partnership for the fiscal period, made or executed an agreement, designation or election under or in respect of the application of any of subsections 10.1(1), 13(4), (4.2) and (16), section 15.2, subsections 20(9) and 21(1) to (4), section 22, subsection 29(1), section 34, clause 37(8)(a)(ii)(B), subsections 44(1) and (6), 50(1) and 80(5) and (9) to (11), section 80.04, subsections 86.1(2), 88(3.1), (3.3) and (3.5) and 90(3), the definition ***relevant cost base*** in subsection 95(4) and subsections 97(2), 139.1(16) and (17) and 249.1(4) and (6) that, if this Act were read without reference to this subsection, would be a valid agreement, designation or election,

(2) Subsection (1) applies to taxation years that begin after March 21, 2017.

40 (1) The portion of subsection 97(2) of the Act before paragraph (a) is replaced by the following:

(2) Notwithstanding any other provision of this Act other than subsections (3) and 13(21.2), where a taxpayer at any time disposes of any property (other than an *eligible derivative*, as defined in subsection 10.1(5), of the taxpayer if subsection 10.1(6) applies to the taxpayer) that is a capital property, Canadian resource property, foreign resource property

or inventory of the taxpayer to a partnership that immediately after that time is a Canadian partnership of which the taxpayer is a member, if the taxpayer and all the other members of the partnership jointly so elect in prescribed form within the time referred to in subsection 96(4),

(2) Subsection (1) applies to taxation years that begin after March 21, 2017.

Billed-basis Accounting

41 (1) Section 10 of the Act is amended by adding the following after subsection (14):

Work in progress — transitional

(14.1) If paragraph 34(a) applies in computing a taxpayer's income from a business for the last taxation year of the taxpayer that begins before March 22, 2017, then

(a) for the purpose of computing the income of the taxpayer from the business, at the end of the first taxation year that begins after March 21, 2017,

(i) the amount of the cost of the taxpayer's work in progress is deemed to be one-fifth of the amount of its cost determined without reference to this paragraph; and

(ii) the amount of the fair market value of the taxpayer's work in progress is deemed to be one-fifth of the amount of its fair market value determined without reference to this paragraph;

(b) for the purpose of computing the income of the taxpayer from the business, at the end of the second taxation year that begins after March 21, 2017,

(i) the amount of the cost of the taxpayer's work in progress is deemed to be two-fifths of the amount of its cost determined without reference to this paragraph; and

(ii) the amount of the fair market value of the taxpayer's work in progress is deemed to be two-fifths of the amount of its fair market value determined without reference to this paragraph;

(c) for the purpose of computing the income of the taxpayer from the business, at the end of the third taxation year that begins after March 21, 2017,

(i) the amount of the cost of the taxpayer's work in progress is deemed to be three-fifths of the amount of its cost determined without reference to this paragraph; and

(ii) the amount of the fair market value of the taxpayer's work in progress is deemed to be three-fifths of the amount of its fair market value determined without reference to this paragraph; and

(d) for the purpose of computing the income of the taxpayer from the business, at the end of the fourth taxation year that begins after March 21, 2017,

(i) the amount of the cost of the taxpayer's work in progress is deemed to be four-fifths of the amount of its cost determined without reference to this paragraph; and

(ii) the amount of the fair market value of the taxpayer's work in progress is deemed to be four-fifths of the amount of its fair market value determined without reference to this paragraph.

(2) Subsections 10(14) and (14.1), as enacted by subsection (1), of the Act are repealed.

(3) Subsection (1) applies to taxation years ending after March 21, 2017.

(4) Subsection (2) comes into force on January 1, 2024.

42 (1) Paragraph 34(a) of the Act is replaced by the following:

(a) if the taxpayer so elects in the taxpayer's return of income under this Part for the year and the year begins before March 22, 2017, there shall not be included any amount in respect of work in progress at the end of the year; and

(2) Section 34 of the Act, as amended by subsection (1), is repealed.

(3) Subsection (1) applies to taxation years ending after March 21, 2017.

(4) Subsection (2) comes into force on January 1, 2024.

Extending the Base Erosion Rules to Foreign Branches of Life Insurers

43 (1) The portion of paragraph 95(2)(a.23) of the Act before subparagraph (i) is replaced by the following:

(a.23) for the purposes of paragraphs (a.2), (a.21) and (a.24), ***specified Canadian risk*** means a risk in respect of

(2) Subsection 95(2) of the Act is amended by adding the following after paragraph (a.23):

(a.24) for the purposes of paragraph (a.2),

(i) a risk is deemed to be a specified Canadian risk of a particular foreign affiliate of a taxpayer if

(A) as part of a transaction or series of transactions, the particular affiliate insured or reinsured the risk,

(B) the risk would not be a specified Canadian risk if this Act were read without reference to this paragraph, and

(C) it can reasonably be concluded that one of the purposes of the transaction or series of transactions was to avoid the application of any of paragraphs (a.2) to (a.22), and

(ii) if the particular affiliate — or a foreign affiliate of another taxpayer, if that other taxpayer or affiliate, or a partnership of which that other taxpayer or affiliate is a member, does not deal at arm's length with the particular affiliate — enters into one or more agreements or arrangements in respect of the risk,

(A) activities performed in connection with those agreements or arrangements are deemed to be a separate business, other than an active business, carried on by the particular affiliate or other affiliate, as the case may be, and

(B) any income of the particular affiliate or other affiliate, as the case may be, from the business (including income that pertains to or is incident to the business) is deemed to be income from a business other than an active business;

(3) Subsections (1) and (2) apply to transactions that occur after March 21, 2017.

44 (1) Section 138 of the Act is amended by adding the following after subsection (2):

Income — designated foreign insurance business

(2.1) If a life insurer resident in Canada has a designated foreign insurance business in a taxation year,

(a) for the purposes of computing the life insurer's income or loss from carrying on an insurance business in Canada for that taxation year, the life insurer's insurance business carried on in Canada is deemed to include the insurance of the specified Canadian risks that are insured as part of the designated foreign insurance business;

(b) if, in the immediately preceding taxation year, the designated foreign insurance business was not a designated foreign insurance business, for the purposes of paragraph (4)(a), subsection (9), the definition ***designated insurance property*** in subsection (12) and paragraphs 12(1)(d) to (e), the life insurer is deemed to have carried on the business in Canada in that immediately preceding year and to have claimed the maximum amounts to which it would have been entitled under paragraphs (3)(a) (other than under subparagraph (3)(a)(ii.1), (iii) or (v)), 20(1)(l) and (l.1) and

20(7)(c) in respect of those specified Canadian risks if that designated foreign insurance business had been a designated foreign insurance business in that immediately preceding year; and

(c) for the purposes of subsection 20(22) and subparagraph (3)(a)(ii.1),

(i) the life insurer is deemed to have carried on the business in Canada in that immediately preceding year, and

(ii) the amounts, if any, that would have been prescribed in respect of the insurer for the purposes of paragraphs (4)(b) and 12(1)(e.1) for that immediately preceding year in respect of the insurance policies in respect of those specified Canadian risks are deemed to have been included in computing its income for that year.

Insurance swaps

(2.2) For the purposes of this section, one or more risks insured by a life insurer resident in Canada, as part of an insurance business carried on in a country other than Canada, that would not be specified Canadian risks if this Act were read without reference to this subsection, are deemed to be specified Canadian risks if those risks would be deemed to be specified Canadian risks because of paragraph 95(2)(a.21) if the life insurer were a foreign affiliate of a taxpayer.

Insurance swaps

(2.3) Subsection (2.4) applies in respect of one or more agreements or arrangements if

(a) subsection (2.2) applies to deem one or more risks insured by a particular life insurer resident in Canada to be specified Canadian risks; and

(b) those agreements or arrangements are in respect of risks described in paragraph (a) and have been entered into by any of the following (in subsection (2.4), referred to as an ***agreeing party***):

(i) the particular life insurer,

(ii) another life insurer resident in Canada that does not deal at arm's length with the particular life insurer,

(iii) a partnership of which a life insurer described in subparagraph (i) or (ii) is a member,

(iv) a foreign affiliate of either the particular life insurer or a person that does not deal at arm's length with the particular life insurer, and

(v) a partnership of which a foreign affiliate described in subparagraph (iv) is a member.

Insurance swaps

(2.4) If this subsection applies in respect of one or more agreements or arrangements,

(a) to the extent that activities performed in connection with those agreements or arrangements can reasonably be considered to be performed for the purpose of obtaining the result described in subparagraph 95(2)(a.21)(ii) (with any modifications that the circumstances require), those activities are deemed to be,

(i) if the agreeing party is a life insurer resident in Canada, or a partnership of which such a life insurer is a member, part of the life insurer's insurance business carried on in Canada, and

(ii) if the agreeing party is a foreign affiliate of a taxpayer, or a partnership of which such an affiliate is a member, a separate business, other than an active business, carried on by the affiliate; and

(b) any income from those activities (including income that pertains to or is incident to those activities) is deemed to be,

(i) if the agreeing party is a life insurer resident in Canada, income from the life insurer's insurance business carried on in Canada, and

(ii) if the agreeing party is a foreign affiliate of a taxpayer, income from the business, other than an active business.

Ceding of Canadian risks

(2.5) Any income of a life insurer resident in Canada for a taxation year, from its insurance business carried on in a country other than Canada, in respect of the ceding of specified Canadian risks that would, if the life insurer were a foreign affiliate of a taxpayer, be included in computing the life insurer's income from a business, other than an active business, for the taxation year because of subparagraph 95(2)(a.2)(iii), is to be included in computing the life insurer's income or loss for that taxation year from its insurance business carried on in Canada, except to the extent it is already included because of subsection (2.1), (2.2) or (2.4).

Anti-avoidance

(2.6) For the purposes of this section,

(a) a risk is deemed to be a specified Canadian risk that is insured as part of an insurance business carried on in Canada by a particular life insurer resident in Canada if

(i) the particular life insurer insured the risk as part of a transaction or series of transactions,

(ii) the risk would not be a specified Canadian risk if this Act were read without reference to this subsection, and

(ii) it can reasonably be concluded that one of the purposes of the transaction or series of transactions was to avoid

(A) having a ***designated foreign insurance business*** (as defined in subsection (12)), or

(B) the application of any of subsections (2.1) to (2.5) to the risk; and

(b) if one or more agreements or arrangements in respect of the risk have been entered into by any of the persons or partnerships described in subparagraphs (2.3)(b)(i) to (v) (in this paragraph, referred to as an ***agreeing party***),

(i) any activities performed in connection with those agreements or arrangements are deemed to be

(A) if the agreeing party is a life insurer resident in Canada, or a partnership of which such a life insurer is a member, part of the life insurer's insurance business carried on in Canada, and

(B) if the agreeing party is a foreign affiliate of a taxpayer, or a partnership of which such an affiliate is a member, a separate business, other than an active business, carried on by the affiliate, and

(ii) any income from those activities (including income that pertains to or is incident to those activities) is deemed to be,

(A) if the agreeing party is a life insurer resident in Canada, income from the life insurer's insurance business carried on in Canada, and

(B) if the agreeing party is a foreign affiliate of a taxpayer, income from the business, other than an active business.

(2) Paragraph (d) of subsection 138(11.91) of the Act is replaced by the following:

(d) for the purposes of paragraph (4)(a), subsection (9), the definition ***designated insurance property*** in subsection (12) and paragraphs 12(1)(d), (d.1) and (e), the insurer is deemed to have carried on the business in Canada in that preceding year and to have claimed the maximum amounts to which it would have been entitled under paragraphs (3)(a) (other than under subparagraph (3)(a)(ii.1), (iii) or (v)), 20(1)(l) and (l.1) and 20(7)(c) for that year,

(3) Subsection 138(12) of the Act is amended by adding the following definitions in alphabetical order:

designated foreign insurance business, of a life insurer resident in Canada in a taxation year, means an insurance business that is carried on by the life insurer in a country other than Canada in the year unless more than 90% of the gross premium revenue from the business for the year from the insurance of risks (net of reinsurance ceded) is in respect

of the insurance of risks (other than specified Canadian risks) of persons with whom the life insurer deals at arm's length. (*entreprise d'assurance étrangère désignée*)

insurance, of a risk, includes the reinsurance of the risk. (*assurance*)

specified Canadian risk has the same meaning as in paragraph 95(2)(a.23). (*risques canadiens déterminés*)

(4) Subsections (1) to (3) apply to taxation years of a taxpayer that begin after March 21, 2017.

Stub Period FAPI

45 (1) Section 91 of the Act is amended by adding the following after subsection (1):

Conditions for application of subsection (1.2)

(1.1) Subsection (1.2) applies at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada if

(a) an amount would be included under subsection (1) in computing the income of the taxpayer, in respect of a share of the particular affiliate or another foreign affiliate of the taxpayer that has an ***equity percentage*** (as defined in subsection 95(4)) in the particular affiliate, for the taxation year of the particular affiliate (determined without reference to subsection (1.2)) that includes the particular time (referred to in this subsection and subsection (1.3) as the ***ordinary taxation year*** of the particular affiliate), if the ordinary taxation year of the particular affiliate ended at the particular time;

(b) immediately after the particular time, there is

(i) an acquisition of control of the taxpayer, or

(ii) a triggering event that can reasonably be considered to result in a change in the aggregate participating percentage of the taxpayer in respect of the particular affiliate for the ordinary taxation year of the particular affiliate;

(c) if subparagraph (b)(i) applies, all or a portion of an amount earned by the particular affiliate during the portion of the ordinary taxation year of the particular affiliate before the particular time is excluded in computing the income of another taxpayer because paragraph 95(2)(f.1) applies as a result of the taxpayer being, at a time before the acquisition of control, a designated acquired corporation of the other taxpayer; and

(d) if subparagraph (b)(ii) applies, none of the following is the case:

(i) the change referred to in that subparagraph

(A) is a decrease, and

(B) is equal to the total of all amounts each of which is the increase — that can reasonably be considered to result from the triggering event — in the aggregate participating percentage of another taxpayer, in respect of the particular affiliate for the ordinary taxation year of the particular affiliate, if the other taxpayer

(I) is a person resident in Canada, other than a person that is — or a trust, any of the beneficiaries under which is — by reason of a statutory provision, exempt from tax under this Part, and

(II) does not deal at arm's length with the taxpayer immediately after the particular time,

(ii) the triggering event is on an ***amalgamation*** as defined in subsection 87(1),

(iii) the triggering event is an excluded acquisition or disposition, in respect of the ordinary taxation year of the particular affiliate, and

(iv) if one or more triggering events — each of which is described in subparagraph (b)(ii) and in respect of which none of the conditions in subparagraphs (i) to (iii) are satisfied — occur in the ordinary taxation year of the particular affiliate, the percentage determined by the following formula is not greater than 5%:

A - B

where

A is the total of all amounts each of which is the decrease — which can reasonably be considered to result from a triggering event described in subparagraph (b)(ii) (other than a triggering event that satisfies the conditions in subparagraph (i) or (ii)) — in the aggregate participating percentage of the taxpayer in respect of the particular affiliate for the ordinary taxation year of the particular affiliate, and

B is the total of all amounts each of which is the increase — which can reasonably be considered to result from a triggering event described in subparagraph (b)(ii) (other than a triggering event that satisfies the conditions in subparagraph (i) or (ii)) — in the aggregate participating percentage of the taxpayer in respect of the particular affiliate for the ordinary taxation year of the particular affiliate.

Deemed year-end

(1.2) If this subsection applies at a particular time in respect of a foreign affiliate of a particular taxpayer resident in Canada, then for the purposes of this section and section 92,

(a) in respect of the particular taxpayer and each connected corporation, or connected partnership, in respect of the particular taxpayer, the affiliate's taxation year that would, in the absence of this subsection, have included the particular time is deemed to have ended at the time (referred to in this section as the ***stub-period end time***) that is immediately before the particular time;

(b) if the affiliate is, immediately after the particular time, a foreign affiliate of the particular taxpayer or a connected corporation, or connected partnership, in respect of the particular taxpayer, the affiliate's next taxation year after the stub-period end time is deemed, in respect of the particular taxpayer or the connected corporation or connected partnership, as the case may be, to begin immediately after the particular time; and

(c) in determining the foreign accrual property income of the affiliate for that taxation year in respect of the particular taxpayer or a connected corporation or connected partnership, in respect of the particular taxpayer, all transactions or events that occur at the particular time are deemed to occur at the stub-period end time.

Definitions

(1.3) The following definitions apply in this subsection and subsections (1.1) and (1.2).

aggregate participating percentage, of a taxpayer in respect of a foreign affiliate of the taxpayer for a taxation year of the affiliate, means the total of all amounts, each of which is the participating percentage, in respect of the affiliate, of a share of the capital stock of a corporation that is owned by the taxpayer at the end of the taxation year. (*pourcentage de participation total*)

connected corporation, in respect of a particular taxpayer, means a corporation that — at or immediately after the particular time at which subsection (1.2) applies in respect of a foreign affiliate of the particular taxpayer — is resident in Canada and

(a) does not deal at arm's length with the particular taxpayer; or

(b) deals at arm's length with the particular taxpayer, if

(i) the foreign affiliate is a foreign affiliate of the corporation at the particular time, and

(ii) the aggregate participating percentage of the corporation in respect of the foreign affiliate for the affiliate's ordinary taxation year may reasonably be considered to have increased as a result of the triggering event that gave rise to the application of subsection (1.2). (*société rattachée*)

connected partnership, in respect of a particular taxpayer, means a partnership if — at or immediately after the particular time at which subsection (1.2) applies in respect of a foreign affiliate of the particular taxpayer — the particular taxpayer or a connected corporation in respect of the particular taxpayer is, directly or indirectly through one or more partnerships, a member of the partnership. (*société de personnes rattachée*)

excluded acquisition or disposition, in respect of a taxation year of a foreign affiliate of a taxpayer, means an acquisition or disposition of an equity interest in a corporation, partnership or trust that can reasonably be considered to result in a change in the aggregate participating percentage of the taxpayer in respect of the affiliate for the taxation year of the affiliate, if

(a) the change is less than 1%; and

(b) it cannot reasonably be considered that one of the main reasons the acquisition or disposition occurs as a separate acquisition or disposition from one or more other acquisitions or dispositions is to avoid the application of subsection (1.2). (*acquisition ou disposition exclue*)

triggering event means

(a) an acquisition or disposition of an equity interest in a corporation, partnership or trust; and

(b) a change in the terms or conditions of a share of the capital stock of a corporation or the rights as a member of a partnership or as a beneficiary under a trust. (*événement déclencheur*)

Election for application of subsection (1.2)

(1.4) If the conditions in subsection (1.1) are not met at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada, subsection (1.2) applies in respect of the particular affiliate at that time if

(a) the conditions in paragraph (1.1)(a) are met in respect of the particular affiliate at the particular time;

(b) immediately after the particular time there is a disposition of shares of the capital stock of the particular affiliate or another foreign affiliate of the taxpayer that had an ***equity percentage*** (as defined in subsection 95(4)) in the particular affiliate by

(i) the taxpayer, or

(ii) a controlled foreign affiliate of the taxpayer; and

(c) the taxpayer and all specified corporations jointly elect in writing to apply subsection (1.2) in respect of the disposition and file the election with the Minister on or before the day that is the earliest filing-due date for all taxpayers making the election in respect of the taxation year in which the transaction to which the election relates occurred, and for this purpose, a ***specified corporation*** means a corporation that at or immediately after the particular time meets the following conditions:

(i) the corporation is resident in Canada,

(ii) the corporation does not deal at arm's length with the taxpayer, and

(iii) the particular affiliate is a foreign affiliate of the corporation, or of a partnership of which the corporation is, directly or indirectly through one or more partnerships, a member.

(2) Section 91 of the Act, as amended by this Act, is amended by adding the following after subsection (1.4), as enacted by this Act:

Election for application of subsection (1.2)

(1.5) A particular taxpayer resident in Canada may elect, by filing with the Minister in prescribed manner a form containing prescribed information on or before the particular taxpayer's filing-due date for its taxation year that includes a

particular time, to have subsection (1.2) apply at the particular time in respect of a particular foreign affiliate of the particular taxpayer if

(a) immediately after the particular time, there is an acquisition or disposition of shares of the capital stock of a foreign affiliate of another taxpayer that results in a decrease to the surplus entitlement percentage of the other taxpayer in respect of the particular affiliate;

(b) as a result of the acquisition or disposition described in paragraph (a), subsection (1.2) applies to the other taxpayer resident in Canada in respect of the particular affiliate;

(c) the surplus entitlement percentage of the particular taxpayer in respect of the particular affiliate increases as a result of the acquisition or disposition described in paragraph (a);

(d) subsection (1.2) does not apply, in the absence of this subsection, to the particular taxpayer in respect of the acquisition or disposition; and

(e) the particular affiliate is a foreign affiliate of the particular taxpayer at the particular time.

(3) Subsection (2) is repealed.

(4) Subsection (1) is deemed to have come into force on July 12, 2013, except that

(a) an election referred to in subsection 91(1.4) of the Act, as enacted by subsection (1), is deemed to have been filed by the particular taxpayer and all *specified corporations* (within the meaning assigned by subsection 91(1.4) of the Act) referred to in that subsection on a timely basis if the election is filed on or before the earliest filing-due date, for all taxpayers making the election, for the respective taxation year that includes the day on which this Act receives royal assent;

(b) subject to paragraph (c), for the purpose of applying subsections 91(1.1) to (1.4) of the Act, as enacted by subsection (1), if the particular time referred to in subsection 91(1.1) of the Act, as enacted by subsection (1), is before Announcement Date, those subsections are to be read as follows:

Conditions for application of subsection (1.2)

(1.1) Subsection (1.2) applies at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada if

(a) an amount would be included under subsection (1) in computing the income of the taxpayer, in respect of a share of the particular affiliate or another foreign affiliate of the taxpayer that has an ***equity percentage*** (as defined in subsection 95(4)) in the particular affiliate, for the taxation year of the particular affiliate (determined without reference to subsection (1.2)) that includes the particular time, if that taxation year ended at the particular time; and

(b) immediately after the particular time, there is an acquisition or disposition of shares of the capital stock of a foreign affiliate of the taxpayer that results in a change to the surplus entitlement percentage of the taxpayer in respect of the particular affiliate (determined as if the taxpayer were a corporation resident in Canada), unless

(i) the change is a decrease in the surplus entitlement percentage of the taxpayer (determined as if the taxpayer were a corporation resident in Canada) in respect of the particular affiliate and, as a result of the acquisition or disposition, one or more taxpayers, each of which is a taxable Canadian corporation that does not deal at arm's length with the taxpayer immediately after the particular time, have increases to their surplus entitlement percentages in respect of the particular affiliate that are, in total, equal to the reduction in the taxpayer's surplus entitlement percentage in respect of the particular affiliate immediately after the particular time,

(ii) the acquisition or disposition is on an ***amalgamation*** as defined in subsection 87(1), or

(iii) if one or more such acquisitions or dispositions in respect of which the conditions in subparagraphs (i) and (ii) are not satisfied occur in a particular taxation year of the particular affiliate (determined without reference to this subsection and subsection (1.2)), the percentage determined by the following formula is not greater than 5%:

A - B

where

A is the total of all amounts each of which is the decrease in the surplus entitlement percentage of the taxpayer in respect of the particular affiliate resulting from such acquisition or disposition in the particular year (other than an acquisition or disposition described in subparagraph (i) or (ii)), and

B is the total of all amounts each of which is the increase in the surplus entitlement percentage of the taxpayer in respect of the particular affiliate resulting from such acquisition or disposition in the particular year (other than an acquisition from a person that does not deal at arm's length with the taxpayer).

Deemed year-end

(1.2) If this subsection applies at a particular time in respect of a foreign affiliate of a particular taxpayer resident in Canada, then for the purposes of this section and section 92,

(a) in respect of the particular taxpayer and each corporation or partnership that is connected to the particular taxpayer, the affiliate's taxation year that would, in the absence of this subsection, have included the particular time is deemed to have ended at the time (referred to in this section as the ***stub-period end time***) that is immediately before the particular time;

(b) if the affiliate is, immediately after the particular time, a foreign affiliate of the particular taxpayer or a corporation or partnership that is connected to the particular taxpayer, the affiliate's next taxation year after the stub-period end time is deemed, in respect of the taxpayer or the connected corporation or partnership, as the case may be, to begin immediately after the particular time; and

(c) in determining the foreign accrual property income of the affiliate for that taxation year in respect of the particular taxpayer or a corporation or partnership that is connected to the particular taxpayer, all transactions or events that occur at the particular time are deemed to occur at the stub-period end time.

Connected — meaning

(1.3) For the purposes of subsection (1.2),

(a) a corporation is connected to the particular taxpayer if, at or immediately after the particular time, it is resident in Canada and does not deal at arm's length with the taxpayer; and

(b) a partnership is connected to the particular taxpayer if, at or immediately after the particular time, the particular taxpayer or a corporation described in paragraph (a) is, directly or indirectly through one or more partnerships, a member of the partnership.

Election for application of subsection (1.2)

(1.4) If the conditions in subsection (1.1) are not met at a particular time in respect of a particular foreign affiliate of a taxpayer resident in Canada, subsection (1.2) applies in respect of the particular affiliate at that time if

(a) the conditions in paragraph (1.1)(a) are met in respect of the particular affiliate at the particular time;

(b) immediately after the particular time there is a disposition of shares of the capital stock of the particular affiliate or another foreign affiliate of the taxpayer that had an ***equity percentage*** (as defined in subsection 95(4)) in the particular affiliate by

(i) the taxpayer, or

(ii) a controlled foreign affiliate of the taxpayer, if the shares are not excluded property of the controlled foreign affiliate immediately after the particular time; and

(c) the taxpayer and all specified corporations jointly elect, by filing with the Minister in prescribed manner a form containing prescribed information on or before the day that is the earliest filing-due date for all taxpayers making the election in respect of the taxation year in which the transaction to which the election relates occurred, and for this purpose, a ***specified corporation*** means a corporation that at or immediately after the particular time meets the following conditions:

(i) the corporation is resident in Canada,

(ii) the corporation does not deal at arm's length with the taxpayer, and

(iii) the particular affiliate is a foreign affiliate of the corporation, or of a partnership of which the corporation is, directly or indirectly through one or more partnerships, a member.

(c) paragraph (b) does not apply in respect of a taxpayer if

(i) the taxpayer and all *connected corporations* and *connected partnerships* (within the meanings assigned by subsection 91(1.3) of the Act, as enacted by this subsection) in respect of the taxpayer jointly elect in writing, and

(ii) the election is filed with the Minister by the later of the taxpayer's filing-due date for its taxation year that includes Announcement Date and six months after the day on which this Act receives royal assent; and

(d) if paragraph (b) does not apply in respect of a taxpayer because of paragraph (c), subsection 91(1.1) of the Act, as enacted by subsection (1), shall be read without reference to its subparagraph (b)(i) and paragraph (c) in respect of any acquisition of control of the taxpayer that occurs before Announcement Date.

(5) Subsection (2) is deemed to have come into force on July 12, 2013. An election referred to in subsection 91(1.5) of the Act, as enacted by subsection (2), is deemed to have been filed by the particular taxpayer referred to in that subsection on a timely basis if the election is filed on or before the filing-due date for the particular taxpayer for its taxation year that includes the day on which this Act receives royal assent.

(6) Subsection (3) applies to taxation years that begin on or after Announcement Date.

46 (1) Section 600 of the Regulations is amended by replacing paragraph (b) with the following:

(b) subsections 13(4), (7.4) and (29), 20(24), 44(1) and (6), 45(2) and (3), 50(1), 53(2.1), 56.4(13), 70(6.2), (9.01), (9.11), (9.21) and (9.31), 72(2), 73(1), 80.1(1), 82(3), 83(2), 91(1.4), 104(14), 107(2.001), 143(2), 146.01(7), 146.02(7), 164(6) and (6.1), 184(3), 251.2(6) and 256(9) of the Act;

(2) Subsection (1) is deemed to have come into force on July 12, 2013.

47 (1) Subsection 5907(8) of the Regulations is replaced by the following:

(8) For the purposes of computing the various amounts referred to in this section,

(a) the first taxation year of a foreign affiliate, of a corporation resident in Canada, that is formed as a result of a ***foreign merger*** (within the meaning assigned by subsection 87(8.1) of the Act) is deemed to have commenced at the time of the merger, and a taxation year of a ***predecessor corporation*** (within the meaning assigned by subsection 5905(3)) that would otherwise have ended after that time is deemed to have ended immediately before that time; and

(b) if subsection 91(1.2) of the Act applies at any particular time in respect of a foreign affiliate of a corporation, the various amounts are to be computed, in respect of attributed amounts for the stub period in respect of the particular time, as if

(i) the affiliate's taxation year that would have included the particular time ended at the stub-period end time in respect of the particular time, and

(ii) all transactions or events, giving rise to attributed amounts, that occurred at the particular time, occurred at the stub-period end time in respect of the particular time.

(8.1) The following definitions apply in paragraph 5907(8)(b).

attributed amounts, for a stub period, in respect of a particular time referred to in paragraph (8)(b), of a foreign affiliate of a corporation, means

(a) the amounts of any income, gain or loss of the affiliate for the stub period that are relevant in determining amounts that are to be included or may be deducted under section 91 of the Act in respect of the affiliate for the particular stub period, in computing the income of the corporation;

(b) any portion of the affiliate's capital gain or capital loss – from a disposition, in the stub period or at the particular time referred to in paragraph (8)(b), of a property that is not an excluded property – that is not described in paragraph (a); and

(c) any income or profits tax paid to the government of a country, in respect of amounts described in paragraph (a) or (b). (*sommes attribuées*)

stub period, in respect of a particular time at which subsection 91(1.2) of the Act applies in respect of a foreign affiliate of a corporation, means a period that ends at the stub-period end time in respect of the particular time and begins immediately after the later of

(a) the last time, if any, before the particular time that subsection 91(1.2) applied in respect of the affiliate; and

(b) the end of the affiliate's last taxation year before the particular time. (*période tampon*)

stub-period end time, in respect of a particular time at which subsection 91(1.2) of the Act applies in respect of a foreign affiliate of a corporation, means the time that is immediately before the particular time. (*fin de la période tampon*)

(2) Subsection (1) is deemed to have come into force on July 12, 2013, except that if at any time in the period that begins on July 12, 2013 and ends on the day that is immediately before Announcement Date, subsection 91(1.2) of the Act (as enacted by subsection 45(1)), applies in respect of a taxpayer, and the taxpayer and all corporations that are *connected* (within the meaning assigned by subsection 91(1.3) of the Act) to the taxpayer at the time file with the Minister an election in prescribed manner on or before the earliest of the filing-due date of the taxpayer and the connected corporations for their taxation year that includes the day on which this Act receives Royal Assent, for the taxpayer and connected corporations subsection (2) is deemed to have come into force on Announcement Date and not on July 12, 2013.

Nurse Practitioners

48 (1) The portion of clause (i)(B) of the description of C before subclause (I) in paragraph 63(2)(b) of the Act is replaced by the following:

(B) a person certified in writing by a medical doctor or a nurse practitioner to be a person who

(2) Subsection (1) applies in respect of certifications made on or after Announcement Date.

49 (1) Clauses 118.2(2)(l.9)(ii)(A) and (B) of the Act are replaced by the following:

(A) a medical doctor, a nurse practitioner or a psychologist, in the case of mental impairment, and

(B) a medical doctor, a nurse practitioner or an occupational therapist, in the case of a physical impairment,

(2) Clauses 118.2(2)(l.92)(ii)(A) and (B) of the Act are replaced by the following:

(A) a medical doctor, a nurse practitioner or a psychologist, in the case of mental impairment, or

(B) a medical doctor, a nurse practitioner or an occupational therapist, in the case of a physical impairment,

(3) Clauses 118.2(2)(l.92)(iii)(A) and (B) of the Act are replaced by the following:

(A) a medical doctor, a nurse practitioner or a psychologist, in the case of mental impairment, or

(B) a medical doctor, a nurse practitioner or an occupational therapist, in the case of a physical impairment, and

(4) Subsections (1) to (3) apply in respect of expenses incurred on or after Announcement Date.

50 (1) Paragraph 118.6(3)(b) of the Act is replaced by the following:

(b) the individual has in the year a mental or physical impairment the effects of which on the individual have been certified in writing, to be such that the individual cannot reasonably be expected to be enrolled as a full-time student while so impaired, by a medical doctor, a nurse practitioner or, where the impairment is

(i) an impairment of sight, by a medical doctor, a nurse practitioner or an optometrist,

(i.1) a speech impairment, by a medical doctor, a nurse practitioner or a speech-language pathologist,

(ii) a hearing impairment, by a medical doctor, a nurse practitioner or an audiologist,

(iii) an impairment with respect to the individual's ability in feeding or dressing themself, by a medical doctor, a nurse practitioner or an occupational therapist,

(iii.1) an impairment with respect to the individual's ability in walking, by a medical doctor, a nurse practitioner, an occupational therapist or a physiotherapist, or

(iv) an impairment with respect to the individual's ability in mental functions necessary for everyday life (within the meaning assigned by paragraph 118.4(1)(c.1)), by a medical doctor, a nurse practitioner or a psychologist.

(2) Subsection (1) applies in respect of certifications made on or after Announcement Date.

51 (1) The portion of the definition *specified year* in subsection 146.4(1) of the Act before paragraph (a) is replaced by the following:

specified year, for a disability savings plan of a beneficiary means the particular calendar year in which a medical doctor or a nurse practitioner licensed to practise under the laws of a province (or of the place where the beneficiary resides) certifies in writing that the beneficiary's state of health is such that, in the professional opinion of the medical doctor or the nurse practitioner, the beneficiary is not likely to survive more than five years and

(2) Subsection 146.4(1.1) of the Act is replaced by the following:

Specified disability savings plan

(1.1) If, in respect of a beneficiary under a registered disability savings plan, a medical doctor or a nurse practitioner licensed to practise under the laws of a province (or of the place where the beneficiary resides) certifies in writing that the beneficiary's state of health is such that, in the professional opinion of the medical doctor or the nurse practitioner, the beneficiary is not likely to survive more than five years, the holder of the plan elects in prescribed form and provides the election and the medical certification in respect of the beneficiary to the issuer of the plan, and the issuer notifies the specified Minister of the election in a manner and format acceptable to the specified Minister, then the plan becomes a specified disability savings plan at the time the notification is received by the specified Minister.

(3) Paragraph 146.4(4.1)(a) of the Act is replaced by the following:

(a) a medical doctor or a nurse practitioner licensed to practise under the laws of a province certifies in writing that the nature of the beneficiary's condition is such that, in the professional opinion of the medical doctor or the nurse practitioner, the beneficiary is likely to become a DTC-eligible individual for a future taxation year;

(4) Subsections (1) to (3) apply in respect of certifications made on or after Announcement Date.

52 (1) Subparagraph 8302(4)(b)(i) of the Regulations is replaced by the following:

(i) the election may be made only if the life expectancy of the individual is significantly shorter than normal and has been so certified in writing by a medical doctor or a nurse practitioner licensed to practise under the laws of a province or of the place where the individual resides, and

(2) Subsection (1) applies in respect of certifications made on or after Announcement Date.

53 (1) Paragraphs 8503(4)(e) and (f) of the Regulations are replaced by the following:

(e) where additional lifetime retirement benefits are provided under the provision to a member because the member is totally and permanently disabled, the additional benefits are not paid before the plan administrator has received from a medical doctor or a nurse practitioner who is licensed to practise under the laws of a province or of the place where the member resides a written report providing the information on the medical condition of the member taken into account by the administrator in determining that the member is totally and permanently disabled; and

(f) where lifetime retirement benefits are provided under the provision to a member in respect of a period of disability of the member, the benefits, to the extent that they would not be in accordance with paragraph (3)(a) if that paragraph were read without reference to subparagraph (iv) thereof, are not paid before the plan administrator has received from a medical doctor or a nurse practitioner who is licensed to practise under the laws of a province or of the place where the member resides a written report providing the information on the medical condition of the member taken into account by the administrator in determining that the period is a period of disability.

(2) Subsection (1) applies in respect of reports made on or after Announcement Date.

54 (1) Clause 8517(6)(b)(ii)(A) of the Regulations is replaced by the following:

(A) the election may be made only if the life expectancy of the person is significantly shorter than normal and has been so certified in writing by a medical doctor or a nurse practitioner licensed to practise under the laws of a province or of the place where the person resides, and

(2) Subsection (1) applies in respect of certifications made on or after Announcement Date.

Armed Forces Deduction

55 (1) Clauses 110(1)(f)(v)(A) and (B) of the Act are replaced by the following:

(A) the employment income earned by the taxpayer as a member of the Canadian Forces, or as a police officer, while serving on a deployed international operational mission (as determined by the Department of National Defence), and

(B) the employment income that would have been so earned by the taxpayer if the taxpayer had been paid at the maximum rate of pay that applied, from time to time during the mission, to a Lieutenant-Colonel (General Service Officers) of the Canadian Forces;

(2) Subsection 110(1.3) of the Act is repealed.

(3) Subsections (1) and (2) apply to the 2017 and subsequent taxation years.