

# Legislative Proposals Relating to Income Tax and Other Legislation

## Tax-Free First Home Savings Account

### Income Tax Act

**1 (1) Subsection 18(11) of the *Income Tax Act* is amended by striking out “or” at the end of paragraph (i), by adding “or” at the end of paragraph (j) and by adding the following after paragraph (j):**

(k) making a contribution to a FHSA,

**(2) Subsection (1) comes into force on January 1, 2023.**

**2 (1) Subsection 56(1) of the Act is amended by striking out “and” at the end of paragraph (z.4), by adding “and” at the end of paragraph (z.5) and by adding the following after paragraph (z.5):**

#### First home savings account

(z.6) any amount required by section 146.6 to be included in computing the taxpayer’s income for the year.

**(2) Subsection (1) comes into force on January 1, 2023.**

**3 (1) Paragraph 60(i) of the Act is replaced by the following:**

#### Premium or payment – FHSA, RRSP or RRIF

(i) any amount that is deductible under section 146, 146.3 or 146.6 or subsection 147.3(13.1) in computing the income of the taxpayer for the year;

**(2) Subsection (1) comes into force on January 1, 2023.**

**4 (1) Subsection 74.5(12) of the Act is amended by striking out “or” at the end of paragraph (b), by adding “or” at the end of paragraph (c) and by adding the following after paragraph (c):**

(d) as a payment of a contribution under a FHSA.

**(2) Subsection (1) comes into force on January 1, 2023.**

**5 (1) Subsection 146(16) of the Act is amended by striking out “or” at the end of paragraph (a.1) and by adding the following after paragraph (a.1):**

(a.2) to a FHSA for the benefit of the transferor, if subsection (8.3) would not apply to an amount in respect of the property in the case that the property was instead received by the transferor as a benefit out of or under the registered retirement savings plan, or

**(2) Paragraph 146(16)(d) of the Act is replaced by the following:**

(d) no deduction may be made under subsection (5), (5.1) or (8.2) or section 8, 60 or 146.6 in respect of the payment or transfer in computing the income of any taxpayer, and

**(3) Subsections (1) and (2) come into force on January 1, 2023.**

**6 (1) The definition *regular eligible amount* in subsection 146.01(1) of the Act is amended by striking out “and” at the end of paragraph (h), by adding “and” at the end of paragraph (i) and by adding the following after paragraph (i):**

(j) the individual did not make a *qualifying withdrawal* (as defined in subsection 146.6(1)) in respect of the qualifying home. (*montant admissible principal*)

**(2) The definition *supplemental eligible amount* in subsection 146.01(1) of the Act is amended by striking out “and” at the end of paragraph (g), by adding “and” at the end of paragraph (h) and by adding the following after paragraph (h):**

(i) the individual did not make a *qualifying withdrawal* (as defined in subsection 146.6(1)) in respect of the qualifying home. (*montant admissible supplémentaire*)

**(3) Subsections (1) and (2) come into force on January 1, 2023.**

**7 (1) Paragraph 146.3(2)(f) of the Act is amended by striking out “or” at the end of subparagraph (viii), by adding “or” at the end of subparagraph (ix) and by adding the following after subparagraph (ix):**

(x) a FHSA in accordance with subsection 146.6(6);

**(2) Subsection (1) comes into force on January 1, 2023.**

**8 (1) The Act is amended by adding the following after section 146.5:**

## Tax-Free First Home Savings Account

### Definitions

**146.6 (1)** The following definitions apply in this section.

**beneficiary** under a FHSA means an individual (including an estate) or a qualified donee that has a right to receive a distribution from the FHSA after the death of the holder of the FHSA. (*bénéficiaire*)

**first home savings account or FHSA** means an arrangement that has been registered with the Minister and has not ceased to be a FHSA under 146.6(13). (*compte d'épargne libre d'impôt pour l'achat d'une première propriété ou CELIAPP*)

**FHSA carryforward** of a taxpayer for a taxation year is the least of

(a) \$8,000;

(b) the amount determined by the formula

$$A - B$$

where

**A** is the amount determined in paragraph (b) of the definition *FHSA deduction limit* for the preceding taxation year;

**B** is the amount determined in paragraph (a) of the definition *FHSA deduction limit* for the preceding taxation year; and

(c) nil, if the taxpayer had not started their maximum participation period prior to the taxation year. (*montant des cotisations reporté*)

**FHSA deduction limit** of a taxpayer for a taxation year is the least of

(a) the amount determined by the formula

$$A + B - C$$

where

- A** is the total of all contributions made to a FHSA in the year by the taxpayer (other than any contributions made after the taxpayer's first qualifying withdrawal from a FHSA);
- B** is the amount by which the amount determined under this paragraph for the preceding taxation year exceeds the FHSA deduction limit for that taxation year; and
- C** is the total of all designated amounts described in paragraph (b) of the definition *designated amount* in subsection 207.01(1) for the year;

**(b)** the amount determined by the formula

$$\$8,000 + D - (E - F - G)$$

where

- D** is the amount of the *FHSA carryforward* for the taxation year;
- E** is the total of all amounts transferred in the year or a preceding taxation year under paragraph 146(16)(a.2) to a FHSA under which the taxpayer is the holder; and
- F** is the total of all amounts, each of which is an amount determined in respect of each preceding taxation year that is

- (i)** if the taxpayer did not have a FHSA in the preceding taxation year, nil; or
- (ii)** in any other case, the lesser of
  - (A)** the amount determined by the formula

$$H - I$$

where

- H** is the amount for E in the preceding taxation year;
- I** is the amount determined for F in the preceding taxation year; and
- (B)** \$8,000; and

**G** is the total of all designated amounts described in paragraph (a) of the definition *designated amount* in subsection 207.01(1); and

**(c)** nil, if the taxation year is after the year in which

- (i)** the taxpayer's maximum participation period has ended, or
- (ii)** the taxpayer has died. (*maximum déductible au titre du CELIAPP*)

**holder** of an arrangement means

- (a)** until the death of the individual who entered into the arrangement, the individual; and
- (b)** after the death of the individual, the individual's survivor, if the survivor is designated under the arrangement to become a successor of the holder and is a qualifying individual. (*titulaire*)

**issuer** of an arrangement means the person described as the issuer in the definition *qualifying arrangement*. (*émetteur*)

**maximum participation period** of an individual means the period that

- (a)** begins when an individual first enters into a qualifying arrangement; and
- (b)** ends at the end of the year following the year in which the earliest of the following events occur
  - (i)** the 14th anniversary of the date the individual first enters into a qualifying arrangement,

(ii) the individual attains 70 years of age, and

(iii) the individual first makes a qualifying withdrawal from a FHSA. (*période de participation maximale*)

**non-qualified investment** has the same meaning as in subsection 207.01(1). (*placement non admissible*)

**qualified investment** has the same meaning as in subsection 207.01(1). (*placement admissible*)

**qualifying arrangement**, at a particular time, means an arrangement

(a) that is entered into after 2022 between a person (in this definition referred to as the “issuer”) and a qualifying individual;

(b) that is

(i) an arrangement in trust with an issuer that is a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee,

(ii) an annuity contract with an issuer that is a licensed annuities provider, or

(iii) a deposit with an issuer that is

(A) a person that is, or is eligible to become, a member of the Canadian Payments Association, or

(B) a credit union that is a shareholder or member of a body corporate referred to as a “central” for the purposes of the *Canadian Payments Act*;

(c) that provides for contributions to be made under the arrangement to the issuer in consideration of, or to be used, invested or otherwise applied for the purpose of, the issuer making distributions under the arrangement to the holder;

(d) under which the issuer and the qualifying individual agree, at the time the arrangement is entered into, that the issuer will file with the Minister an election to register the arrangement as a FHSA, in the prescribed form and manner under the Social Insurance Number of the qualifying individual with whom the arrangement was entered into; and

(e) that, at all times throughout the period that begins at the time the arrangement is entered into and that ends at the particular time, complies with the conditions in subsection (2). (*arrangement admissible*)

**qualifying home** means

(a) a housing unit located in Canada, or

(b) a share of the capital stock of a cooperative housing corporation, the holder of which is entitled to possession of a housing unit located in Canada, except that, where the context so requires, a reference to a share with a right to possession of a housing unit described means the housing unit to which the share relates. (*habitation admissible*)

**qualifying individual**, at any time, means an individual who

(a) is a resident of Canada;

(b) is at least 18 years of age; and

(c) did not, at any prior time in the calendar year or in the preceding four calendar years, inhabit a qualifying home (or what would be a qualifying home if it were located in Canada) as the individual’s principal place of residence, and

(i) own, whether jointly with another person or otherwise, the qualifying home (or what would be a qualifying home if it were located in Canada), or

(ii) have an interest in the qualifying home (or what would be a qualifying home if it were located in Canada), including any rights as a beneficiary, whether immediate or future, whether absolute or contingent or whether conditional on or subject to the exercise of any discretion by any person or partnership, other than an entitlement to acquire less than a ten per cent interest in the qualifying home. (*particulier déterminé*)

**qualifying withdrawal** of an individual means an amount received at a particular time by the individual as a benefit out of or under a FHSA if

(a) the individual

(i) is a resident of Canada and,

(ii) the individual does not have an owner-occupied home within the meaning of paragraph 146.01(2)(a.1) in the period

(A) that begins at the beginning of the fourth preceding calendar year that ended before the particular time, and

(B) that ends on the 31st day before the particular time,

(b) the amount is received pursuant to the individual's written request in a prescribed form in which the individual sets out the location of a qualifying home that the individual has begun, or intends not later than one year after its acquisition by the individual to begin, using as a principal place of residence,

(c) the individual entered into an agreement in writing before the particular time for the acquisition or construction of the qualifying home before October 1 of the calendar year following the year in which the amount was received,

(d) the individual did not acquire the qualifying home more than 30 days before the particular time, and

(e) the individual has not received an amount from an RRSP that is a *regular eligible amount* (within the meaning of subsection 146.01(1)) in respect of the qualifying home described in paragraph (b). (*retrait admissible*)

**survivor** of a qualifying individual means another individual who is, immediately before the qualifying individual's death, a spouse or common-law partner of the qualifying individual. (*survivant*)

### Qualifying arrangement conditions

(2) For the purposes of paragraph (e) of the definition *qualifying arrangement* in subsection (1), the conditions are as follows:

(a) the arrangement requires that it be maintained for the exclusive benefit of the holder (determined without regard to any right of a person to receive a payment out of or under the arrangement only on or after the death of the holder);

(b) the arrangement prohibits, while there is a holder of the arrangement, anyone that is neither the holder nor the issuer of the arrangement from having rights under the arrangement relating to the amount and timing of distributions and the investing of funds;

(c) the arrangement prohibits anyone other than the holder from making contributions under the arrangement;

(d) the arrangement permits distributions to be made to reduce the amount of tax otherwise payable by the holder under section 207.021;

(e) the arrangement provides that, at the direction of the holder, the issuer shall transfer all or any part of the property held in connection with the arrangement (or an amount equal to its value) to another FHSA of the holder or to an RRSP or a RRIF under which the holder is the annuitant;

(f) if the arrangement is an arrangement in trust, it prohibits the trust from borrowing money or other property for the purposes of the arrangement;

(g) the arrangement provides that it ceases to be a FHSA after the end of the holder's maximum participation period; and

(h) the arrangement meets prescribed conditions.

#### **Trust not taxable**

(3) No tax is payable under this Part by a trust that is governed by a FHSA on its taxable income for a taxation year, except that, if at any time in the taxation year, it carries on one or more businesses or holds one or more properties that are non-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 incomes or losses from sources other than those businesses and 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 must be computed without reference to subsection 104(6).

#### **FHSA deduction**

(4) There may be deducted in computing a taxpayer's income for a taxation year an amount not exceeding the lesser of

(a) the amount determined by the formula

$$A - B$$

where

**A** is the total of all amounts each of which is the taxpayer's FHSA deduction limit for the year and each preceding taxation year, and

**B** is the total of all amounts each of which is an amount deducted under this subsection in computing the individual's income for preceding taxation years; and

(b) the amount by which \$40,000 exceeds the total of

(i) the amount determined for B in paragraph (a), and

(ii) all amounts transferred in the year or a preceding taxation year under paragraph 146(16)(a.2) to a FHSA under which the taxpayer is the holder.

#### **Withdrawals included in income**

(5) There shall be included in computing the income of a taxpayer for a taxation year the total of all amounts received by the taxpayer in the year out of or under a FHSA of which the taxpayer is the holder, other than an amount that is

(a) a qualifying withdrawal;

(b) a *designated amount* as defined in subsection 207.01; or

(c) otherwise included in computing the income of the taxpayer.

#### **Transfer of amounts**

(6) Subsection (7) applies to an amount transferred at a particular time from a FHSA if the amount

(a) is transferred on behalf of an individual who is

(i) the holder of the FHSA,

(ii) a spouse or common-law partner or former spouse or common-law partner of the holder of the FHSA and who is entitled to the amount under a decree, order or judgment of a competent tribunal, or under a written agreement, relating to a division of property between the holder and the individual, in settlement of rights arising out of, or on a breakdown of, their marriage or common-law partnership, or

(iii) entitled to the amount as a consequence of the death of the holder of the FHSA and was a spouse or common-law partner of the holder immediately before the death;

(b) is transferred directly to

(i) another FHSA of the individual, or

(ii) an RRSP or a RRIF under which the individual is the annuitant; and

(c) does not exceed the amount determined by the formula

$$A - B$$

where

**A** is the amount that is the total fair market value, immediately before the particular time, of all property held by a FHSA under which the individual is a holder, and

**B** is the *excess FHSA amount* (as defined in subsection 207.01) of the individual at the particular time.

#### **Tax-free transfer**

(7) If this subsection applies to an amount transferred from a FHSA,

(a) the amount shall not, by reason only of the transfer, be included in computing the income of any taxpayer; and

(b) no deduction may be made under this Part in respect of the amount in computing the income of any taxpayer.

#### **Taxable transfer**

(8) If an amount is transferred from a FHSA to a plan or fund (in this subsection referred to as the “transferee plan”) that is a FHSA, a RRSP or a RRIF and subsection (7) does not apply to the amount transferred,

(a) the amount is deemed to have been received from the FHSA by the holder of the FHSA;

(b) the holder or annuitant of the transferee plan is deemed to have paid the amount as a contribution or premium to the transferee plan; and

(c) in the case that the transferee plan is a RRIF, for the purposes of subsection 146(5) and Part X.1, the annuitant of the transferee plan is deemed to have paid the amount at the time of the transfer as a premium under a RRSP under which the annuitant is the annuitant (within the meaning of subsection 146(1)).

#### **Security for a loan**

(9) If at any time in a taxation year a trust governed by a FHSA uses or permits to be used any property of the trust as security for a loan, the fair market value of the property at the time it commenced to be so used shall be included in computing the income for the year of the holder of the FHSA at that time.

#### **Successor holder**

(10) If the holder of a FHSA dies and the holder’s survivor is designated as the successor holder of the FHSA, the survivor is, after the time of death, deemed to have entered into a new qualifying arrangement in respect of the FHSA unless

(a) the survivor is a qualifying individual and the balance of the FHSA is transferred to a RRSP or a RRIF of the survivor, or distributed to the survivor in accordance with subsection (11), by the end of the year following the year of death; or

(b) the survivor is not a qualifying individual, in which case the balance of the FHSA must be transferred to a RRSP or a RRIF of the survivor, or distributed to the survivor in accordance with subsection (11), by the end of the year following the year of death.

#### **Distribution on death**

(11) If, as a consequence of the death of the holder of a FHSA, an amount is distributed in a taxation year from the FHSA to, or on behalf of, a beneficiary, the amount shall be included in computing the beneficiary's income for the year.

#### **Deemed transfer or distribution**

(12) If an amount is distributed at any time from the FHSA of a deceased holder to the holder's legal representative and a survivor of the holder is entitled to all or a portion of the amount in full or partial satisfaction of the survivor's rights as a person beneficially interested under the deceased's estate, the following rules apply:

(a) if a payment is made from the estate to a FHSA, RRSP or RRIF of the survivor, the payment is deemed to be a transfer from the FHSA in accordance with subsection (6) to the extent that it is so designated jointly by the legal representative and the survivor in prescribed form filed with the Minister;

(b) if a payment is made from the estate to the survivor, the payment is deemed for the purposes of subsection (11) to be a distribution to the survivor as a beneficiary to the extent that it is so designated jointly by the legal representative and the survivor in prescribed form filed with the Minister; and

(c) for the purposes of subsection (11), the amount distributed to the legal representative from the FHSA is deemed to be reduced by the amounts designated in paragraphs (a) and (b).

#### **Arrangement ceasing to be a FHSA**

(13) An arrangement that was filed with the Minister as a FHSA ceases to be a FHSA at

(a) subject to paragraph (b), the earliest of the following times:

(i) the end of the maximum participation period of the last holder,

(ii) the end of the year following the year of the death of the last holder,

(iii) the time at which the arrangement ceases to be a qualifying arrangement, or

(iv) the time at which the arrangement is not administered in accordance with the conditions in subsection (2); or

(b) a later time specified by the Minister in writing.

#### **Rules applicable on FHSA cessation**

(14) If an arrangement ceases at a particular time to be a FHSA,

(a) subsection (3) does not apply to exempt the trust governed by the arrangement from tax under this Part on the taxable income of the trust earned after the particular time; and

(b) the taxpayer who was the holder under the arrangement immediately before it ceased to be a FHSA shall include in the taxpayer's income for the taxation year that includes the particular time an amount equal to the fair market value of all property of the arrangement immediately before the particular time.

#### **Regulations**

(15) The Governor in Council may make regulations requiring issuers of FHSAs to file information returns in respect of FHSAs.

**(2) Subsection (1) comes into force January 1, 2023.**

**9 (1) Subsection 149(1) of the Act is amended by adding the following after paragraph (u.3):**



(u.4) a trust governed by a FHSA to the extent provided by section 146.6;

**(2) Subsection (1) comes into force on January 1, 2023.**

**10 (1) Subsection 153(1) of the Act is amended by striking out “or” at the end of paragraph (t), by adding “or” at the end of paragraph (u) and by adding the following after paragraph (u):**

(v) a payment out of or under

(i) a FHSA, if the amount is required by section 146.6 to be included in computing a taxpayer’s income, or

(ii) an arrangement that ceased to be a FHSA by application of subsection 146.6(13).

**(2) Subsection (1) comes into force on January 1, 2023.**

**11 (1) Section 160.2 of the Act is amended by adding the following after subsection (2.2):**

**Joint and several liability – FHSA**

**(2.3)** If an amount required to be included in the income of a holder of a FHSA because of section 146.6 is received by a taxpayer other than the holder, that taxpayer is jointly and severally, or solidarily, liable with the holder to pay a part of the holder’s tax under this Part for the taxation year in which the amount is received equal to the amount by which the holder’s tax for the year exceeds the amount that would be the holder’s tax for the year if the amount had not been received, but nothing in this subsection limits the liability of the holder under any other provision of this Act or of the taxpayer for the interest that the taxpayer is liable to pay under this Act on an assessment in respect of the amount that the taxpayer is liable to pay because of this subsection.

**(2) Subsection 160.2(4) of the Act is replaced by the following:**

**Rules applicable**

**(4)** If a taxpayer and an annuitant or holder have, by virtue of subsection (1), (2) or (2.3), become jointly and severally, or solidarily, liable in respect of part or all of a liability of the annuitant or holder under this Act, the following rules apply:

(a) a payment by the taxpayer on account of the taxpayer’s liability shall to the extent thereof discharge their liability; but

(b) a payment by the annuitant or holder on account of the liability of the annuitant or holder discharges the taxpayer’s liability only to the extent that the payment operates to reduce the liability of the annuitant or holder to an amount less than the amount in respect of which the taxpayer was, by subsection (1), (2) or (2.3), as the case may be, made jointly and severally, or solidarily, liable.

**(3) Subsections (1) and (2) come into force on January 1, 2023.**

**12 (1) The definition *registered plan* in subsection 207.01(1) of the Act is replaced by the following:**

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

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

***qualified investment*** for a trust governed by a FHSA or TFSA 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 FHSA or TFSA” and if that definition were read without reference to the words “with the exception of excluded property in relation to the trust”;

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

**designated amount** of an individual means an amount, not exceeding the excess FHSA amount of the individual, designated by the individual in the prescribed form and manner that is

(a) a transfer in accordance with subparagraph 146.6(6)(b)(ii) to the extent that it does not exceed the total of all amounts transferred under paragraph 146(16)(a.2), on or before the date of the designation, to a FHSA under which the individual is the holder; or

(b) a withdrawal from a FHSA to the extent that it does not exceed the total of all amounts contributed on or before the date of the designation to a FHSA under which the individual is the holder. (*montant désigné*)

**excess FHSA amount** of an individual at a particular time in a taxation year means the amount determined by the formula

$$A + B - C - D - E$$

where

**A** is the total of all amounts each of which is a contribution made to a FHSA by the individual at or before the particular time;

**B** is the total of all amounts transferred under paragraph 146(16)(a.2), at or before the particular time, to a FHSA under which the individual is the holder;

**C** is the lesser of

(a) \$40,000, and

(b) the amount determined by the formula

$$\$8,000 + F + G + H - I$$

where

**F** is the amount of the *FHSA carryforward* as defined in subsection 146.6(1) for the taxation year,

**G** is the total of all amounts each of which is a contribution made to a FHSA by the individual at or before the end of the immediately preceding taxation year,

**H** is the total of all amounts transferred under paragraph 146(16)(a.2), at or before the end of the immediately preceding taxation year, to a FHSA under which the individual is the holder, and

**I** is the excess FHSA amount determined at the end of the immediately preceding taxation year;

**D** is the total of all amounts each of which is a designated amount in respect of a transfer or withdrawal made by the individual before the particular time; and

**E** is the total of all amounts required to be included in computing the income of the individual under subsection 146.6(5) or 146.6(14) at or before the particular time. (*excédent de CELIAPP*)

**(4) Subsections (1) to (3) come into force on January 1, 2023.**

**13 (1) The Act is amended by adding the following after section 207.02:**

**Tax payable on excess FHSA amount**

**207.021** If, at any time in a calendar month, an individual has an excess FHSA amount, the individual shall, in respect of that month, pay a tax under this Part equal to 1% of the highest such amount in that month.

**(2) Subsection (1) comes into force on January 1, 2023.**

**14 (1) Section 207.06 of the Act is amended by adding the following after subsection (2):**

### Waiver of tax payable

**(3)** If an individual would otherwise be liable to pay a tax under section 207.021, the Minister may waive or cancel all or part of the liability if

- (a)** the individual establishes to the satisfaction of the Minister that the liability arose as a consequence of a reasonable error; and
- (b)** one or more distributions are made without delay under a FHSA of which the individual is the holder, the total amount of which is not less than the total of
  - (i)** the amount in respect of which the individual would otherwise be liable to pay tax, and
  - (ii)** income (including any capital gain) that is reasonably attributable, directly or indirectly, to the amount described in subparagraph (i).

**(2) Subsection (1) comes into force on January 1, 2023.**

**15 (1) Subsection 212(1) of the Act is amended by striking out “or” at the end of paragraph (w), by adding “or” at the end of paragraph (x) and by adding the following after paragraph (x):**

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- (y)** a payment out of a FHSA, other than any portion thereof that is transferred in accordance with subsection 146.6(6).

**(2) Subsection (1) comes into force on January 1, 2023.**

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

*first home savings account or FHSA* has the same meaning as in subsection 146.6(1); (*compte d'épargne libre d'impôt pour l'achat d'une première propriété* ou *CELIAPP*)

**(2) Subsection (1) comes into force on January 1, 2023.**

## Income Tax Regulations

**17 (1) The definition *remuneration* in subsection 100(1) of the *Income Tax Regulations* is amended by striking out “or” at the end of paragraph (o), by adding “or” at the end of paragraph (p), and adding the following after paragraph (p):**

- (q)** a payment described in paragraph 153(1)(v) of the Act. (*rémunération*)

**(2) Subsection (1) comes into force on January 1, 2023.**

**18 (1) Subsection 103(6) of the Regulations is amended by striking out “or” at the end of paragraph (g), by adding “or” at the end of paragraph (h) and by adding the following after paragraph (h):**

- (i)** a payment described in paragraph 153(1)(v) of the Act.

**(2) Subsection (1) comes into force on January 1, 2023.**

**19 (1) The table in subsection 205(3) of the Regulations is amended by adding the following in alphabetical order:**

First Home Savings Account (FHSA) Annual Information Return

**(2) Subsection (1) comes into force on January 1, 2023.**

**20 (1) The table in subsection 205.1(1) of the Regulations is amended by adding the following in alphabetical order:**

First Home Savings Account (FHSA) Annual Information Return

**(2) Subsection (1) comes into force on January 1, 2023.**

**21 (1) Subsection 209(1) of the Regulations is replaced by the following:**

**209 (1)** A person who is required by section 200, 201, 202, 203, 204, 212, 214 (other than subsection 214(1.1)), 215 (other than subsection 215(2.1)), 217 or 218, subsection 219(2) or 223(2) or section 228, 229, 230, 232, 233 or 234 to make an information return shall forward to each taxpayer to whom the return relates two copies of the portion of the return that relates to that taxpayer.

**(2) Subsection (1) comes into force on January 1, 2023.**

**22 (1) The Regulations is amended by adding the following after section 218:**

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**219 (1)** An issuer of a FHSA shall make an information return for each calendar year in prescribed form and manner in respect of the FHSA.

**(2)** An issuer of a FHSA shall make an information return in prescribed form and manner in respect of any calendar year in which one or more of the following occurs:

- (a)** the holder makes a contribution to the FHSA;
  - (b)** an amount has been transferred to the FHSA from an RRSP under which the holder is an annuitant;
  - (c)** an amount is required to be included in the income of a taxpayer under section 146.6 of the Act;
  - (d)** the holder makes a qualifying withdrawal from the FHSA; or
  - (e)** the holder designates an amount under the definition of *designated amount* in subsection 207.01(1) of the Act.
- (3)** An issuer of a FHSA that governs a trust shall notify the holder of the FHSA 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 *non-qualified investment* (as defined in subsection 207.01(1) of the Act) for the trust; or
  - (b)** property held by the trust becomes or ceases to be a *non-qualified investment* (as defined in subsection 207.01(1) of the Act) for the trust.

**(2) Subsection (1) comes into force on January 1, 2023.**

**23 (1) 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 FHSA, 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.

**(2) 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 FHSA, RESP, RRIF, RRSP or TFSA at any time if, at the time the property was acquired by the trust, the property

**(3) 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 FHSA, RESP, RRIF, RRSP or TFSA; and

**(4) Subsection 4900(15) of the Regulations 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 FHSA, 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).

**(5) Subsections (1) to (4) come into force on January 1, 2023.**

## Canada Deposit Insurance Corporation Act

**24 (1) Section 5 of the Schedule to the *Canada Deposit Insurance Corporation Act* is amended by adding the following after subsection (3):**

**(3.1)** Despite subsection 6(2), for the purposes of deposit insurance with the Corporation, if moneys that constitute a deposit or part of a deposit are received by a member institution from a depositor under a first home savings account as defined in subsection 146.6(1) of the *Income Tax Act*, and the account is for the benefit of an individual, then the aggregate of those moneys and any other moneys that constitute a deposit or part of a deposit received from that depositor under any other first home savings account that is for the benefit of that individual is considered to be a single deposit separate from any other deposit for the benefit of that individual.

**(2) Subsection (1) comes into force on January 1, 2023.**

## Home Buyers' Tax Credit

### Income Tax Act

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

#### **First-time homebuyers' tax credit**

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

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

# Multigenerational Home Renovation Tax Credit

## Income Tax Act

### **1 (1) Paragraph 108(1.1)(a) of the Act is replaced by the following:**

(a) a **qualifying expenditure** (within the meaning of section 118.04, 118.041 or 122.92) of a beneficiary under the trust; or

### **(2) Subsection (2) comes into force on January 1, 2023.**

### **2 (1) The Act is amended by adding the following after section 122.91:**

#### **SUBDIVISION A.6**

## Multigenerational Home Renovation Tax Credit

### **Definitions**

**122.92 (1)** The following definitions apply in this section.

**eligible dwelling**, of a qualifying individual, for a renovation period taxation year, means a housing unit (including the land subjacent to the housing unit and the immediately contiguous land, but not including the portion of that land that exceeds the greater of ½ hectare and the portion of that land that is necessary for the use and enjoyment of the housing unit as a residence) located in Canada if

(a) the qualifying individual or a qualifying relation of the qualifying individual (or a trust under which the qualifying individual or a qualifying relation is a beneficiary) owns — whether jointly with another person or otherwise — at any time in the renovation period taxation year, the housing unit; and

(b) the housing unit is ordinarily inhabited, or is reasonably expected to be ordinarily inhabited, within twelve months after the end of the renovation period

(i) by the qualifying individual, and

(ii) by a qualifying relation of the qualifying individual. (*logement admissible*)

**eligible individual**, in respect of an eligible dwelling for a renovation period taxation year, means

(a) an individual who ordinarily resides, or intends to ordinarily reside, in the eligible dwelling within twelve months after the end of the renovation period in respect of a qualifying renovation of the eligible dwelling and who is

(i) a qualifying individual,

(ii) the cohabiting spouse or common-law partner (within the meaning of section 122.6) of a qualifying individual at any time in the renovation period taxation year, or

(iii) a qualifying relation of a qualifying individual; or

(b) a qualifying relation, of a qualifying individual, who

(i) owns the eligible dwelling, or

(ii) is the beneficiary of a trust that owns the eligible dwelling. (*particulier admissible*)

**individual** does not include a trust. (*particulier*)

**qualifying expenditure**, of an individual, means a reasonable outlay or expense that

- (a) is directly attributable to a qualifying renovation of an eligible dwelling in respect of which the individual is an eligible individual;
- (b) is made or incurred by the individual during the renovation period in respect of the qualifying renovation referred to in paragraph (a);
- (c) is the cost of goods acquired or services received, including an outlay or expense for permits required for, or for the rental of equipment used in the course of, the qualifying renovation; and
- (d) is not an outlay or expense
  - (i) that is the cost of annual, recurring or routine repair or maintenance;
  - (ii) to acquire a household appliance,
  - (iii) to acquire an electronic home-entertainment device,
  - (iv) that is the cost of housekeeping, security monitoring, gardening, outdoor maintenance or similar services,
  - (v) for financing costs in respect of the qualifying renovation,
  - (vi) in respect of goods or services provided by a person not dealing at arm's length with the individual, unless the person is registered for the purposes of Part IX of the *Excise Tax Act*, or
  - (vii) to the extent that the outlay or expense can reasonably be considered to have been reimbursed. (*dépense admissible*)

**qualifying individual**, in respect of a renovation period taxation year, means an individual who has attained the age of

- (a) 65 years before the end of the renovation period taxation year; or
- (b) 18 years before the end of the renovation period taxation year and in respect of whom an amount is deductible, or would be deductible if this Act were read without reference to paragraph 118.3(1)(c), under section 118.3 in computing a taxpayer's tax payable under this Part for the renovation period taxation year. (*particulier déterminé*)

**qualifying relation**, of a qualifying individual for a renovation period taxation year, means an individual who

- (a) has attained the age of 18 years before the end of the renovation period taxation year; and
- (b) at any time in the renovation period taxation year, is a parent, grandparent, child, grandchild, brother, sister, aunt, uncle, niece or nephew of either the qualifying individual or the cohabiting spouse or common-law partner (within the meaning of section 122.6) of the qualifying individual. (*proche admissible*)

**qualifying renovation** means a renovation or alteration of, or addition to, an eligible dwelling of a qualifying individual that

- (a) is of an enduring nature and integral to the eligible dwelling; and
- (b) is undertaken to enable the qualifying individual to reside in the dwelling with a qualifying relation of the qualifying individual, by establishing a secondary unit within the dwelling for occupancy by the qualifying individual or the qualifying relation. (*travaux de rénovation admissibles*)

**renovation period**, for a qualifying renovation of an eligible dwelling, means a period that

- (a) begins at the time that the municipality or local authority where the eligible dwelling is located permits or authorizes the commencement of the qualifying renovation; and

(b) ends at the time of the completion of the qualifying renovation. (*période de rénovation*)

**renovation period taxation year** means the taxation year in which the renovation period in respect of a qualifying renovation ends. (*année d'imposition de la période de rénovation*)

**secondary unit** means a self-contained housing unit that

(a) has a private entrance, kitchen, bathroom and sleeping area;

(b) if applicable, meets any local requirements to qualify as a secondary dwelling unit; and

(c) meets prescribed conditions, if any. (*logement secondaire*)

### Qualifying expenditure rules

(2) For the purposes of this section, a qualifying expenditure of a particular individual who is an eligible individual in respect of an eligible dwelling, includes an outlay or expense made or incurred by a trust of which the particular individual is a beneficiary, in respect of the eligible dwelling, to the extent of the share of that outlay or expense that is reasonably attributable to the eligible dwelling, having regard to the amount of the outlays or expenses made or incurred in respect of the eligible dwelling, if

(a) the outlay or expense would be a qualifying expenditure of the particular individual if the outlay or expense had been made or incurred by that individual; and

(b) the trust has notified the particular individual of the amount of the outlay or expenses that are attributable to the eligible dwelling.

### Deemed overpayment

(3) An eligible individual who files a return of income for a renovation period taxation year and who makes a claim under this subsection in that return of income, is deemed to have paid, at the end of the taxation year, on account of tax payable under this Part for the taxation year, an amount equal to the amount determined by the formula

$$A \times B$$

where

**A** is the appropriate percentage for the taxation year; and

**B** is the least of

(a) \$50,000,

(b) the total of all amounts, each of which is a qualifying expenditure of the individual in respect of a qualifying renovation that ended in the taxation year, and

(c) if the individual is not resident in Canada throughout the taxation year, nil.

### Limits

(4) For the purpose of this section,

(a) qualifying expenditures may be claimed under subsection (3) only for one qualifying renovation in respect of a qualifying individual in the lifetime of the qualifying individual by all taxpayers in respect of the qualifying individual;

(b) a maximum of \$50,000 of qualifying expenditures may be claimed by all taxpayers in respect of the same qualifying renovation; and

(c) if more than one taxpayer is entitled to a deduction under subsection (3) in respect of the same qualifying individual or the same qualifying renovation and the taxpayers cannot agree as to what portion of the amount each can so deduct, the Minister may fix the portions.



### Effect of bankruptcy

(5) For the purpose of this Subdivision, if an eligible individual becomes bankrupt in a particular calendar year, despite subsection 128(2), any reference to the taxation year of the eligible individual is deemed to be a reference to the particular calendar year.

### Special rules in the event of death

(6) For the purpose of this section, if an eligible individual or a qualifying individual dies in a calendar year,

(a) the deceased individual is deemed to be resident in Canada from the time of death until the end of the year if, immediately before death, the deceased individual was resident in Canada;

(b) the deceased individual is deemed to be the same age at the end of the year as the individual would have been if the individual were alive at the end of the year; and

(c) the deceased individual is deemed to be the cohabiting spouse or common-law partner of another individual (referred to in this paragraph as the “surviving spouse”) at the end of the year if,

(i) immediately before death, the deceased individual was the cohabiting spouse or common-law partner of the surviving spouse, and

(ii) the surviving spouse is not the cohabiting spouse or common-law partner of another individual at the end of the year; and

(d) any return of income filed by a legal representative of the deceased individual is deemed to be a return of income filed by the individual.

**(2) Subsection (1) applies to the 2023 and subsequent taxation years, in respect of qualifying expenditures paid after December 31, 2022 for services performed or goods acquired after that date.**

## Residential Property Flipping Rule

### Income Tax Act

**1 (1) Section 12 of the Act is amended by adding the following after subsection (11):**

#### Flipped property – deemed income

(12) For the purposes of this Act, if, absent this subsection and paragraph 40(2)(b), a taxpayer would have had a gain from the disposition of a flipped property, then throughout the period that the taxpayer owned the flipped property

(a) the taxpayer is deemed to carry on a business that is an adventure or concern in the nature of trade with respect to the flipped property;

(b) the flipped property is deemed to be inventory of the taxpayer’s business; and

(c) the flipped property is deemed not to be capital property of the taxpayer.

#### Flipped property

(13) For the purposes of subsections (12) and 111(8), a **flipped property** means a housing unit of a taxpayer (other than a property that would be inventory of the taxpayer if the definition *inventory* was read without reference to subsection (12)) located in Canada, that was owned by the taxpayer for less than 365 consecutive days prior to the disposition of the property, other than a disposition that can reasonably be considered to occur due to, or in anticipation of, one or more of the following events:

(a) the death of the taxpayer or a person related to the taxpayer;

- (b) one or more persons related to the taxpayer joining the taxpayer's household or the taxpayer joining the household of a related person;
- (c) the breakdown of the marriage or common-law partnership of the taxpayer if the taxpayer has been living separate and apart from their spouse or common-law partner for at least 90 days prior to the disposition;
- (d) a threat to the personal safety of the taxpayer or a related person;
- (e) the taxpayer or a related person suffering from a serious illness or disability;
- (f) an **eligible relocation** of the taxpayer or the taxpayer's spouse or common-law partner, if that definition was read without reference to the requirements for the new work location and the new residence to be in Canada;
- (g) an involuntary termination of the employment of the taxpayer or the taxpayer's spouse or common-law partner;
- (h) the insolvency of the taxpayer; or
- (i) the destruction or expropriation of the property.

**(2) Subsection (1) applies in respect of dispositions that occur after 2022.**

**2 (1) Paragraph (a) of the description of E in the definition *non-capital loss* in subsection 111(8) of the Act is replaced by the following:**

- (a) the taxpayer's loss for the year from an office, employment, business or property, (other than a loss from the disposition of a flipped property (within the meaning of subsection 12(13)),

**(2) Subsection (1) applies in respect of dispositions that occur after 2022.**

## Medical Expense Tax Credit for Surrogacy and Other Expenses

### Income Tax Act

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

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

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

#### Surrogacy expenses

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

- (a) is paid by the individual or the individual's spouse or common-law partner;
- (b) is
  - (i) an expenditure described under any of sections 2 to 4 of the *Reimbursement Related to Assisted Human Reproduction Regulations*, or
  - (ii) paid in respect of a surrogate mother or donor, and would be an expenditure described in subparagraph (i) if it was paid to the surrogate mother or donor;
- (c) would be a medical expense of the individual (within the meaning of subsection (2)) if the amount was paid in respect of a good or service provided to the individual or the individual's spouse or common-law partner;

- (d) is an expense incurred in Canada; and
- (e) is paid for the purpose of the individual becoming a parent.

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

## Annual Disbursement Quota for Registered Charities

### Income Tax Act

**1 (1) The definition *disbursement quota* in subsection 149.1(1) of the Act is replaced by the following:**

*disbursement quota*, for a taxation year of a registered charity, means the amount determined by the formula

$$A/365 \times B$$

where

**A** is the number of days in the taxation year, and

**B** is

(a) 3.5% of the prescribed amount for the year, in respect of all or a portion of a property owned by the charity at any time in the 24 months immediately preceding the taxation year that was not used directly in charitable activities or administration, if the prescribed amount is equal to or less than \$1 million but greater than

(i) if the registered charity is a charitable organization, \$100,000, and

(ii) in any other case, \$25,000,

(b) if the prescribed amount for the year in respect of all or a portion of a property owned by the charity at any time in the 24 months immediately preceding the taxation year that was not used directly in charitable activities or administration is greater than \$1 million, \$35,000 plus 5% of the amount by which the prescribed amount exceeds \$1 million, and

(c) in any other case, nil; (*contingent des versements*)

**(2) Subsection 149.1(1.1) of the Act is amended by striking out “and” at the end of paragraph (a), by adding “and” at the end of paragraph (c) and by adding the following after paragraph (c):**

(d) expenditures on administration and management of the charity.

**(3) Paragraph 149.1(4.1)(d) of the English version of the Act is replaced by the following:**

(d) of a registered charity, if it has in a taxation year received a gift of property (other than a designated gift) from another registered charity with which it does not deal at arm’s length and it has expended, before the end of the next taxation year, in addition to its disbursement quota for each of those taxation years, an amount that is less than the fair market value of the property, on charitable activities carried on by it or by way of gifts that are qualifying disbursements to qualified donees or grantee organizations, with which it deals at arm’s length;

**(4) Subsection 149.1(5) of the Act is replaced by the following:**

#### Reduction

(5) The Minister may, on application made to the Minister in prescribed form by a registered charity, specify an amount in respect of the charity for a taxation year and the registered charity’s disbursement quota shall be deemed to be reduced by that amount.

**(5) Subsection 149.1(8) of the Act is repealed.**

**(6) Subsection (1), (2) and (4) apply to taxation years beginning on or after January 1, 2023.**

**(7) Subsection (3) is deemed to have come into force on June 23, 2022.**

**(8) Subsection (5) applies in respect of applications made on or after January 1, 2023.**

**2 (1) Paragraph 241(3.2) of the Act is amended by striking out “and” at the end of paragraph (g) and by replacing paragraph (h) with the following:**

**(h)** in the case of a registrant that is a charity, an application by the registrant, and information filed in support of the application, for a designation, determination or decision by the Minister under any of subsections 149.1 (6.3), (7), (8) and (13); and

**(i)** in the case of a registrant that is a charity, in respect of an application for a determination by the Minister under subsection 149.1(5), information in respect of the application including:

**(i)** the application,

**(ii)** information filed in support of the application, and

**(iii)** a copy of the entirety of or any part of any letter or notice by the Minister to the registrant relating to the application.

**(2) Subsection (1) comes into force on January 1, 2023.**

## Borrowing by Defined Benefit Pension Plans

### Income Tax Regulations

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

#### **Borrowing**

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

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

#### **Borrowing — defined benefit provision**

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

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

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

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

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

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

(A) the amount determined by the formula

$$0.20 (A - B)$$

where

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

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

(B) the amount determined by the formula

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

where

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

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

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

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

**(4) Subsection (2) is deemed to come into force on April 7, 2022.**

## Reporting Requirements for RRSPs and RRIFs

### Income Tax Regulations

**1 (1) Subsection 209(1) of the Regulations is replaced by the following:**

**209 (1)** A person who is required by section 200, 201, 202, 203, 204, 212, 214 (other than subsection 214(1.1)), 215 (other than subsection 215(2.1)), 217 or 218, subsection 219(2) or 223(2) or section 228, 229, 230, 232, 233 or 234 to make an information return shall forward to each taxpayer to whom the return relates two copies of the portion of the return that relates to that taxpayer.

**(2) Subsection (1) applies to the 2023 and subsequent taxation years.**

**2 (1) Subsection 214 of the Regulations is amended by adding the following after subsection (1):**

**(1.1)** The issuer of a registered retirement savings plan shall make an information return in prescribed form for each calendar year containing the total fair market value of all property held by the plan at the end of the year.

**(2) Subsection (1) applies to the 2023 and subsequent taxation years.**

**3 (1) Section 215 of the Regulations is amended by adding the following after subsection (2):**

**(2.1)** Every carrier of a registered retirement income fund shall make an information return in prescribed form for each calendar year containing the total fair market value of all property held by the fund at the end of the year.

**(2) Subsection (1) applies to the 2023 and subsequent taxation years.**

# Canada Recovery Dividend and Additional Tax on Banks and Life Insurers

## Income Tax Act

**1 (1) Subsection 87(2) of the Act is amended by striking out “and” at the end of paragraph (vv), by adding “and” at the end of paragraph (ww) and by adding the following after paragraph (ww):**

**(xx)** for the purposes of Part VI.2, the new corporation shall be deemed to be the same corporation as, and a continuation of, each predecessor corporation.

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

**2 (1) 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 (xx), subsection 87(6) and, subject to section 78, subsection 87(7) apply to the winding-up as if the references in those provisions to

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

**3 (1) The Act is amended by adding the following after section 123.5:**

### Definitions

**123.6 (1)** The following definition applies in this section.

**bank or life insurer group member** means a corporation that is

**(a)** a bank,

**(b)** a life insurance corporation that carries on business in Canada, or

**(c)** any financial institution (within the meaning of subsection 190(1)) that is related to any corporation described in paragraphs (a) or (b). (*membre d'un groupe de banques ou d'assureurs-vie*)

### Additional tax payable

**(2)** There shall be added to the tax otherwise payable under this Part for a taxation year by a corporation that is a bank or life insurer group member at any time during the taxation year, an amount determined by the formula

$$0.015 (A - B)$$

where

**A** is the corporation's taxable income for the taxation year (or the corporation's taxable income earned in Canada, if the corporation is non-resident in the taxation year); and

**B** is

**(a)** if the corporation is not related to another bank or life insurer group member at the end of the taxation year of the corporation,

**(i)** where the corporation's taxation year is not less than 51 weeks, \$100 million, and

**(ii)** in any other case, the amount determined by the formula

$$\text{\$100 million} \times (C / 365)$$

where

**C** is the number of days in the taxation year; and

**(b)** in any other case, subject to subsection (5), nil.

### **Related group**

**(3)** A corporation that is described in paragraph (a) or (b) of the definition *bank or life insurer group member* at any time during a taxation year and that was related to any other bank or life insurer group member at the end of the year (in this section, the corporation and each such bank or life insurer group member are referred to together as the “related group”) may file with the Minister, with the corporation’s return of income, an agreement in prescribed form on behalf of the related group under which an amount that does not exceed \$100 million is allocated among the related group for all taxation years of members of the related group ending in the same calendar year.

### **Allocation by Minister**

**(4)** The Minister may request a corporation that is a member of a related group at any time during a taxation year to file with the Minister an agreement referred to in subsection (3) and, if the corporation does not file such an agreement within 30 days after receiving the request, the Minister may allocate amounts referred to in subsection (3), among the related group for the taxation years of the bank or life insurer group members ending in the same calendar year.

### **Allocation**

**(5)** For the purposes of this section, the least amount allocated for a taxation year to each bank or life insurer group member under an agreement described in subsection (3) or by the Minister under subsection (4) is the amount determined for variable B in subsection (2) for the taxation year of that member, but, if no such allocation is made, the amount determined for variable B in subsection (2) of each bank or life insurer group member for that year is nil.

### **Anti-avoidance**

**(6)** Where an amount has been deducted in computing the income of a corporation, the amount shall be deemed not to have been deducted in computing the corporation’s taxable income, or taxable income earned in Canada, as the case may be, for the purpose of computing the tax payable by the corporation under subsection (2), if

- (a)** the deduction is in respect of an amount that can reasonably be considered to have been paid or payable, directly or indirectly, to a person or partnership that was not dealing at arm’s length with the corporation;
- (b)** the person or partnership was not a bank or life insurer group member; and
- (c)** it can reasonably be considered that one of the purposes of the payment was to reduce the tax payable by the corporation under subsection (2).

**(2) Subsection (1) applies to taxation years that end after April 7, 2022. However, for a taxation year that includes April 7, 2022, the amount of tax payable under subsection 123.6(2) is prorated based on the number of days in the taxation year that are after April 7, 2022.**

### **4 (1) Subsection 161(1) of the Act is replaced by the following:**

#### **General**

**161 (1)** Where at any time after a taxpayer’s balance-due day for a taxation year

**(a)** the total of the taxpayer’s taxes payable under this Part and Parts I.3, VI, VI.1 and VI.2 for the year exceeds

**(b)** the total of all amounts each of which is an amount paid at or before that time on account of the taxpayer’s tax payable and applied as at that time by the Minister against the taxpayer’s liability for an amount payable under this Part or Part I.3, VI, VI.1 or VI.2 for the year,

the taxpayer shall pay to the Receiver General interest at the prescribed rate on the excess, computed for the period during which that excess is outstanding.

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

### **5 (1) Paragraph 190.1(3)(a) of the Act is replaced by the following:**

(a) the corporation's tax payable under Parts I and VI.2 (determined in accordance with subsection 191.5(9)) for the year; and

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

**6 (1) The Act is amended by adding the following after part VI.1:**

## **PART VI.2**

# **Canada Recovery Dividend**

### **Definitions**

**191.5 (1)** The following definition applies in this Part.

**bank or life insurer group member** means a corporation that is

(a) a bank,

(b) a life insurance corporation that carries on business in Canada, or

(c) any financial institution (within the meaning of subsection 190(1)) that is related to any corporation described in paragraph (a) or (b). (*membre d'un groupe de banques ou d'assureurs-vie*)

### **Tax payable**

**(2)** Every corporation that is a bank or life insurer group member at any time during a 2021 taxation year shall pay a tax under this Part for its 2022 taxation year equal to the amount determined by the formula

$$0.15 [(A / 2) - B]$$

where

**A** is, subject to subsection (4), the total of all amounts, each of which is the corporation's taxable income for a

(a) 2020 taxation year of the corporation (or the corporation's taxable income earned in Canada, if the corporation is non-resident in the taxation year), determined under Part I, without regard to paragraphs 111(1)(a) and (b), or

(b) 2021 taxation year of the corporation (or the corporation's taxable income earned in Canada, if the corporation is non-resident in the taxation year), determined under Part I, without regard to paragraphs 111(1)(a) and (b),

**B** is

(a) if the corporation is not related to another bank or life insurer group member at the end of each 2021 taxation year of the corporation, \$1 billion, and

(b) in any other case, subject to subsection (5), nil.

### **Multiple 2022 taxation years**

**(3)** Where a corporation has more than one 2022 taxation year, the latest 2022 taxation year is the 2022 taxation year for purposes of subsection (2).

### **Multiple 2020 and 2021 taxation years**

**(4)** For the purposes of subsection (2), if a corporation has more than one

(a) 2020 taxation year and the aggregate number of days in all its 2020 taxation years is greater than 365 days, each amount determined for the corporation under paragraph (a) of variable A in subsection (2) shall be reduced to that proportion of that total amount that 365 is of the aggregate number of days in all 2020 taxation years, and



(b) 2021 taxation year and the aggregate number of days in all its 2021 taxation years is greater than 365 days, each amount determined for the corporation under paragraph (b) of variable A in subsection (2) shall be reduced to that proportion of that total amount that 365 is of the aggregate number of days in all 2021 taxation years.

#### **Related group**

(5) A corporation that is described in paragraph (a) or (b) of the definition *bank or life insurer group member* at any time during a 2021 taxation year and that was related to any other bank or life insurer group member at the end of the year (in this section, the corporation and each such bank or life insurer group member are referred to together as a “related group”) may file with the Minister an agreement in prescribed form, with the prescribed form referred to in subsection (8), on behalf of the related group under which an amount that does not exceed \$1 billion is allocated among the members of the related group for the taxation year.

#### **Allocation by Minister**

(6) The Minister may request a corporation that is member of a related group at any time during the 2021 taxation year to file with the Minister an agreement referred to in subsection (5) and, if the corporation does not file such an agreement within 30 days after receiving the request, the Minister may allocate amounts referred to in subsection (5), among the members of the related group for the taxation year.

#### **Allocation**

(7) For the purposes of this Part, the least amount allocated for the taxation year to each bank or life insurer group member under an agreement described in subsection (5) or by the Minister under subsection (6) is the amount determined for B in subsection (2) for the taxation year of that member, but, if no such allocation is made, the amount determined for B in subsection (2) of each bank and life insurer group member for the year is nil.

#### **Return**

(8) A corporation that is a bank or life insurer group member shall file with the Minister, no later than the day on or before which the corporation is required by section 150 to file its return of income for the 2022 taxation year under Part I, a prescribed form containing prescribed information.

#### **Instalments**

(9) A corporation liable to pay tax for the 2022 taxation year under this Part shall pay 1/5 of the tax to the Receiver General on or before its balance-due day for the 2022 and each of the four subsequent taxation years.

#### **Administrative provisions applicable to Part VI.2**

**191.6** Sections 152, 158 and 159, subsection 161(11), sections 162 to 167 and Division J of Part I apply to this Part with such modifications as the circumstances require.

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

## Investment Tax Credit for Carbon Capture, Utilization, and Storage

### Income Tax Act

**1 (1) Paragraph 12(1)(t) of the Act is replaced by the following:**

#### **Investment tax credit**

(t) the amount deducted under subsection 127(5), 127(6) or 127.44(2) in respect of a property acquired or an expenditure made in a preceding taxation year in computing the taxpayer’s tax payable for a preceding taxation year to the extent that it was not included in computing the taxpayer’s income for a preceding taxation year under this paragraph or is not included in an amount determined under paragraph 13(7.1)(e) or 37(1)(e), subparagraph 53(2)(c)(vi) or 53(2)(h)(ii) or for I in the definition *undepreciated capital cost* in subsection 13(21) or L in the definition *cumulative Canadian exploration expense* in subsection 66.1(6);

**(2) Subsection (1) applies to taxation years that end after 2021.**

**2 (1) The portion of subsection 13(7.1) of the Act before paragraph (a) is replaced by the following:**

**Deemed capital cost of certain property**

**(7.1)** For the purposes of this Act, where section 80 applied to reduce the capital cost to a taxpayer of a depreciable property or a taxpayer deducted an amount under subsection 127(5), 127(6) or 127.44(2) in respect of a depreciable property or received or is entitled to receive assistance from a government, municipality or other public authority in respect of, or for the acquisition of, depreciable property, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance other than

**(2) Paragraph 13(7.1)(e) of the Act is replaced by the following:**

**(e)** where the property was acquired in a taxation year ending before the particular time, all amounts deducted under subsection 127(5), 127(6) or 127.44(2) by the taxpayer for a taxation year ending before the particular time,

**(3) Section 13 of the Act is amended by adding the following after subsection (18.1):**

**Ascertainment of CCUS property**

**(18.2)** For the purpose of determining whether a process is a *CCUS process* (as defined in subsection 1104(2) of the *Income Tax Regulations*) or whether a property meets the criteria set out in the regulations in respect of prescribed CCUS property, any technical guide published by the Department of Natural Resources to these classes shall apply conclusively with respect to engineering and scientific matters.

**(4) The description of I in the definition *undepreciated capital cost* in subsection 13(21) of the Act is replaced by the following:**

I is the total of all amounts deducted under subsections 127(5), 127(6) or 127.44(2), in respect of a depreciable property of the class of the taxpayer, in computing the taxpayers tax payable for a taxation year ending before that time and subsequent to the disposition of that property by the taxpayer,

**(5) Subsections (1), (2) and (4) apply to taxation years that end after 2021.**

**(6) Subsection (3) is deemed to have come into force on January 1, 2021.**

**3 (1) Section 20 of the Act is amended by adding the following after subsection (1.1):**

**Application of paragraph (1)(a)**

**(1.11)** For the purpose of paragraph (1)(a) and Schedule II to the *Income Tax Regulations*, an expenditure is deemed to be an amount in respect of the capital cost to the taxpayer of property if the expenditure is

**(a)** incurred by the taxpayer on account of capital; and

**(b)** described in Class 59 or 60 of Schedule II to the *Income Tax Regulations*, as the case may be.

**(2) Subsection (1) applies to expenditures incurred or property acquired after 2021.**

**4 (1) The Act is amended by adding the following after section 127.43:**

**Definitions**

**127.44 (1)** The following definitions apply in this section.

**CCUS project** has the meaning assigned by subsection 1104(2) of the Regulations. (*projet de CUSC*)

**captured carbon** means captured carbon dioxide that

**(a)** would otherwise be released into the atmosphere; or

(b) is captured directly from the ambient air. (*carbone capté*)

**dedicated geological storage** means a geological formation

(a) capable of permanently storing captured carbon in a province or territory within Canada, in an offshore area of Canada or in a jurisdiction outside Canada, that has sufficient environmental laws and enforcement to ensure that captured carbon is permanently stored, as prescribed by the regulations at the time a relevant expenditure is incurred; and

(b) in which captured carbon is not used for enhanced oil recovery. (*stockage géologique dédié*)

**eligible use** means captured carbon that is stored in, or otherwise used for,

(a) dedicated geological storage; or

(b) producing concrete using a qualified concrete storage process. (*utilisation admissible*)

**ineligible use** means captured carbon that is stored in, or otherwise used for,

(a) enhanced oil recovery; or

(b) any other purpose that is not an eligible use. (*utilisation non admissible*)

**non-government assistance** has the same meaning as in subsection 127(9). (*aide non gouvernementale*)

**project plan** means a plan for a CCUS project that

(a) reflects a front-end engineering design study (or an equivalent study as determined by the Minister of Natural Resources) for the project;

(b) describes the quantity of captured carbon that the CCUS project is expected to support for storage, in each calendar year over the life of the project, in

(i) eligible use, and

(ii) ineligible use;

(c) contains any information required in guidelines published by the Minister of Natural Resources; and

(d) is filed with the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources. (*plan de projet*)

**qualified CCUS expenditure** means a

(a) qualified carbon capture expenditure;

(b) qualified carbon transportation expenditure;

(c) qualified carbon storage expenditure; or

(d) qualified carbon use expenditure. (*dépense de CUSC admissible*)

**qualified CCUS project** means a CCUS project of a taxpayer that meets the following conditions:

(a) it is expected to support the capture of carbon dioxide in Canada;

(b) an initial project evaluation has been issued by the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources, in respect of the project following the filing of most recent project plan for the project;

(c) based on the most recent project plan for the project, in each of the project's first 20 years of operation, the quantity of captured carbon the project is expected to support for storage or use in eligible use equals or exceeds the fraction  $1 / 10$ , determined by the formula

$$A/B$$

where

**A** is the quantity of captured carbon that the project is expected to support for storage or use in eligible use during the year, and

**B** is the aggregate quantity of captured carbon that the project is expected to support for storage or use in both eligible use and ineligible use during the year;

(d) at the relevant time, it complies with all environmental laws, by-laws and regulations applicable in respect of the project, including those

(i) of Canada, and any province or a municipality in Canada, and

(ii) of any municipal or public body performing a function of government in Canada; and

(e) it is not a project that is

(i) operated to service a facility that existed on April 7, 2022, and

(ii) undertaken for the purpose of complying with emission standards that apply, or will apply, under the *Reduction of Carbon Dioxide Emissions from Coal-fired Generation of Electricity Regulations*. (*projet de CUSC admissible*)

**qualified carbon capture expenditure** incurred by a taxpayer in a taxation year means an amount that is the portion of an expenditure incurred in the year by the taxpayer to acquire a property in respect of a qualified CCUS project, determined by the formula

$$A \times (B + C + D + E)$$

where

**A** is the capital cost of the property acquired by the taxpayer in the year (other than property situated outside of Canada) that is property described in (and is verified in writing by the Minister of Natural Resources as being described in)

(a) paragraph (a) of Class 57 in Schedule II to the Regulations, or

(b) paragraph (d), (e) or (f) of Class 57 in relation to equipment described in paragraph (a) of Class 57,

**B** is the percentage determined by the formula,

$$F \div G \times 0.25$$

where

**F** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the first to fifth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**G** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the first to fifth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred,

**C** is the percentage determined by the formula,

$$H \div I \times 0.25$$

where

**H** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the sixth to tenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**I** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the sixth to tenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred,

**D** is the percentage determined by the formula,

$$J \div K \times 0.25$$

where

**J** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the eleventh to fifteenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**K** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the eleventh to fifteenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**E** is the percentage determined by the formula,

$$L \div M \times 0.25$$

where

**L** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the sixteenth to twentieth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**M** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the sixteenth to twentieth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred. (*dépense admissible pour le captage du carbone*)

**qualified carbon storage expenditure** incurred by a taxpayer in a taxation year means an amount that is the capital cost incurred in the year by the taxpayer to acquire, in respect of a qualified CCUS project, a property (other than property situated outside of Canada) that is

(a) described in (and that is verified in writing by the Minister of Natural Resources as being property described in)

(i) paragraph (c) of Class 57 in Schedule II to the Regulations, or

(ii) paragraph (d), (e) or (f) of Class 57 in relation to equipment described in paragraph (c) of Class 57; and

(b) expected, based on the qualified CCUS project's most recent project plan before the time the expenditure is incurred, to support storage of captured carbon solely in a manner described in paragraph (a) of the definition of *eligible use*. (*dépense admissible pour le stockage du carbone*)

**qualified carbon transportation expenditure** incurred by a taxpayer in a taxation year means an amount that is the portion of an expenditure incurred in the year by the taxpayer to acquire a property in respect of a qualified CCUS project, determined by the formula

$$A \times (B + C + D + E)$$

where

**A** is the capital cost of the property acquired by the taxpayer in the year (other than property situated outside of Canada) that is described in (and is verified in writing by the Minister of Natural Resources as being property described in)

(a) paragraph (b) of Class 57 in Schedule II to the Regulations, or

(b) paragraph (d), (e) or (f) of Class 57 in relation to equipment described in paragraph (b) of Class 57,

**B** is the percentage determined by the formula,

$$F \div G \times 0.25$$

where

**F** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the first to fifth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**G** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the first to fifth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred,

**C** is the percentage determined by the formula,

$$H \div I \times 0.25$$

where

**H** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the sixth to tenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**I** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the sixth to tenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred,

**D** is the percentage determined by the formula,

$$J \div K \times 0.25$$

where

**J** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the eleventh to fifteenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**K** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the eleventh to fifteenth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**E** is the percentage determined by the formula,

$$L \div M \times 0.25$$

where

**L** is the quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in eligible use during the sixteenth to twentieth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred, and

**M** is the aggregate quantity of captured carbon that the qualified CCUS project is expected to support for storage or use in both eligible use and ineligible use during the sixteenth to twentieth years of operation of the project based on the project's most recent project plan before the time the expenditure is incurred. (*dépense admissible pour le transport du carbone*)

**qualified carbon use expenditure** incurred by a taxpayer in a taxation year means an amount that is the capital cost incurred in the year by the taxpayer to acquire, in respect of a qualified CCUS project, a property (other than property situated outside of Canada) that is

(a) described in (and that is verified in writing by the Minister of Natural Resources as being property described in) Class 58 in Schedule II to the Regulations; and

(b) expected, based on the qualified CCUS project's most recent project plan before the time the expenditure is incurred, to support storage or use of captured carbon solely in a manner described in paragraph (b) of the definition of eligible use. (*dépense admissible pour l'utilisation du carbone*)

**qualified concrete storage process** means a process that demonstrates, in prescribed manner, that at least 60% of the captured carbon that is injected into concrete is expected to be mineralized and permanently stored in the concrete. (*processus de stockage dans le béton admissible*)

**specified percentage** means, in respect of a

(a) qualified carbon capture expenditure if incurred to capture carbon

(i) directly from ambient air

(A) after 2021 and before 2031, 60%,

(B) after 2030 and before 2041, 30%, or

(C) after 2040, 0%,

(ii) other than directly from ambient air

(A) after 2021 and before 2031, 50%

(B) after 2030 and before 2041, 25% or

(C) after 2040, 0%; and

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

(i) after 2021 and before 2031, 37 1/2%,

(ii) after 2030 and before 2041, 18 3/4%, or

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

### **Reduction of Part I tax**

(2) There may be deducted from a taxpayer's tax otherwise payable under this Part for a taxation year such amount as the taxpayer may claim not exceeding the taxpayer's CCUS tax credit for the year.

### **Deemed payment of Part I tax**

(3) There is deemed to have been paid on account of the tax payable under this Part by a taxpayer (other than a person exempt from tax under Part I because of section 149) for a taxation year on the taxpayer's balance due-day for the year, such amount as the taxpayer claims not exceeding the amount, if any, by which

(a) the taxpayer's CCUS tax credit for the year

exceeds

(b) the portion of the total described in paragraph (a) that was deducted under subsection (2) in computing the taxpayer's tax payable for the year.

#### **Deemed deduction**

(4) For purposes of paragraph 12(1)(t), subsection 13(7.1) and variable I of the definition *undepreciated capital cost* in subsection 13(21), the amount deemed under subsection (3) to have been paid by a taxpayer for a taxation year shall be deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year under subsection (2).

#### **CCUS tax credit**

(5) For the purposes of this Act, a CCUS tax credit of a taxpayer for a taxation year is the total of all amounts, each of which is the

- (a) *specified percentage* of a qualified carbon capture expenditure incurred in the year by the taxpayer;
- (b) *specified percentage* of a qualified carbon transportation expenditure incurred in the year by the taxpayer;
- (c) *specified percentage* of a qualified carbon storage expenditure incurred in the year by the taxpayer; or
- (d) *specified percentage* of a qualified carbon use expenditure incurred in the year by the taxpayer.

#### **Changes to project or eligible use**

(6) A taxpayer with a qualified CCUS project shall file, with all due dispatch, a new project plan for the project with the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources, if

- (a) there has been a change to the project, and the Minister of Natural Resources requests that the taxpayer file a new project plan for the project, or
- (b) there has been a reduction (as compared to the most recent project plan for the project) of more than 5% in the quantity of captured carbon that the project is expected to support for storage or use in eligible use during any five year period over the life of the project.

#### **Qualified CCUS project determination**

(7) For the purpose of the definition of *qualified CCUS project* in subsection (1),

- (a) the Minister may, in consultation with the Minister of Natural Resources, determine that one or more CCUS projects is one project or multiple projects;
- (b) any determination under paragraph (a) is deemed to result in the CCUS project or CCUS projects, as the case may be, being one project or multiple projects, as the case may be; and
- (c) for each project determined under paragraph (a), a new project plan shall be filed with the Minister of Natural Resources (in the form and manner determined by the Minister of Natural Resources), with all due dispatch, by a taxpayer with a project determined under paragraph (a).

#### **Reductions to qualified CCUS expenditures**

(8) For the purposes of this section, the amount of a qualified CCUS expenditure of a taxpayer in a taxation year

- (a) shall not include
  - (i) any amount in respect of an expenditure incurred by the taxpayer before 2022 or after 2040,
  - (ii) any amount in respect of any expenditure
    - (A) incurred to acquire property that was previously used by any person or partnership, or



(B) for which a CCUS tax credit was previously deducted or claimed, or sought to be deducted or claimed, by any person in respect of the property to which the expenditure relates,

(iii) any amount in respect of an expenditure incurred for a

(A) feasibility (or pre-feasibility) study, or

(B) front-end engineering study (or equivalent study as determined by the Minister of Natural Resources), or

(iv) any amount by virtue of section 21; and

(b) shall be reduced by the amount of any non-government assistance

(i) that, at the time of the filing of the taxpayer's return of income under this Part for the taxation year, the taxpayer has received, is entitled to receive or can reasonably be expected to receive in respect of the qualified CCUS expenditure for the year, and

(ii) where at a particular time, a taxpayer who is a beneficiary of a trust or a member of a partnership has received, is entitled to receive or can reasonably be expected to receive non-government assistance, the amount thereof that may reasonably be considered to be in respect of the qualified CCUS expenditure incurred by the trust or partnership shall, for purposes of subparagraph (i), be deemed to have been received at that time by the trust or partnerships, as the case may be, as non-government assistance in respect of the expenditure.

#### **Additions to qualified CCUS expenditures**

(9) Where a taxpayer has, in a particular taxation year, repaid (or has not received and can no longer reasonably be expected to receive) an amount of non-government assistance that was applied to reduce the amount of a qualified CCUS expenditure (the "reduced expenditure") under one of paragraphs (a) to (d) (the "relevant paragraph") of that definition for a preceding taxation year, the amount of the reduced expenditure shall be added to the amount otherwise determined to be the taxpayer's qualified CCUS expenditure (under the relevant paragraph of that definition) for the particular year.

#### **Partnerships**

(10) Where, in a particular taxation year of a taxpayer who is a member of a partnership, a CCUS tax credit would be determined in respect of the partnership for its taxation year that ends in the particular taxation year, subsections 127(8) to (8.5) are applicable, with such modifications as the circumstances require, to determine the portion of the CCUS tax credit in respect of the partnership that is the taxpayer's share thereof and which amount shall be the taxpayer's CCUS tax credit for the particular taxation year.

#### **Unpaid amounts**

(11) For the purposes of this section, a taxpayer's expenditure that is unpaid on the day that is 180 days after the end of the taxation year in which the expenditure is otherwise incurred is deemed

(a) not to have been incurred in the year; and

(b) to be incurred at the time it is paid.

**(2) Subsections (1) to (11) are deemed to have come into force on January 1, 2022.**

## **Income Tax Regulations**

**5 (1) Paragraph 1100(1)(a) of the Regulations is amended by striking out "and" at the end of subparagraph (xli) and by adding the following after subparagraph (xlii):**

(xliii) of Class 57, 8 per cent,

(xliv) of Class 58, 20 per cent,

(xiv) of Class 59, 100 per cent, and

(xvi) of Class 60, 30 per cent,

**(2) Paragraph (a) of the description of A in subsection 1100(2) of the Regulations is replaced by the following:**

(a) if the property is not included in paragraph (1)(v) or in any of Classes 12, 13, 14, 15, 43.1, 43.2, 53, 54, 55, 56, 59 or in Class 43 in the circumstances described in paragraph (d),

**(3) Subsections (1) and (2) apply to property acquired after 2021.**

**6 (1) Subsection 1104(2) of the Regulations is amended by adding the following in alphabetical order:**

***captured carbon*** means captured carbon dioxide that

(a) would otherwise be released into the atmosphere, or

(b) is captured directly from the ambient air; (*carbone capté*)

***CCUS process*** means the process of carbon capture, utilization and storage that includes the

(a) capture of carbon dioxide

(i) that would otherwise be released into the atmosphere, or

(ii) directly from the ambient air, and

(b) storage or use of the captured carbon; (*processus de CUSC*)

***CCUS project*** means a project that is intended to support a CCUS process by

(a) capturing carbon dioxide

(i) that would otherwise be released into the atmosphere, or

(ii) directly from the ambient air,

(b) transporting captured carbon, or

(c) storing or using captured carbon; (*projet de CUSC*)

**(2) Section 1104 of the Regulations is amended by adding the following after subsection (18):**

**CCUS process determination**

**(19)** A process that the Minister, on the recommendation of the Minister of Natural Resources, determines does not constitute a carbon capture, utilization and storage process shall be deemed not to be a CCUS process for the purpose of the definition of *CCUS process* in subsection (2).

**(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2022.**

**7 (1) The Regulations are amended by adding the following after section 8200.1:**

**Prescribed CCUS property**

**8200.2** For the purpose of subsection 13(18.2) of the Act, ***prescribed CCUS property*** means property described in Class 57 or 58 in Schedule II.

**8200.3** For the purpose of paragraph (a) of the definition *dedicated geological storage* in subsection 127.44(1) of the Act, the following provinces, territories, offshore areas, and jurisdictions outside of Canada are prescribed

(a) the province of Alberta,

(b) the province of Saskatchewan, and

(c) any other province, territory, offshore area, or jurisdiction outside of Canada, determined by the Minister of Environment.

**(2) Subsection (1) is deemed to have come into force on January 1, 2022.**

**8 (1) The portion of Class 8 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 8**

**(20 per cent)**

Property not included in Class 1, 2, 7, 9, 11, 17, 30, 57 or 58 that is

**(2) The portion of Class 17 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 17**

**(8 per cent)**

Property that would otherwise be included in another class in this Schedule (other than property included in classes 57 or 58) that is

**(3) The portion of Class 41 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 41**

**(25 per cent)**

Property (other than property included in Class 41.1, 41.2, 57 or 58)

**(4) The portion of Class 41.1 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 41.1**

**(25 per cent)**

Oil sands property (other than specified oil sands property or property included in Class 57 or 58)

**(5) The portion of Class 41.2 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 41.2**

**(25 per cent)**

Property, other than specified oil sands property, eligible mine development property or property included in Class 57 or 58,

**(6) The portion of Class 43 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 43**

**(30 per cent)**

Property acquired after February 25, 1992 (other than property included in Class 57 or 58,)

**(7) The portion of Class 49 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 49**

**(8 per cent)**

Property (other than property included in Class 57 or 58) that is a pipeline, including control and monitoring devices, valves and other equipment ancillary to the pipeline, that

**(8) The portion of Class 53 in Schedule II to the Regulations that is before paragraph (a) is replaced by the following:**

**CLASS 53**

Property acquired after 2015 and before 2026 (other than property included in Classes 57 or 58) that is not included in Class 29, but that would otherwise be included in that class if

**(9) Schedule II to the Regulations is amended by adding the following after Class 56:**

**CLASS 57**

**(8 per cent)**

Property that is part of a CCUS project of a taxpayer and that is

**(a)** equipment that is not required for hydrogen production, natural gas processing or acid gas injection and that

**(i)** is to be used solely for capturing carbon dioxide

**(A)** that would otherwise be released into the atmosphere, or

**(B)** directly from the ambient air,

**(ii)** prepares or compresses captured carbon for transportation, or,

**(iii)** is power or heat production equipment that solely supports the CCUS process,

**(b)** equipment that is to be used solely for transportation of captured carbon,

**(c)** equipment that is to be used solely for storage of captured carbon in a geological formation (other than for enhanced oil recovery),

**(d)** monitoring and control equipment that is to be used solely for the functioning of any equipment described in paragraphs (a) to (c),

**(e)** a building or other structure all or substantially all of which is used, or to be used, for the installation or operation of equipment described in paragraphs (a) to (d), or

**(f)** property that is used solely to

**(i)** convert another property that would not otherwise be described in any of paragraphs (a) to (e) if the conversion causes the other property to satisfy the description under any of paragraphs (a) to (e), or

**(ii)** refurbish property described in any of paragraphs (a) to (e).

## **CLASS 58**

### **(20 per cent)**

Property that is part of a CCUS project of a taxpayer, and that is

**(a)** equipment to be used solely for using carbon dioxide in industrial production (including for enhanced oil recovery),

**(b)** monitoring and control equipment to be used solely for the functioning of equipment included in paragraph (a),

**(c)** a building or other structure all or substantially all of which is used, or to be used, for the installation or operation of equipment described in paragraph (a) or (b), or

**(d)** property that is used solely to

**(i)** convert another property that would not otherwise be described in any of paragraphs (a) to (e) if the conversion causes the other property to satisfy the description under any of paragraphs (a) to (c), or

**(ii)** refurbish property described in any of paragraphs (a) to (c).

## **CLASS 59**

### **(100 per cent)**

Property that is an expenditure incurred by the taxpayer after 2021 and that is

**(a)** for the purpose of determining the existence, location, extent or quality of a geological formation to permanently store captured carbon (other than for enhanced oil recovery) in Canada, including such an expense that is

**(i)** a geological, geophysical or geochemical expense, or

**(ii)** an expense for environmental studies or community consultations, including studies or consultations that are undertaken to obtain a right, licence or privilege for the purpose of determining the existence, location, extent or quality of a geological formation to permanently store captured carbon (other than for enhanced oil recovery); and

**(b)** an expense other than an expense

**(i)** incurred in drilling or completing an oil or gas well or in building a temporary access road to, or preparing a site in respect of, any such well, or

**(ii)** described in Class 60.

## **CLASS 60**

### **(30 per cent)**

Property that is an expenditure incurred after 2021 by the taxpayer in

(a) drilling or converting a well in Canada for the permanent storage of captured carbon (other than for enhanced oil recovery),

(b) drilling or completing a well for the permanent storage of captured carbon (other than for enhanced oil recovery) in Canada, building a temporary access road to the well or preparing a site in respect of the well, or

(c) drilling or converting a well in Canada for the purposes of monitoring pressure changes or other phenomena in captured carbon permanently stored in a geological formation (other than for enhanced oil recovery).

**(10) Subsections (1) to (9) are deemed to have come into force on January 1, 2022.**

## Clean Technology Tax Incentives — Air-Source Heat Pumps

### Income Tax Regulations

**1 (1) Subparagraph (a)(i) of the definition *qualified zero-emission technology manufacturing activities* in section 5202 of the Regulations is amended by adding the following after Clause (E):**

(E.1) air-source heat pump equipment designed for space or water heating,

**(2) Subsection (1) is deemed to have come into force on January 1, 2022.**

**2 (1) Clause (d)(i)(A) of Class 43.1 in Schedule II to the Regulations is amended by striking out “or” at the end of subclause (I), by striking out “and” at the end of subclause (II), by adding “or” at the end of subclause (II) and by adding the following after subclause (II):**

(III) equipment that is part of an air-source heat pump system that transfers heat from the outside air, including refrigerant piping, energy conversion equipment, thermal energy storage equipment, control equipment and equipment designed to enable the system to interface with other heating and cooling equipment, and

**(2) Clause (d)(i)(B) of Class 43.1 in Schedule II to the Regulations is replaced by the following:**

(B) it is not a building, part of a building (other than a solar collector that is not a window and that is integrated into a building), energy equipment that backs up equipment described in subclause (A)(I), (II) or (III) nor equipment that distributes heated or cooled air or water in a building,

**(3) Subsections (1) and (2) apply to property acquired after April 6, 2022 that has not been used or acquired for use before April 7, 2022.**

## Critical Mineral Exploration Tax Credit

### Income Tax Act

**1 (1) The description of L in the definition of *cumulative Canadian exploration expense* in subsection 66.1(6) of the Act is replaced by the following:**

L is that portion of the total of all amounts each of which was deducted by the taxpayer under subsection 127(5) or (6) for a taxation year that ended before that time and that can reasonably be attributed to a qualified Canadian exploration expenditure, a pre-production mining expenditure, a flow-through mining expenditure or a flow-through critical mineral mining expenditure (each expenditure within the meaning assigned by subsection 127(9)) made in a preceding taxation year, and

**(2) Subsection (1) is deemed to have come into force on April 7, 2022.**

**2 (1) Subparagraph 127(5)(a)(i) of the Act is replaced by the following:**

(i) the taxpayer's investment tax credit at the end of the year in respect of property acquired before the end of the year, of the taxpayer's apprenticeship expenditure for the year or a preceding taxation year, of the taxpayer's flow-through mining expenditure for the year or a preceding taxation year, of the taxpayer's flow-through critical mineral mining expenditure for the year or a preceding taxation year, of the taxpayer's pre-production mining expenditure for the year or a preceding taxation year or of the taxpayer's SR&ED qualified expenditure pool at the end of the year or at the end of a preceding taxation year, and

**(2) Clause 127(5)(a)(ii)(A) of the Act is replaced by the following:**

(A) the taxpayer's investment tax credit at the end of the year in respect of property acquired in a subsequent taxation year, of the taxpayer's apprenticeship expenditure for a subsequent taxation year, of the taxpayer's flow-through mining expenditure for a subsequent taxation year, of the taxpayer's flow-through critical mineral mining expenditure for a subsequent taxation year, of the taxpayer's pre-production mining expenditure for a subsequent taxation year or of the taxpayer's SR&ED qualified expenditure pool at the end of the subsequent taxation year to the extent that an investment tax credit was not deductible under this subsection for the subsequent taxation year, and

**(3) Subsection 127(9) of the Act is amended by adding the following in alphabetical order:**

***critical mineral*** means

- (a) copper,
- (b) nickel,
- (c) lithium,
- (d) cobalt,
- (e) graphite,
- (f) a rare earth element,
- (g) scandium,
- (h) titanium,
- (i) gallium,
- (j) vanadium,
- (k) tellurium,
- (l) magnesium,
- (m) zinc,
- (n) a platinum group metal, or
- (o) uranium; (*minéral critique*)

***flow-through critical mineral mining expenditure*** of a taxpayer for a taxation year means an expense deemed by subsection 66(12.61) (or by subsection 66(18) as a consequence of the application of subsection 66(12.61) to the partnership,

referred to in paragraph (c) of this definition, of which the taxpayer is a member) to be incurred by the taxpayer in the year

**(a)** that is a Canadian exploration expense incurred by a corporation after April 7, 2022 in conducting mining exploration activity from or above the surface of the earth primarily targeting *critical minerals*,

**(b)** that

**(i)** is an expense described in paragraph (f) of the definition *Canadian exploration expense* in subsection 66.1(6), and

**(ii)** is not an expense in respect of

**(A)** trenching, if one of the purposes of the trenching is to carry out preliminary sampling (other than specified sampling),

**(B)** digging test pits (other than for the purpose of carrying out specified sampling), and

**(C)** preliminary sampling (other than specified sampling),

**(c)** an amount in respect of which is renounced in accordance with subsection 66(12.6) by the corporation to the taxpayer (or a partnership of which the taxpayer is a member) under an agreement described in that subsection and made after April 7, 2022 and on or before March 31, 2027,

**(d)** that is not an expense that was renounced under subsection 66(12.6) to the corporation (or a partnership of which the corporation is a member), unless that renunciation was under an agreement described in that subsection and made after April 7, 2022 and on or before March 31, 2027,

**(e)** that, in respect of an agreement described in paragraph (c), a *qualified engineer or geoscientist* certifies in prescribed manner and form that the expense will be incurred pursuant to an exploration plan that primarily targets *critical minerals*, if the *qualified engineer or geoscientist*

**(i)** completed the certification no more than 12 months before the time that the agreement is made, and

**(ii)** acted reasonably, in their professional capacity, in completing the certification, and

**(f)** that is not an expense that the taxpayer has included under paragraph (a.2) of the definition of *investment tax credit* in the computation of its investment tax credit in respect of which the taxpayer has, at any time, sought a deduction under subsection (5); (*dépense minière de minéral critique déterminée*)

**qualified engineer or geoscientist** means an individual who

**(a)** is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining,

**(b)** has at least five years of experience in mineral exploration, mine development or operation, or mineral project assessment, or any combination of these, that is relevant to their professional degree or area of practice,

**(c)** has experience relevant to the subject matter of the exploration project and the certification described in paragraph (e) of the definition of *flow-through critical mineral mining expenditure*, and

**(d)** is in good standing with a professional association that has the authority or recognition by statute in a jurisdiction of Canada to regulate the profession of engineering or geoscience in Canada; (*ingénieur ou géoscientifique qualifié*)



**(4) The definition *flow-through mining expenditure* in subsection 127(9) of the Act is amended by striking out “and” at the end of paragraph (c), by adding the word “and” at the end of paragraph (d) and by adding the following after paragraph (d):**

(e) that is not an expense that the taxpayer has included under paragraph (a.21) of the definition of *investment tax credit* in the computation of its investment tax credit in respect of which the taxpayer has, at any time, sought a deduction under subsection (5);

**(5) The definition *investment tax credit* in subsection 127(9) of the Act is amended by adding the following paragraph after paragraph (a.2):**

(a.21) where the taxpayer is an individual (other than a trust), 30% of the taxpayer’s flow-through critical mineral mining expenditures for the year,

**(6) Subsection 127(11.1) of the Act is amended by adding the following after paragraph (c.2):**

(c.21) the amount of a taxpayer’s flow-through critical mineral mining expenditure for a taxation year is deemed to be the amount of the taxpayer’s flow-through critical mineral mining expenditure for the year as otherwise determined less the amount of any government assistance or non-government assistance in respect of expenses included in determining the taxpayer’s flow-through critical mineral mining expenditure for the year that, at the time of the filing of the taxpayer’s return of income for the year, the taxpayer has received, is entitled to receive or can reasonably be expected to receive;

**(7) Subsections (1) to (6) are deemed to have come into force on April 7, 2022.**

**3 (1) Paragraph 152(4)(b) of the Act is amended by adding the following after subparagraph (v):**

(v.1) is made in respect of an amount deducted under subsection 127(5) in respect of a *flow-through critical mineral mining expenditure* as defined in subsection 127(9),

**(2) Subsection (1) is deemed to have come into force on April 7, 2022.**

## Flow-Through Shares for Oil, Gas and Coal Activities

### Income Tax Act

**1 (1) Paragraph 66(12.6)(a) of the Act is replaced by the following:**

(a) the assistance that the corporation has received, is entitled to receive or can reasonably be expected to receive at any time, and that can reasonably be related to the specified expenses or to Canadian exploration activities to which the specified expenses relate (other than assistance that can reasonably be related to expenses referred to in any of paragraphs (b) to (b.2)),

**(2) Subsection 66(12.6) of the Act is amended by striking out “and” at the end of paragraph (b.1) and by adding the following after the paragraph:**

(b.2) if the agreement is made after March 2023, all specified expenses that are not described in paragraph (b) or (b.1) and that would be Canadian exploration expenses if

(i) the definition *Canadian exploration expense* in subsection 66.1(6) were read without reference to its paragraph (g.1), and

(ii) the definition *mineral resource* in subsection 248(1) were read without reference to its paragraphs (a) and (d), and

**(3) Paragraph 66(12.62)(a) of the Act is replaced by the following:**

(a) the assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive at any time, and that can reasonably be related to the specified expenses or to Canadian development activities to which the specified expenses relate (other than assistance that can reasonably be related to expenses referred to in any of paragraphs (b) to (b.2)),

**(4) Subsection 66(12.62) of the Act is amended by striking out “and” at the end of paragraph (b.1) and by adding the following after paragraph (b.1):**

(b.2) if the agreement is made after March 2023, all specified expenses that are not described in paragraph (b) or (b.1) and that would be Canadian development expenses if the definition *mineral resource* in subsection 248(1) were read without reference to its paragraphs (a) and (d), and

**(5) Subsections (1) and (3) apply in respect of flow-through share agreements made after March 2023.**

## Small Business Deduction

### Income Tax Act

**1 (1) The first formula in paragraph 125(5.1)(a) of the Act is replaced by the following:**

$$A \times B / \underline{\$90,000}$$

**(2) Subsection (1) applies to taxation years that begin on or after April 7, 2022.**

## International Financial Reporting Standard for Insurance Contracts (IFRS 17)

### Income Tax Act

**1 (1) Subsection 18(9.02) of the Act is replaced by the following:**

**Application of subsection (9) to insurers**

(9.02) For the purpose of subsection (9), an outlay or expense made or incurred by an insurer in a taxation year on account of the acquisition of an insurance policy at any time prior to the issuance of the policy is deemed to be an expense incurred as consideration for services rendered in the particular year that the policy is issued.

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**2 (1) Subparagraphs 138(3)(a)(i) and (ii) of the Act are replaced by the following:**

(i) any amount that the insurer claims as a policy reserve for the year in respect of its groups of contracts at the end of the year that are life insurance policies in Canada, not exceeding the total of amounts that the insurer is allowed by regulation to deduct in respect of those groups,

**(2) Paragraph 138(4)(b) of the Act is replaced by the following:**

(b) the amount prescribed in respect of the insurer for the year in respect of its groups of contracts at the end of the year that are life insurance policies in Canada; and

**(3) The portion of subsection 138(11.92) of the Act before paragraph (c), and after paragraph (b), is replaced by the following:**

to a person (in this subsection referred to as the “purchaser”) and obligations in respect of the business or line of business, as the case may be, in respect of which a reserve may be claimed under subparagraph (3)(a)(i) or paragraph 20(7)(c) (in this subsection referred to as the “obligations”) were assumed by the purchaser, the following rules apply:

**(4) The definitions *base year*, *deposit accounting insurance policy*, *excluded policy*, *reserve transition amount* and *transition year* in subsection 138(12) of the Act are replaced by the following:**

***base year*** of an insurer means the insurer’s taxation year that immediately precedes its transition year; (*année de base*)

***deposit accounting insurance policy*** in respect of an insurer’s taxation year means an insurance policy of the insurer that, according to International Financial Reporting Standards, is not an insurance contract for that taxation year. (*police d’assurance à comptabilité de dépôt*)

***excluded policy*** in respect of an insurer’s base year means an insurance policy of the insurer that would be a deposit accounting insurance policy for the insurer’s base year if International Financial Reporting Standards applied for that base year. (*police exclue*)

***reserve transition amount*** of an insurer, in respect of an insurance business carried on by it in its transition year, means the positive or negative amount determined by the formula

$$A + B - C - D$$

where

**A** is the maximum amount that the insurer would be permitted to claim under subparagraph 138(3)(a)(i) for its base year in respect of a policy reserve for its groups of life insurance policies in Canada at the end of the base year if

(a) the International Financial Reporting Standards that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

(b) sections 1404 and 1406 of the Regulations were read in respect of the insurer’s base year as it reads in respect of its transition year;

**B** is the maximum amount that the insurer would be permitted to claim under paragraph 20(7)(c) for its base year in respect of a policy reserve for its groups of insurance policies at the end of the base year if

(a) the International Financial Reporting Standards that applied to the insurer in valuing its assets and liabilities for its transition year had applied to it for its base year, and

(b) sections 1400 and 1402 of the Regulations were read in respect of the insurer’s base year as it reads in respect of its transition year;

**C** is the maximum amount that the insurer is permitted to claim under subparagraphs 138(3)(a)(i) and (ii) (as they read in their application to taxation years that begin before 2023) as a policy reserve for its base year; and

**D** is the maximum amount that the insurer is permitted to claim under paragraph 20(7)(c) as a policy reserve for its base year. (*montant transitoire*)

***transition year*** of an insurer means the insurer’s first taxation year that begins after 2022. (*année transitoire*)

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

***contractual service margin*** for a group of insurance policies of an insurer, or a group of reinsurance contracts held by the insurer, at the end of a taxation year, means the greater of the amount of the contractual service margin

(a) that would be reported at the end of the taxation year in respect of the group of contracts if it were determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3) and cash flows in respect of funds withheld by the insurer,

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I; and

(b) that would be determined at the end of the taxation year in respect of the group of contracts in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if it was determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3) and cash flows in respect of funds withheld by the insurer,

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I. (*marge sur services contractuels*)

**group of insurance policies** and **group of reinsurance contracts** means a group of contracts, that only includes insurance policies or reinsurance contracts, as the case may be, determined according to International Financial Reporting Standards and is a group for the purpose of determining an amount or item of an insurer that is reported as at the end of the insurer's taxation year. (*groupe de polices d'assurance*) (*groupe de contrats de réassurance*)

**liability for incurred claims** for a group of insurance policies of an insurer at the end of a taxation year, means the lesser of the positive or negative amount of the liability for incurred claims under the group of insurance policies

(a) that would be reported at the end of the taxation year if the liability was determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3),

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I; and

(b) that would be determined at the end of the taxation year in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the liability was reported without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3),

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I. (*passif au titre des sinistres survenus*)

**liability for remaining coverage** for a group of insurance policies of an insurer at the end of a taxation year, means the lesser of the positive or negative amount of the liability for remaining coverage under the group of insurance policies

(a) that would be reported at the end of the taxation year if the liability was determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3),

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I; and

(b) that would be determined at the end of the taxation year in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the liability was determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3),

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I. (*passif au titre de la couverture restante*)

**policyholders' liabilities**, of an insurer at the end of a taxation year, means the amount or item reported as policyholders' liabilities as at the end of the year. (*obligation envers les titulaires de polices*)

**reinsurance contract held amount** for a group of reinsurance contracts held by an insurer at the end of a taxation year, means the lesser of the positive or negative amount for that group

(a) that would be reported at the end of the taxation year as an asset if the amount was determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3) and cash flows in respect of funds withheld by the insurer,

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I; and

(b) that would be determined at the end of the taxation year in accordance with International Financial Reporting Standards using reasonable assumptions in the circumstances if the amount was determined without reference to

(i) projected income, sales and capital taxes (other than the tax payable under Part XII.3) and cash flows in respect of funds withheld by the insurer,

(ii) amounts payable that are deductible for the taxation year, or a previous taxation year, in computing income under Part I, and

(iii) amounts receivable to the extent they have been included for the taxation year, or a previous taxation year, in computing income under Part I. (*montant au titre des contrats de réassurance détenus*)

**relevant authority** of an insurer means

(a) the Superintendent of Financial Institutions, if the insurer is required by law to report to the Superintendent of Financial Institutions; and

(b) in any other case, the Superintendent of Insurance or other similar officer or authority of the province under whose laws the insurer is incorporated. (*autorité compétente*)

**(6) Section 138 of the Act is amended by adding the following after subsection (12):**

### IFRS reference

**(12.1)** Except as otherwise provided, references to International Financial Reporting Standards in this section refer to the International Financial Reporting Standards adopted by the Accounting Standards Board and effective for years that begin on or after January 1, 2023.

### Amount or item reported

**(12.2)** A reference in subsections (12) and 138.1(1) of the Act and Parts XIV, XXIV and LXXXVI of the *Income Tax Regulations* to an amount or item that is reported, or that would be reported, of an insurer as at the end of a taxation year means

**(a)** if the insurer is the Canada Mortgage and Housing Corporation or a foreign affiliate of a taxpayer resident in Canada, the amount that is reported, or that would be reported, in its financial statements for the year if those statements were prepared in accordance with International Financial Reporting Standards;

**(b)** if paragraph (a) does not apply and reporting by the insurer to the insurer's relevant authority is required at the end of the year, an amount that is reported, or that would be reported, as at the end of the year, in the insurer's non-consolidated balance sheet accepted by the insurer's relevant authority;

**(c)** if paragraphs (a) and (b) do not apply and the insurer is, throughout the year, subject to the supervision of its relevant authority, an amount that is reported, or that would be reported, in a non-consolidated balance sheet that is prepared in a manner consistent with the requirements that would have applied had reporting to the insurer's relevant authority been required at the end of the year; and

**(d)** in any other case, nil.

### **(7) Subsections 138(16) to (17.1) of the Act are replaced by the following:**

#### Transition year income inclusion

**(16)** There shall be included in computing an insurer's income for its transition year from an insurance business carried on by it in the transition year, the positive amount, if any, of the insurer's reserve transition amount in respect of that insurance business.

#### Transition year income deduction

**(17)** There shall be deducted in computing an insurer's income for its transition year from an insurance business carried on by it in the transition year, the absolute value of the negative amount, if any, of the insurer's reserve transition amount in respect of that insurance business.

### IFRS transition – reversals

**(17.1)** In applying subsections (18) and (19) to an insurer for a taxation year of the insurer in respect of International Financial Reporting Standards,

**(a)** the reference to “policy reserve” in C of the formula in the definition *reserve transition amount* in subsection (12) is to be read as a reference to “policy reserve determined without reference to the insurer's excluded policies”; and

**(b)** element D of the formula in the definition *reserve transition amount* in subsection (12) is to be read as follows:

**D** is the amount determined by the formula

$$E - F$$

where

**E** is the maximum amount that the insurer is permitted to claim under paragraph 20(7)(c) as a policy reserve determined without reference to the insurer's excluded policies, and

**F** is the amount of policy acquisition costs of the insurer that is not deductible, but in the absence of subsection 18(9.02) (as it read in the base year) would have been deductible, in the base year or a preceding taxation year.

**(8) The portion of subsection 138(18) of the Act before the description of B is replaced by the following:**

**Transition year income inclusion reversal**

**(18)** If an amount has been included under subsection (16) in computing an insurer's income for its transition year from an insurance business carried on by it, there shall be deducted in computing the insurer's income, for each particular taxation year of the insurer that ends after the beginning of the transition year, from that insurance business, the amount determined by the formula

$$A \times B/1825$$

where

**A** is the amount included under subsection (16) in computing the insurer's income for the transition year from that insurance business; and

**(9) The portion of subsection 138(19) of the Act before the description of B is replaced by the following:**

**Transition year income deduction reversal**

**(19)** If an amount has been deducted under subsection (17) in computing an insurer's income for its transition year from an insurance business carried on by it, there shall be included in computing the insurer's income, for each particular taxation year of the insurer that ends after the beginning of the transition year, from that insurance business, the amount determined by the formula

$$A \times B/1825$$

where

**A** is the amount deducted under subsection (17) in computing the insurer's income for the transition year from that insurance business; and

**(10) Subsection 138(20) of the Act is replaced by the following:**

**Winding-up**

**(20)** If an insurer has, in a winding-up to which subsection 88(1) has applied, been wound-up into another corporation (referred to in this subsection as the "parent"), and immediately after the winding-up the parent carries on an insurance business, in applying subsections (18) and (19) in computing the income of the insurer and of the parent for particular taxation years that end on or after the first day (referred to in this subsection as the "start day") on which assets of the insurer were distributed to the parent on the winding-up,

**(a)** the parent is, on and after the start day, deemed to be the same corporation as and a continuation of the insurer in respect of

**(i)** any amount included under subsection (16) or deducted under subsection (17) in computing the insurer's income from an insurance business for its transition year,

**(ii)** any amount deducted under subsection (18) or included under subsection (19) in computing the insurer's income from an insurance business for a taxation year of the insurer that begins before the start day, and

**(iii)** any amount that would — in the absence of this subsection and if the insurer existed and carried on an insurance business on each day that is the start day or a subsequent day and on which the parent carries on an insurance business — be required to be deducted or included, in respect of any of those days, under subsection (18) or (19) in computing the insurer's income from an insurance business; and

**(b)** the insurer is, in respect of each of its particular taxation years, to determine the value for B in the formulas in subsections (18) and (19) without reference to the start day and days after the start day.

**(11) Subsection 138(21) of the Act is replaced by the following:**

**Amalgamations**

**(21)** If there is an amalgamation (within the meaning assigned by subsection 87(1)) of an insurer with one or more other corporations to form one corporation (referred to in this subsection as the “new corporation”), and immediately after the amalgamation the new corporation carries on an insurance business, in applying subsections (18) and (19) in computing the income of the new corporation for particular taxation years of the new corporation that begin on or after the day on which the amalgamation occurred, the new corporation is, on and after that day, deemed to be the same corporation as and a continuation of the insurer in respect of

**(a)** any amount included under subsection (16) or deducted under subsection (17) in computing the insurer’s income from an insurance business for its transition year;

**(b)** any amount deducted under subsection (18) or included under subsection (19) in computing the insurer’s income from an insurance business for a taxation year that begins before the day on which the amalgamation occurred; and

**(c)** any amount that would — in the absence of this subsection and if the insurer existed and carried on an insurance business on each day that is the day on which the amalgamation occurred or a subsequent day and on which the new corporation carries on an insurance business — be required to be deducted or included, in respect of any of those days, under subsection (18) or (19) in computing the insurer’s income from an insurance business.

**(12) The portion of subsection 138(22) of the Act before paragraph (a) is replaced by the following:**

**Application of subsection (23)**

**(22)** Subsection (23) applies if, at any time, an insurer (referred to in this subsection and subsection (23) as the “transferor”) transfers, to a corporation (referred to in this subsection and subsection (23) as the “transferee”) that is related to the transferor, property in respect of an insurance business carried on by the transferor (referred to in this subsection and subsection (23) as the “transferred business”) and

**(13) Paragraph 138(22)(b) of the Act is replaced by the following:**

**(b)** subsection 85(1) applies to the transfer, the transfer includes all or substantially all of the property and liabilities of the transferred business and, immediately after the transfer, the transferee carries on an insurance business.

**(14) Subparagraph 138(23)(a)(iii) of the Act is replaced by the following:**

**(iii)** any amount that would — in the absence of this subsection and if the transferor existed and carried on an insurance business on each day that includes that time or is a subsequent day and on which the transferee carries on an insurance business — be required to be deducted or included, in respect of any of those days, under subsection (18) or (19) in computing the transferor’s income that can reasonably be attributed to the transferred business; and

**(15) Subsection 138(24) of the Act is replaced by the following:**

**Ceasing to carry on business**

**(24)** If at any time an insurer ceases to carry on all or substantially all of an insurance business (referred to in this subsection as the “discontinued business”), and none of subsections (20) to (22) apply,

**(a)** there shall be deducted, in computing the insurer’s income from the discontinued business for the insurer’s taxation year that includes the time that is immediately before that time, the amount determined by the formula

$$A - B$$

where

**A** is the amount included under subsection (16) in computing the insurer’s income from the discontinued business for its transition year, and



**B** is the total of all amounts each of which is an amount deducted under subsection (18) in computing the insurer's income from the discontinued business for a taxation year that began before that time; and

**(b)** there shall be included, in computing the insurer's income from the discontinued business for the insurer's taxation year that includes the time that is immediately before that time, the amount determined by the formula

**C – D**

where

**C** is the amount deducted under subsection (17) in computing the insurer's income from the discontinued business for its transition year, and

**D** is the total of all amounts each of which is an amount included under subsection (19) in computing the insurer's income from the discontinued business for a taxation year that began before that time.

**(16) Subsection 138(25) of the Act is replaced by the following:**

**Ceasing to exist**

**(25)** If at any time an insurer that carried on an insurance business ceases to exist (otherwise than as a result of a winding-up or amalgamation described in subsection (20) or (21)), for the purposes of subsection (24), the insurer is deemed to have ceased to carry on the insurance business at the earlier of

**(a)** the time (determined without reference to this subsection) at which the insurer ceased to carry on the insurance business, and

**(b)** the time that is immediately before the end of the last taxation year of the insurer that ended at or before the time at which the insurer ceased to exist.

**(17) Subsection 138(26) of the Act is repealed.**

**(18) Subsections (1) to (17) apply to taxation years that begin after 2022.**

**3 (1) The portion of subsection 138.1(1) of the Act before paragraph (a) is replaced by the following:**

**Rules relating to segregated funds**

**138.1 (1)** In respect of life insurance policies for which all or any part of an insurer's reserves vary in amount depending on the fair market value of a specified group of properties that is reported to a *relevant authority* (as defined in subsection 138(12)) as a segregated fund (in this section referred to as a "segregated fund"), for the purposes of this Part, the following rules apply:

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**4 (1) The definition *transition year* in subsection 142.51(1) of the Act is replaced by the following:**

***transition year*** of a taxpayer means the taxpayer's first taxation year that begins after 2022. (*année transitoire*)

**(2) Subsections 142.51(2) and (3) of the Act are replaced by the following:**

**Transition year income inclusion**

**(2)** If a taxpayer is an insurer in its transition year, there shall be included in computing the taxpayer's income for its transition year the absolute value of the negative amount, if any, of the taxpayer's transition amount.

**Transition year income deduction**

**(3)** If a taxpayer is an insurer in its transition year, there shall be deducted in computing the taxpayer's income for its transition year the positive amount, if any, of the taxpayer's transition amount.

**(3) The portion of subsection 142.51(4) of the Act before the formula is replaced by the following:**

#### **Transition year income inclusion reversal**

**(4)** If an amount has been included under subsection (2) in computing a taxpayer's income for its transition year there shall be deducted in computing the taxpayer's income for each particular taxation year of the taxpayer that ends after the beginning of the transition year, and in which particular taxation year the taxpayer is an insurer, the amount determined by the formula

**(4) Subsection 142.51(5) of the Act before the formula is replaced by the following:**

#### **Transition year income deduction reversal**

**(5)** If an amount has been deducted under subsection (3) in computing a taxpayer's income for its transition year, there shall be included in computing the taxpayer's income, for each particular taxation year of the taxpayer ending after the beginning of the transition year, and in which particular taxation year the taxpayer is an insurer, the amount determined by the formula

**(5) The portion of subsection 142.51(6) of the Act before paragraph (a) is replaced by the following:**

#### **Winding-up**

**(6)** If a taxpayer has, in a winding-up to which subsection 88(1) has applied, been wound-up into another corporation (referred to in this subsection as the "parent"), and immediately after the winding-up the parent is an insurer, in applying subsections (4) and (5) in computing the income of the taxpayer and of the parent for particular taxation years that end on or after the first day (referred to in this subsection as the "start day") on which assets of the taxpayer were distributed to the parent on the winding-up,

**(6) Subparagraph 142.51(6)(a)(iii) of the Act is replaced by the following:**

**(iii)** any amount that would — in the absence of this subsection and if the taxpayer existed and was an insurer on each day that is the start day or a subsequent day and on which the parent is an insurer — be required to be deducted or included, in respect of any of those days, under subsection (4) or (5) in computing the taxpayer's income for its transition year; and

**(7) The portion of subsection 142.51(7) of the Act before paragraph (a) is replaced by the following:**

#### **Amalgamations**

**(7)** If there is an amalgamation (within the meaning assigned by subsection 87(1)) of a taxpayer with one or more other corporations to form one corporation (referred to in this subsection as the "new corporation"), and immediately after the amalgamation the new corporation is an insurer, in applying subsections (4) and (5) in computing the income of the new corporation for particular taxation years of the new corporation that begin on or after the day on which the amalgamation occurred, the new corporation is, on and after that day, deemed to be the same corporation as and a continuation of the taxpayer in respect of

**(8) Paragraph 142.51(7)(c) of the Act is replaced by the following:**

**(c)** any amount that would — in the absence of this subsection and if the taxpayer existed and was an insurer on each day that is the day on which the amalgamation occurred or a subsequent day and on which the new corporation is an insurer — be required to be deducted or included, in respect of any of those days, under subsection (4) or (5) in computing the taxpayer's income.

**(9) Paragraph 142.51(8)(b) of the Act is replaced by the following:**

**(b)** subsection 85(1) applies to the transfer, the transfer includes all or substantially all of the property and liabilities of the transferred business and, immediately after the transfer, the transferee is an insurer.

**(10) Subparagraph 142.51(9)(a)(iii) of the Act is replaced by the following:**

**(iii)** any amount that would — in the absence of this subsection and if the transferor existed and was an insurer on each day that includes that time or is a subsequent day and on which the transferee is an insurer — be required to

be deducted or included, in respect of any of those days, under subsection (4) or (5) in computing the transferor's income that can reasonably be attributed to the transferred business; and

**(11) Subsection 142.51(10) of the Act is repealed.**

**(12) The portion of subsection 142.51(11) of the Act before paragraph (a) is replaced by the following:**

**Ceasing to carry on a business**

**(11)** If at any time, a taxpayer ceases to be an insurer

**(13) The portion of subsection 142.51(12) of the Act before paragraph (b) is replaced by the following:**

**Ceasing to exist**

**(12)** If at any time a taxpayer ceases to exist (otherwise than as a result of a merger to which subsection 87(2) applies or a winding-up to which subsection 88(1) applies), for the purposes of subsection (11), the taxpayer is deemed to have ceased to be an insurer at the earlier of

(a) the time (determined without reference to this subsection) at which the taxpayer ceased to be an insurer, and

**(14) Section 142.51 of the Act is amended by adding the following after subsection (12):**

**Ceasing to be mark-to-market property**

**(13)** Subsection (13.1) applies to a taxpayer for a particular taxation year of the taxpayer if

(a) the taxpayer holds a transition property in the particular taxation year;

(b) the property was a mark-to-market property of the taxpayer for the taxation year preceding the particular taxation year; and

(c) the property is not a mark-to-market property of the taxpayer for the particular taxation year.

**Ceasing to be mark-to-market property**

**(13.1)** If this subsection applies to a taxpayer for a particular taxation year of the taxpayer, for purposes of this section

(a) the taxpayer is deemed to have ceased to be an insurer at the particular time that is the beginning of the particular taxation year; and

(b) the time immediately before the particular time shall be deemed to be the end of the taxation year that ends immediately before the particular taxation year.

**(15) Subsections (1) to (14) apply to taxation years that begin after 2022.**

**5 (1) Subsection 181(1) of the Act is amended by adding the following in alphabetical order:**

**contractual service margin** for a group of insurance policies of an insurer, or a group of reinsurance contracts held by the insurer, at the end of a taxation year, has the same meaning as in subsection 138(12). (*marge sur services contractuels*)

**group of insurance policies** and **group of reinsurance contracts** have the same meaning as in subsection 138(12). (*groupe de polices d'assurance*) (*groupe de contrats de réassurance*)

**policyholders' liabilities** of an insurer at the end of a taxation year has the same meaning as in subsection 138(12). (*obligation envers les titulaires de polices*)

**reinsurance contract held amount** for a group of reinsurance contracts held by an insurer at the end of a taxation year has the same meaning as in subsection 138(12). (*montant au titre des contrats de réassurance détenus*)

**(2) Subsection (1) applies to taxation years that begin after 2022**

**6 (1) Paragraphs 181.3(3)(b) and (c) of the Act are replaced by the following:**

**(b)** in the case of an insurance corporation that was resident in Canada at any time in the year and carried on a life insurance business at any time in the year, the amount determined by the formula

$$A + B + (0.9 \times C) - (0.9 \times D) - E$$

where

**A** is the amount of the corporation's long-term debt at the end of the year,

**B** is the total amount, at the end of the year, of the corporation's

**(i)** capital stock (or, in the case of an insurance corporation incorporated without share capital, the amount of its members' contributions),

**(ii)** retained earnings,

**(iii)** accumulated other comprehensive income,

**(iv)** policyholders' liabilities,

**(v)** contributed surplus, and

**(vi)** any other surpluses,

**C** is the total of all amounts each of which is the contractual service margin for a group of insurance policies of the corporation at the end of the year other than a group of segregated fund policies,

**D** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the corporation at the end of the year, that is

**(i)** if no portion of the contractual service margin for the group is in respect of a risk under a segregated fund policy, the contractual service margin for the group, and

**(ii)** in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion of the contractual service margin that is in respect of the reinsurance of risks under segregated fund policies, and

**E** is the amount of any deficit deducted in computing the shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year;

**(c)** in the case of an insurance corporation that was resident in Canada at any time in the year and throughout the year did not carry on a life insurance business, the amount determined by the formula

$$A + B + (0.9 \times C) - (0.9 \times D) + E - F - G$$

where

**A** is the amount of the corporation's long-term debt at the end of the year,

**B** is the total amount, at the end of the year, of the corporation's

**(i)** capital stock (or, in the case of an insurance corporation incorporated without share capital, the amount of its members' contributions),

**(ii)** retained earnings,

**(iii)** accumulated other comprehensive income,

**(iv)** policyholders' liabilities,

**(v)** contributed surplus, and

**(vi)** any other surpluses,

**C** is total of all amounts each of which is the contractual service margin for a group of insurance policies of the corporation at the end of the year that is in respect of

(i) non-cancellable or guaranteed renewable accident and sickness policies in respect of accident and sickness insurance (as defined in subsection 1408(1) of the Regulations),

(ii) mortgage insurance (as defined in subsection 1408(1) of the Regulations), or

(iii) title insurance (as defined in subsection 1408(1) of the Regulations),

**D** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the corporation at the end of the year, that is

(i) the contractual service margin for the group, if no portion of the contractual service margin is in respect of a risk under an insurance policy other than an insurance policy that is in respect of

(A) non-cancellable or guaranteed renewable accident and sickness policies in respect of accident and sickness insurance (as defined in subsection 1408(1) of the Regulations),

(B) mortgage insurance (as defined in subsection 1408(1) of the Regulations), or

(C) title insurance (as defined in subsection 1408(1) of the Regulations), and

(ii) in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion that is in respect of the reinsurance of risks under policies other than those described in any of clauses (i)(A) to (C),

**E** is the amount of its reserves for the year, except to the extent that they

(i) were deducted in computing its income under Part I for the year, or

(ii) are reserves in respect of the contractual service margin for a group of insurance policies of the corporation at the end of the year,

**F** is the total of all amounts each of which is the reinsurance contract held amount for a group of reinsurance contracts held by the corporation at the end of the year, to the extent the amount can be reasonably regarded as being included in the amount determined under element E, and

**G** is the amount of any deficit deducted in computing the shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year;

**(2) Subparagraph 181.3(3)(d)(iv) of the Act is amended by adding “and” to the end of clause (C) and by replacing clauses (D) to (F) with the following:**

**(F)** is the total of all amounts each of which is the reinsurance contract held amount for a group of reinsurance contracts held by the corporation at the end of the year, to the extent the amount can be reasonably regarded as being included in the amount determined under clause (A); and

**(3) Subsections (1) and (2) apply to taxation years that begin after 2022.**

**7 (1) Subsection 190(1) of the Act is amended by adding the following in alphabetical order:**

**contractual service margin** for a group of insurance policies of an insurer, or a group of reinsurance contracts held by the insurer, at the end of a taxation year, has the same meaning as in subsection 138(12). (*marge sur services contractuels*)

**group of insurance policies** and **group of reinsurance contracts** have the same meaning as in subsection 138(12). (*groupe de polices d'assurance*) (*groupe de contrats de réassurance*)

**policyholders' liabilities** of an insurer at the end of a taxation year has the same meaning as in subsection 138(12). (*obligation envers les titulaires de polices*)

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**8 (1) Paragraph 190.13(b) of the Act is replaced by the following:**

**(b)** in the case of a life insurance corporation that was resident in Canada at any time in the year, the amount determined by the formula

$$A + B + (0.9 \times C) - (0.9 \times D) - E$$

where

**A** is the amount of the corporation's long-term debt at the end of the year,

**B** is the total amount, at the end of the year, of the corporation's

**(i)** capital stock (or, in the case of an insurance corporation incorporated without share capital, the amount of its members' contributions),

**(ii)** retained earnings,

**(iii)** accumulated other comprehensive income,

**(iv)** policyholders' liabilities,

**(v)** contributed surplus, and

**(vi)** any other surpluses,

**C** is the total of all amounts each of which is the contractual service margin for a group of insurance policies of the corporation at the end of the year other than a group of segregated fund policies,

**D** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the corporation at the end of the year, that is

**(i)** if no portion of the contractual service margin for the group is in respect of a risk under a segregated fund policy, the contractual service margin for the group, and

**(ii)** in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion that is in respect of the reinsurance of risk under a segregated fund policy, and

**E** is the amount of any deficit deducted in computing the shareholders' equity (including, for this purpose, the amount of any provision for the redemption of preferred shares) at the end of the year;

**(2) Subsection (1) applies to taxation years that begin after 2022.**

## Income Tax Regulations

**9 (1) Paragraphs 309.1(b) and (c) of the Regulations are replaced by the following:**

**(b)** there shall be included the insurer's maximum tax actuarial reserve for the immediately preceding taxation year in respect of participating life insurance policies in Canada;

**(c)** there shall not be included any amount in respect of the insurer's participating life insurance policies in Canada that was deducted under subparagraph 138(3)(a)(i) of the Act in computing its income for the immediately preceding taxation year;

**(2) Paragraph 309.1(e) of the Regulations is replaced by the following:**

**(e)** there shall be deducted the insurer's maximum tax actuarial reserve for the year in respect of participating life insurance policies in Canada;

**(3) Paragraph 309.1(g) of the Regulations is replaced by the following:**

**(g)** except as otherwise provided in paragraph (e), no deduction shall be made in respect of a reserve deductible under subparagraph 138(3)(a)(i) of the Act in computing the insurer's income for the year; and

**(4) Subsection (1) applies to taxation years that begin after 2023.**

**(5) Subsections (2) and (3) apply to taxation years that begin after 2022.**

**10 (1) Subsection 1400(3) of the Regulations is replaced by the following:**

**(3)** For the purposes of paragraphs (1)(a) and (2)(a), the amount determined under this subsection in respect of an insurer for a taxation year is the positive or negative amount determined by the formula

$$A + B + (0.95 \times C) - (0.9 \times D) + E + F + G - (H - (0.9 \times I))$$

where

**A** is the total of all amounts each of which is the liability for remaining coverage for a group of insurance policies of the insurer at the end of the year other than a group of life insurance policies;

**B** is the total of all amounts each of which is an amount, in respect of a group of insurance policies of the insurer at the end of the year other than a group of life insurance policies, that is

**(a)** the liability for incurred claims for the group, if no portion of the liability for incurred claims is in respect of insurance policies other than insurance policies in respect of which

**(i)** a claim that was incurred before the end of the year has been reported to the insurer before the end of the year,

**(ii)** the claim is in respect of damages for personal injury or death, and

**(iii)** the insurer has agreed to a structured settlement of the claim, and

**(b)** in any other case, the amount that would be the liability for incurred claims for the group if the liability for incurred claims were determined excluding insurance policies other than insurance policies that meet the conditions in subparagraphs (a)(i) to (iii);

**C** is the total of all amounts each of which is an amount, in respect of a group of insurance policies of the insurer at the end of the year other than a group of life insurance policies, that is

**(a)** the liability for incurred claims for the group, if no portion of the liability for incurred claims is in respect of insurance policies that meet the conditions in subparagraphs (a)(i) to (iii) of element B; and

**(b)** in any other case, the amount that would be the liability for incurred claims for the group if the liability for incurred claims were determined excluding insurance policies that meet the conditions in subparagraphs (a)(i) to (iii) of element B;

**D** is the total of all amounts each of which is the contractual service margin for a group of insurance policies of the insurer at the end of the year that is in respect of

**(a)** non-cancellable or guaranteed renewable accident and sickness policies that are in respect of accident and sickness insurance,

**(b)** mortgage insurance, or

**(c)** title insurance;

**E** is an amount in respect of policies that insure a fidelity risk, a surety risk, a nuclear risk, or a risk related to a financial loss of a lender on a loan made on the security of real property, equal to the lesser of

**(a)** the total of the reported reserves of the insurer at the end of the year in respect of such risks (other than an amount included in A, B, C, D or F), and

**(b)** a reasonable amount as a reserve determined as at the end of the year in respect of such risks (other than an amount included in A, B, C, D or F);

**F** is the amount of a guarantee fund at the end of the year provided for under an agreement in writing between the insurer and Her Majesty in right of Canada under which Her Majesty has agreed to guarantee the obligations of the insurer under a policy that insures a risk related to a financial loss of a lender on a loan made on the security of real property;

**G** is an amount in respect of policies that insure earthquake risks in Canada equal to the lesser of

(a) the portion of the reported reserve of the insurer at the end of the year in respect of those risks that is attributable to accumulations from premiums in respect of those risks (other than an amount included in A, B, C, D, E or F), and

(b) a reasonable amount as a reserve determined at the end of the year in respect of those risks (other than an amount included in A, B, C, D, E or F);

**H** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of a risk under life insurance policies, the reinsurance contract held amount for the group, and

(b) in any other case, the amount that would be the reinsurance contract held amount for the group if the amount were determined excluding any portion of that amount that is in respect of the reinsurance of a risk under life insurance policies; and

**I** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) if no portion of the contractual service margin for the group is in respect of the reinsurance of a risk under a policy other than a policy described in paragraph (a), or a policy in respect of insurance described in paragraph (b) or (c) of element D, the contractual service margin for the group, and

(b) in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion of the contractual service margin other than that portion that is in respect of the reinsurance of a risk under a policy described in paragraph (a), and a policy in respect of insurance described in paragraph (b) or (c) of element D.

**(2) Subsection 1400(4) of the Regulations is repealed.**

**(3) Subsections (1) and (2) apply to taxation years that begin after 2022.**

**11 (1) Section 1402 of the Regulations is replaced by the following:**

**1402** Any amount determined under

(a) section 1401 shall be determined net of relevant reinsurance recoverable amounts; and

(b) section 1400 or 1401 shall be determined without reference to any amount in respect of a deposit accounting insurance policy.

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**12 (1) The portion of subsection 1404(1) of the Regulations before paragraph (a) is replaced by the following:**

**1404 (1)** For the purpose of subparagraph 138(3)(a)(i) of the Act, there may be deducted, in computing a life insurer's income from carrying on its life insurance business in Canada for a taxation year in respect of its groups of contracts at the end of the year that are life insurance policies in Canada, the amount the insurer claims, not exceeding

**(2) The portion of subsection 1404(2) of the Regulations before paragraph (a) is replaced by the following:**

(2) For the purpose of paragraph 138(4)(b) of the Act, the amount prescribed in respect of an insurer for a taxation year, in respect of its groups of contracts at the end of the year that are life insurance policies in Canada, is

**(3) Subsection 1404(3) of the Regulations is replaced by the following:**



**(3)** For the purposes of paragraphs (1)(a) and (2)(a), the amount determined under this subsection in respect of an insurer for a taxation year, for groups of life insurance policies in Canada of the insurer at the end of the year, is the positive or negative amount determined by the formula

$$A + B - (0.9 \times C) - (D - (0.9 \times E))$$

where

**A** is the total of all amounts each of which is the liability for remaining coverage for a group of life insurance policies in Canada of the insurer at the end of the year;

**B** is the total of all amounts each of which is the liability for incurred claims for a group of life insurance policies in Canada of the insurer at the end of the year;

**C** is the total of all amounts each of which is the contractual service margin for a group of life insurance policies in Canada (other than a group of segregated fund policies) of the insurer at the end of the year;

**D** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of a risk under an insurance policy other than a life insurance policy in Canada, the reinsurance contract held amount for the group; and

**(b)** in any other case, the amount that would be the reinsurance contract held amount for the group if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under an insurance policy other than a life insurance policy in Canada; and

**E** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** if no portion of the contractual service margin for the group is in respect of the reinsurance of a risk under an insurance policy other than a life insurance policy in Canada that is not a segregated fund policy, the contractual service margin for the group; and

**(b)** in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion that is in respect of the reinsurance of a risk under insurance policies other than a life insurance policy in Canada that is not a segregated fund policy.

**(4) Subsections (1) to (3) apply to taxation years that begin after 2022.**

**13 (1) Section 1405 of the Regulations is repealed.**

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**14 (1) The portion of section 1406 of the Regulations before paragraph (b) is replaced by the following:**

**1406** Any amount determined under section 1404 shall be determined

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**15 (1) Section 1407 of the Regulations is replaced by the following:**

**1407** For greater certainty, any amount referred to in or determined under section 1404 may be equal to, or less than, nil.

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**16 (1) The definitions *claim liability*, *extended motor vehicle warranty*, *general amending provision*, *policy liability*, *post-1995 life insurance policy*, *post-1995 non-cancellable or guaranteed renewable accident and sickness policy*, *pre-1996 life insurance policy*, *pre-1996 non-cancellable or guaranteed renewable accident and sickness policy* and *reinsurance commission* in subsection 1408(1) of the Regulations are repealed.**

**(2) The definitions *relevant authority* and *reported reserve* in subsection 1408(1) of the Regulations are replaced by the following:**

***relevant authority*** of an insurer has the same meaning as in subsection 138(12) of the Act. (*autorité compétente*)

***reported reserve*** of an insurer at the end of a taxation year in respect of a policy that insures an earthquake risk in Canada, or a fidelity risk, a nuclear risk or a risk related to a financial loss of a lender on a loan made on the security of real property, means the amount equal to the positive or negative amount of the reserve reported at the end of the year. (*provision déclarée*)

**(3) Subsection 1408(1) of the Regulations is amended by adding the following in alphabetical order:**

***accident and sickness insurance*** has the same meaning as in the Schedule to the *Insurance Companies Act*. (*assurance accident et maladie*)

***contractual service margin*** for a group of insurance policies of an insurer, or a group of reinsurance contracts held by the insurer, at the end of a taxation year, has the same meaning as in subsection 138(12) of the Act. (*marge sur services contractuels*)

***group of insurance policies*** and ***group of reinsurance contracts*** have the same meaning as in subsection 138(12) of the Act. (*groupe de polices d'assurance*) (*groupe de contrats de réassurance*)

***liability for incurred claims*** for a group of insurance policies of an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act. (*passif au titre des sinistres survenus*)

***liability for remaining coverage*** for a group of insurance policies of an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act. (*passif au titre de la couverture restante*)

***mortgage insurance*** has the same meaning as in the Schedule to the *Insurance Companies Act*. (*assurance hypothécaire*)

***reinsurance contract held amount*** for a group of reinsurance contracts held by an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act. (*montant au titre des contrats de réassurance détenus*)

***title insurance*** has the same meaning as in the Schedule to the *Insurance Companies Act*. (*assurance de titres*)

**(4) Subsections 1408(2), (4), (7) and (8) of the Regulations are repealed.**

**(5) Subsections (1) to (4) apply to taxation years that begin after 2022.**

**17 (1) The definitions *Canadian outstanding premiums*, *foreign policy loan*, *mean Canadian outstanding premiums*, *mean policy loans*, *outstanding premiums* and *reinsurance recoverable* in subsection 2400(1) of the Regulations are repealed.**

**(2) The definition “Canadian investment property” in subsection 2400(1) of the Regulations is amended by striking out “; or” at the end of paragraph (h), adding “.” at the end of paragraph (h) and repealing paragraph (i).**

**(3) The definition “investment property” in subsection 2400(1) of the Regulations is amended by adding “or” at the end of paragraph (c), striking out “; or” at the end of paragraph (d), adding “.” at the end of paragraph (d) and repealing paragraph (e).**

**(4) The definitions *Canadian reserve liabilities*, *property and casualty surplus*, *weighted Canadian liabilities* and *weighted total liabilities* in subsection 2400(1) of the Regulations are replaced by the following:**

**Canadian reserve liabilities** of an insurer at the end of a taxation year means the amount determined by the formula

$$A - (0.9 \times B) - (C - (0.9 \times D))$$

where

**A** is the total of the insurer's liabilities and reserves including liabilities for segregated fund guarantees (other than policyholders' liabilities or a liability for an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply) as at the end of the year in respect of

(a) life insurance policies in Canada;

(b) fire insurance policies issued or effected in respect of property situated in Canada; and

(c) insurance policies of any other class covering risks ordinarily within Canada at the time the policy was issued or effected;

**B** is the total of all amounts each of which is, in respect of a group of insurance policies of the insurer at the end of the year,

(a) the contractual service margin for the group, if no portion of the contractual service margin is in respect of a policy other than a policy that meets the following conditions:

(i) it is described in any of paragraphs (a) to (c) of element A,

(ii) it is a

(A) life insurance policy in Canada,

(B) policy that insures risk in respect of a financial loss of a lender on a loan made on the security of real property,

(C) non-cancellable or guaranteed renewable accident and sickness policy in respect of accident and sickness insurance (as defined in subsection 1408(1)), or

(D) policy in respect of title insurance (as defined in subsection 1408(1)), and

(iii) it is not a segregated fund policy; and

(b) in any other case, the amount that would be the contractual service margin for the group, if the amount excluded the portion that is in respect of policies other than policies that meet the conditions in subparagraphs (a)(i) to (iii).

**C** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) the reinsurance contract held amount for the group, if no portion of the reinsurance contract held amount is in respect of the reinsurance of

(i) a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element B, or

(ii) an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

(b) in any other case, the amount that would be the reinsurance contract held amount for the group if the amount were determined excluding any portion that is in respect of the reinsurance of either

(i) a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element B, or

(ii) an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply; and

**D** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) if no portion of the contractual service margin for the group is in respect of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element B, the contractual service margin for the group, and

(b) in any other case, the amount that would be the contractual service margin for the group if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element B. (*passif de réserve canadienne*)

**property and casualty surplus** of an insurer for a taxation year means the amount determined by the formula

$$0.075 \times (A + B + C + D - E - F) + 0.5 \times (G + H)$$

where

**A** is the total of all amounts each of which is the liability for remaining coverage for a group of insurance policies of the insurer at the end of the year that is in respect of property and casualty insurance;

**B** is the total of all amounts each of which is the liability for remaining coverage for a group of insurance policies of the insurer at the end of the preceding taxation year that is in respect of property and casualty insurance;

**C** is the total of all amounts each of which is the liability for incurred claims for a group of insurance policies of the insurer at the end of the year that is in respect of property and casualty insurance;

**D** is the total of all amounts each of which is the liability for incurred claims for a group of insurance policies of the insurer at the end of the preceding taxation year that is in respect of property and casualty insurance;

**E** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of a risk under a policy other than a policy that is in respect of property and casualty insurance, the reinsurance contract held amount for the group, and

(b) in any other case, the amount that would be the reinsurance contract held amount for the group if the reinsurance contract held amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than policies in respect of property and casualty insurance;

**F** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the preceding taxation year, that is

(a) if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of a risk under a policy other than a policy that is in respect of property and casualty insurance, the reinsurance contract held amount for the group, and

(b) in any other case, the amount that would be the reinsurance contract held amount for the group if the reinsurance contract held amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than policies in respect of property and casualty insurance;

**G** is the insurer's investment valuation reserve as at the end of the year in respect of its property and casualty insurance business; and

**H** is the insurer's investment valuation reserve as at the end of its preceding taxation year in respect of its property and casualty insurance business. (*excédent provenant de l'assurance de dommages*)

**weighted Canadian liabilities** of an insurer as at the end of a taxation year means the amount determined by the formula

$$(3 \times A) + B$$

where

**A** is the amount determined by the formula

$$C - (0.9 \times D) - (E - (0.9 \times F))$$

where

**C** is the total of all amounts each of which is an amount in respect of an insurance business carried on by the insurer in Canada and that is reported as a liability (other than policyholders' liabilities or a liability for an obligation

to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply) as at the end of the year in respect of

- (a)** a life insurance policy in Canada (other than an annuity), or
- (b)** an accident and sickness insurance policy,

**D** is the total of all amounts each of which is an amount, in respect of a group of insurance policies of the insurer at the end of the year, that is

**(a)** the contractual service margin for the group, if no portion of the contractual service margin is in respect of a policy other than a policy that meets the following conditions:

- (i)** it is described in paragraph (a) or (b) of element C,
- (ii)** it is a

**(A)** life insurance policy, or

**(B)** non-cancellable or guaranteed renewable accident and sickness policy in respect of accident and sickness insurance (as defined in subsection 1408(1)), and

**(iii)** it is not a segregated fund policy; and

**(b)** in any other case, the amount that would be the contractual service margin for the group, if the amount were determined excluding any portion that is in respect of a policy other than a policy that meets the conditions in subparagraphs (a)(i) to (iii);

**E** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** the reinsurance contract held amount for the group, if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of

**(i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element D, or

**(ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

**(b)** in any other case, the amount that would be the reinsurance contract held amount for the group if the amount were determined excluding any portion that is in respect of the reinsurance of either

**(i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element D, or

**(ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

**F** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** if no portion of the contractual service margin for the group is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element D, the contractual service margin for the group, and

**(b)** in any other case, the amount that would be the contractual service margin for the group if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element D; and

**B** is the amount determined by the formula

$$G - (0.9 \times H) - (I - (0.9 \times J))$$

where

- G** is the total of all amounts each of which is an amount that is in respect of an insurance business carried on by the insurer in Canada and that is reported as a liability (other than policyholders' liabilities or a liability for an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply) as at the end of the year of the insurer except to the extent the liability is in respect of
- (a)** an insurance policy described in paragraph (a) or (b) of element C, or
  - (b)** a debt incurred or assumed by the insurer to acquire a property of the insurer,
- H** is the total of all amounts each of which is an amount, in respect of a group of insurance policies of the insurer at the end of the year, that is
- (a)** the contractual service margin for the group, if no portion of the contractual service margin is in respect of a policy other than a policy that meets the following conditions:
    - (i)** it is not described in paragraph (a) or (b) of element C,
    - (ii)** it is
      - (A)** a life insurance policy,
      - (B)** a policy in respect of mortgage insurance (as defined in subsection 1408(1)), or
      - (C)** a policy in respect of title insurance (as defined in subsection 1408(1)), and
    - (iii)** it is not a segregated fund policy; and
  - (b)** in any other case, the amount that would be the contractual service margin for the group, if the amount were determined excluding any portion that is in respect of a policy other than a policy that meets the conditions in subparagraphs (a)(i) to (iii);
- I** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is
- (a)** the reinsurance contract held amount for the group, if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of
    - (i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element H, or
    - (ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and
  - (b)** in any other case, the amount that would be the reinsurance contract held amount for the group, if the amount were determined excluding any portion that is in respect of the reinsurance of either
    - (i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element H, or
    - (ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and
- J** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is
- (a)** if no portion of the contractual service margin for the group is in respect of a risk under a policy other than a policy that meets the condition under subparagraphs (a)(i) to (iii) of element H, the contractual service margin for the group, and
  - (b)** in any other case, the amount that would be the contractual service margin for the group, if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element H. (*passif canadien pondéré*)

**weighted total liabilities** of an insurer as at the end of a taxation year means the amount determined by the formula

$$(3 \times A) + B$$

where

**A** is the amount determined by the formula

$$C - (0.9 \times D) - (E - (0.9 \times F))$$

where

**C** is the total of all amounts each of which is an amount in respect of an insurance business carried on by the insurer and that is reported as a liability (other than policyholders' liabilities or a liability for an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply) as at the end of the year in respect of

- (a)** a life insurance policy (other than an annuity), or
- (b)** an accident and sickness insurance policy,

**D** is the total of all amounts each of which is an amount, in respect of a group of insurance policies of the insurer at the end of the year, that is

**(a)** the contractual service margin for the group, if no portion of the contractual service margin is in respect of a policy other than a policy that meets the following conditions:

- (i)** it is described in paragraph (a) or (b) of element C,
- (ii)** it is a

**(A)** life insurance policy, or

**(B)** non-cancellable or guaranteed renewable accident and sickness policy in respect of accident and sickness insurance (as defined in subsection 1408(1)), and

**(iii)** it is not a segregated fund policy; and

**(b)** in any other case, the amount that would be the contractual service margin for the group, if the amount were determined excluding any portion that is in respect of a policy other than a policy that meets the conditions in subparagraphs (a)(i) to (iii);

**E** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** the reinsurance contract held amount for the group, if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of

**(i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element D, or

**(ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

**(b)** in any other case, the amount that would be the reinsurance contract held amount for the group if the amount were determined excluding any portion that is in respect of the reinsurance of either

**(i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element D, or

**(ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

**F** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** if no portion of the contractual service margin for the group is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element D, the contractual service margin for the group, and

**(b)** in any other case, the amount that would be the contractual service margin for the group if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element D; and

**B** is the amount determined by the formula

$$G - (0.9 \times H) - (I - (0.9 \times J))$$

where

**G** is the total of all amounts each of which is an amount that is in respect of an insurance business carried on by the insurer and that is reported as a liability (other than policyholders' liabilities or a liability for an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply) as at the end of the year of the insurer except to the extent the liability is in respect of

- (a)** an insurance policy described in paragraph (a) or (b) of element C, or
- (b)** a debt incurred or assumed by the insurer to acquire a property of the insurer,

**H** is the total of all amounts each of which is an amount, in respect of a group of insurance policies of the insurer at the end of the year, that is

**(a)** the contractual service margin for the group, if no portion of the contractual service margin is in respect of a policy other than a policy that meets the following conditions:

- (i)** it is not described in paragraph (a) or (b) of element C,
- (ii)** it is
  - (A)** a life insurance policy,
  - (B)** a policy in respect of mortgage insurance (as defined in subsection 1408(1)), or
  - (C)** a policy in respect of title insurance (as defined in subsection 1408(1)), and
- (iii)** it is not a segregated fund policy; and

**(b)** in any other case, the amount that would be the contractual service margin for the group, if the amount were determined excluding any portion that is in respect of a policy other than a policy that meets the conditions in subparagraphs (a)(i) to (iii);

**I** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** the reinsurance contract held amount for the group, if no portion of the reinsurance contract held amount for the group is in respect of the reinsurance of

- (i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element H, or
- (ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

**(b)** in any other case, the amount that would be the reinsurance contract held amount for the group, if the amount were determined excluding any portion that is in respect of the reinsurance of either

- (i)** a risk under a policy other than a policy that meets the condition under subparagraph (a)(i) of element H, or
- (ii)** an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

**J** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

**(a)** if no portion of the contractual service margin for the group is in respect of a risk under a policy other than a policy that meets the condition under subparagraphs (a)(i) to (iii) of element H, the contractual service margin for the group, and

**(b)** in any other case, the amount that would be the contractual service margin for the group, if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under a policy other than a policy that meets the conditions under subparagraphs (a)(i) to (iii) of element H. (*passif total pondéré*)



**(5) Subparagraph (a)(i) of the definition *Canadian investment fund* in subsection 2400(1) of the Regulations is replaced by the following:**

- (i) the amount of the insurer's Canadian reserve liabilities as at the end of the year (to the extent that the amount exceeds the amount of surplus appropriations included in that amount), and

**(6) Clause (a)(ii)(B) of the definition *Canadian investment fund* in subsection 2400(1) of the Regulations is replaced by the following:**

(B) the amount determined by the formula

$$(I - (0.9 \times I.1) - (J - (0.9 \times J.1)) + K + L) \times (M/N)$$

where

- I is the total of all amounts each of which is the amount of an item reported as an asset of the insurer as at the end of the year (other than an item that at no time in the year was used or held by the insurer in the course of carrying on an insurance business),
- I.1 is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is
  - (I) if no portion of the contractual service margin for the group is in respect of a risk under a segregated fund policy, the contractual service margin for the group, and
  - (II) in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion that is in respect of the reinsurance of a risk under a segregated fund policy; and
- J is the total of all amounts each of which is the amount of an item reported as a liability of the insurer (other than policyholders' liabilities or a liability that was at any time in the year connected with an asset that was not used or held by the insurer in the course of carrying on an insurance business at any time in the year) as at the end of the year in respect of an insurance business carried on by the insurer in the year,
- J.1 is the total of all amounts each of which is the contractual service margin for a group of insurance policies of the insurer at the end of the year (other than a group of segregated fund policies),
- K is the total of all amounts each of which is an amount of a deferred realized net gain or an amount expressed as a negative number of a deferred realized net loss of the insurer as at the end of the year,
- L is the total of all amounts each of which is an amount of an item reported by the insurer as at the end of the year as a general provision or allowance for impairment in respect of investment property of the insurer for the year,
- M is the amount of the insurer's weighted Canadian liabilities as at the end of the year, and
- N is the amount of the insurer's weighted total liabilities as at the end of the year; and

**(7) Subparagraph (b)(i) of the definition *Canadian investment fund* in subsection 2400(1) of the Regulations is replaced by the following:**

- (i) the amount of the insurer's Canadian reserve liabilities as at the end of the year, and

**(8) Subparagraph (b)(i) of the definition *equity limit* in subsection 2400(1) of the Regulations is replaced by the following:**

- (i) the insurer's mean Canadian reserve liabilities for the year, and

**(9) Subparagraph (c)(ii) of the definition *equity limit* in subsection 2400(1) of the Regulations is replaced by the following:**

(ii) 25% of the insurer's mean Canadian reserve liabilities for the year, and

**(10) Paragraphs (a) and (b) of the definition *value* in subsection 2400(1) of the Regulations are repealed.**

**(11) The portion of paragraph (c) of the definition “value” in subsection 2400(1) of the Regulations before subparagraph (i) is replaced by the following:**

(c) in the case of a property that was not owned by the owner throughout the year, the amount, if any, by which

**(12) Subsection 2400(1) of the Regulations is amended by adding the following in alphabetical order:**

***contractual service margin*** for a group of insurance policies of an insurer, or a group of reinsurance contracts held by the insurer, at the end of a taxation year, has the same meaning as in subsection 138(12) of the Act. (*marge sur services contractuels*)

***group of insurance policies*** and ***group of reinsurance contracts*** have the same meaning as in subsection 138(12) of the Act. (*groupe de polices d'assurance*) (*groupe de contrats de réassurance*)

***liability for incurred claims*** for a group of insurance policies of an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act. (*passif au titre des sinistres survenus*)

***liability for remaining coverage*** for a group of insurance policies of an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act (*passif au titre de la couverture restante*)

***policyholders' liabilities*** of an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act. (*obligation envers les titulaires de polices*)

***reinsurance contract held amount*** for a group of reinsurance contracts held by an insurer at the end of a taxation year has the same meaning as in subsection 138(12) of the Act. (*montant au titre des contrats de réassurance détenus*)

**(13) Subsection 2400(3) of the Regulations is repealed.**

**(14) Section 2400 of the Regulations is amended by adding the following after subsection (9):**

**(10)** A computation that is required to be made under this Part in respect of an insurer's taxation year that immediately precedes the first taxation year that begins after 2022 and that is relevant to a computation (in this subsection referred to as the “transition year computation”) that is required to be made under this Part in respect of the insurer's first taxation year that begins after 2022 shall, for the purposes only of the transition year computation, be made using the same definitions, rules and methodologies that are used in the transition year computation.

**(15) Subsections (1) to (13) apply to taxation years that begin after 2022.**

**(16) Subsection (14) comes into force on January 1, 2023.**

**18 (1) Paragraphs 2401(2)(a) to (c) of the Regulations are replaced by the following:**

**(a)** shall designate for a taxation year investment property of the insurer for the year with a total value for the year equal to the insurer's mean Canadian reserve liabilities for the year in respect of its life insurance business in Canada;

**(b)** shall designate for a taxation year investment property of the insurer for the year with a total value for the year equal to the insurer's mean Canadian reserve liabilities for the year in respect of its accident and sickness insurance business in Canada;

(c) shall designate for a taxation year in respect of the insurer's insurance business in Canada (other than a life insurance business or an accident and sickness insurance business) investment property of the insurer for the year with a total value for the year equal to the amount of the insurer's mean Canadian reserve liabilities for the year in respect of that business;

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**19 (1) The definition *total reserve liabilities* in section 8600 of the Regulations is replaced by the following:**

***total reserve liabilities*** of an insurer at the end of a taxation year means the amount determined by the formula

$$A - (0.9 \times B) - (C - (0.9 \times D))$$

where

**A** is the total of the insurer's liabilities and reserves including liabilities for segregated fund guarantees (other than policyholders' liabilities or a liability for an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply) as at the end of the year in respect of insurance policies, as determined for the purposes of the Superintendent of Financial Institutions, if the insurer is required by law to report to the Superintendent of Financial Institutions, or, in any other case, the superintendent of insurance or other similar officer or authority of the province under the laws of which the insurer is incorporated;

**B** is the total of all amounts each of which is the contractual service margin for a group of insurance policies (other than a group of segregated fund policies) of the insurer at the end of the year;

**C** is the total of all amounts each of which is an amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) the reinsurance contract held amount for the group, if there is no reinsurance contract held amount for the group that is in respect of the reinsurance of an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply, and

(b) in any other case, the amount that would be the reinsurance contract held amount for the group if the reinsurance contract held amount were determined excluding any portion that is in respect of the reinsurance of an obligation to pay a benefit under a segregated fund policy in respect of which subparagraphs 1406(b)(i) and (ii) apply; and

**D** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the insurer at the end of the year, that is

(a) if no portion of the contractual service margin for the group is in respect of a risk under a segregated fund policy, the contractual service margin for the group, and

(b) in any other case, the amount that would be the contractual service margin for the group if the contractual service margin were determined excluding any portion that is in respect of the reinsurance of a risk under a segregated fund policy. (*passif total de réserve*)

**(2) Subsection (1) applies to taxation years that begin after 2022.**

**20 (1) Subsections 8605(1) and (2) of the Regulations are replaced by the following:**

**8605 (1)** For the purposes of subclause 181.3(1)(c)(ii)(A)(II) and clause 190.11(b)(i)(B) of the Act, the amount prescribed in respect of a particular corporation for a taxation year ending at a particular time is the total of all amounts each of which is the amount determined in respect of a corporation that is, at the particular time, a foreign insurance subsidiary of the particular corporation, determined by the formula

$$A - B$$

where

**A** is the amount determined by the formula

$$C + D + (0.9 \times E) - (0.9 \times F) - G$$

where

**C** is the amount of the subsidiary's long-term debt at the end of the subsidiary's last taxation year ending at or before the particular time (in this subsection described as the "last taxation year"),

**D** is the total amount at the end of the subsidiary's last taxation year, of the subsidiary's

**(a)** capital stock (or, in the case of an insurance corporation incorporated without share capital, the amount of its members' contributions),

**(b)** retained earnings,

**(c)** accumulated other comprehensive income,

**(d)** policyholders' liabilities,

**(e)** contributed surplus, and

**(f)** any other surpluses,

**E** is total of all amounts each of which is the contractual service margin for a group of insurance policies of the subsidiary at the end of the subsidiary's last taxation year other than a group of segregated fund policies,

**F** is the total of all amounts each of which is the amount, in respect of a group of reinsurance contracts held by the subsidiary at the end of the subsidiary's last taxation year, that is

**(a)** if no portion of the contractual service margin for the group is in respect of a risk under a segregated fund policy, the contractual service margin for the group, and

**(b)** in any other case, the amount that would be the contractual service margin for the group if the amount were determined excluding any portion that is in respect of the reinsurance of a risk under a segregated fund policy, and

**G** is the amount of any deficit deducted in computing the subsidiary's shareholders' equity at the end of the subsidiary's last taxation year; and

**B** is the amount determined by the formula

$$H + I$$

where

**H** is the total of all amounts each of which is the carrying value to its owner at the particular time for the taxation year that includes the particular time of a share of the subsidiary's capital stock or its long term debt that is owned at the particular time by

**(a)** the particular corporation,

**(b)** a subsidiary of the particular corporation,

**(c)** a corporation

**(i)** that is resident in Canada,

**(ii)** that carried on a life insurance business in Canada at any time in its taxation year ending at or before the particular time, and

**(iii)** that is

**(A)** a corporation of which the particular corporation is a subsidiary, or

**(B)** a subsidiary of a corporation described in clause (A), or

**(d)** a subsidiary of a corporation described in paragraph (c), and

**I** is the total of all amounts each of which is an amount included under element A in respect of any surplus of the subsidiary contributed by a corporation described in paragraphs (a) to (d) of element H, other than an amount included under element H.

(2) For the purposes of subclause 181.3(1)(c)(ii)(A)(III) and clause 190.11(b)(i)(C) of the Act, the amount prescribed in respect of a particular corporation for a taxation year ending at a particular time is the total of all amounts each of which is the amount determined in respect of a corporation that is, at the particular time, a foreign insurance subsidiary of the particular corporation, determined by the formula

$$A - B$$

where

A is the amount determined for B in subsection (1) in respect of the subsidiary, and

B is the amount determined for A in subsection (1) in respect of the subsidiary.

**(2) Subsection (1) applies to taxation years that begin after 2022.**

## Hedging and Short Selling by Canadian Financial Institutions

### Income Tax Act

**1 (1) Paragraph (c) of the definition *dividend rental arrangement* in subsection 248(1) of the Act is replaced by the following:**

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

(c) any synthetic equity arrangement (other than a specified hedging transaction), in respect of a DRA share of the person, and

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

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

(a) it is entered into by

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

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

(b) it has the effect, or would have the effect if the transaction or series were entered into by the particular person, of eliminating all or substantially all of the particular person’s risk of loss and opportunity for gain or profit in respect of the DRA share, determined without regard to any other transaction or series entered into in respect of the DRA share,

(c) if paragraph 260(6)(a) were read without reference to subsection 260(6.2), an amount in respect of the transaction or series would be deductible by the particular person or the connected dealer under paragraph 260(6)(a), and

(d) if the transaction or series is entered into by the connected dealer, it can reasonably be considered that the particular person or connected dealer knew or ought to have known that the effect described in paragraph (b) would result; (*opération de couverture déterminée*)

**(3) Subsections (1) and (2) apply in respect of dividends that are paid or become payable on or after April 7, 2022. However, subsections (1) and (2) do not apply in respect of dividends paid or payable before October 2022, if the specified hedging transaction was entered into before April 7, 2022.**

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

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

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

**Deductible amount for registered securities dealer**

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

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

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

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

**Dividend refund**

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

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

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

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

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

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

**(5) Subsections (1) to (4) apply in respect of amounts paid or credited on or after April 7, 2022.**

# Application of the General Anti-Avoidance Rule to Tax Attributes

## Income Tax Act

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

#### **Determination under subsection 245(2)**

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

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

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

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

**(2) Subsection (1) applies in respect of determinations made on or after April 7, 2022. For greater certainty, determinations made under subsection 152(1.11) of the Act prior to April 7, 2022 continue to be binding, to the extent provided under subsection 152(1.3) of the Act.**

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

***tax benefit*** means

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

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

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

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

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

***tax consequences***, to a person, means

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

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

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

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

**(a) on or after April 7, 2022; or**

**(b) before April 7, 2022 if a determination is made under subsection 152(1.11) of the Act on or after April 7, 2022 in respect of the transaction.**

## Substantive CCPCs

### Income Tax Act

**1 (1) The definition *capital dividend account* in subsection 89(1) of the Act is amended by striking out “and” at the end of paragraph (f), by adding “and” at the end of paragraph (g) and by adding the following after paragraph (g):**

(h) the total of all amounts each of which is, if the corporation was a Canadian-controlled private corporation throughout the year or a substantive CCPC at any time in the year,

(i) an amount deductible under paragraph 113(1)(a.1) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under sub-subclause 113(1)(a.1)(ii)(A)(II)1. in respect of the dividend, and

(ii) the total of the amounts deductible under paragraphs 113(1)(b) and (c) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under clause 113(1)(c)(i)(A) in respect of the dividend,

**(2) Paragraph (b) of variable E of the definition *general rate income pool* in subsection 89(1) of the Act is replaced by the following:**

(b) in the case of

(i) a Canadian-controlled private corporation, an amount deductible under paragraphs 113(1)(a) or (d) or subsection 113(2) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of non-business income tax (within the meaning of subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend, and

(ii) a deposit insurance corporation,

(A) an amount deductible under paragraphs 113(1)(a) or (d) or subsection 113(2) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of non-business income tax (within the meaning of subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend,

(B) an amount deductible under paragraph 113(1)(a.1) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under sub-subclause 113(1)(a.1)(ii)(A)(II)1. in respect of the dividend, and

(C) the total of the amounts deductible under paragraphs 113(1)(b) and (c) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under clause 113(1)(c)(i)(A) in respect of the dividend;

**(3) Subparagraph (b)(i) of variable E of the definition *general rate income pool* in subsection 89(1) of the Act is replaced by the following:**

(i) a Canadian-controlled private corporation, an amount deductible under paragraph 113(1)(a) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of non-business income tax (within the meaning of subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend, and

**(4) Clause (b)(ii)(A) of variable E of the definition *general rate income pool* in subsection 89(1) of the Act is replaced by the following:**



**(A)** an amount deductible under paragraph 113(1)(a) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of non-business income tax (within the meaning of subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend,

**(5) Paragraph (a) of variable D of the definition *low rate income pool* in subsection 89(1) of the Act is replaced by the following:**

**(a)** if the non-CCPC was a ***substantive CCPC*** at any time in its preceding taxation year or would, but for paragraph (d) of the definition ***Canadian-controlled private corporation*** in subsection 125(7), be a ***Canadian-controlled private corporation*** in its preceding taxation year, 80% of its ***aggregate investment income*** for its preceding taxation year, and

**(6) Variable G of the definition *low rate income pool* in subsection 89(1) of the Act is replaced by the following:**

**G** is the total of all amounts each of which is a taxable dividend (other than an eligible dividend, a capital gains dividend within the meaning assigned by subsection 130.1(4) or 131(1) or a taxable dividend deductible by the non-CCPC under subsection 130.1(1) in computing its income for the particular taxation year or for its preceding taxation year) that became payable by the non-CCPC

**(a)** in the particular taxation year but before the particular time, or

**(b)** in the preceding taxation year, but only to the extent of the lesser of

**(i)** the amount included under D in the particular taxation year, and

**(ii)** the portion of the taxable dividend that did not reduce the non-CCPC's low rate income pool in the preceding taxation year, and

**(7) Subsections (1), (2), (5) and (6) apply to taxation years that begin on or after April 7, 2022.**

**(8) Subsections (3) and (4) apply to taxation years that begin on or after Announcement Date.**

**2 (1) The portion of paragraph (a) before the formula in the definition *relevant tax factor* in subsection 95(1) of the Act is replaced by the following:**

**(a)** in the case of a corporation (other than a Canadian-controlled private corporation or a corporation that is a substantive CCPC at any time in the year), or of a partnership all the members of which, other than non-resident persons, are corporations (other than Canadian-controlled private corporations or corporations that are substantive CCPCs at any time in the year), the quotient obtained by the formula

**(2) Subsection (1) applies to taxation years that begin on or after April 7, 2022.**

**3 (1) The portion of section 123.3 of the Act before paragraph (a) is replaced by the following:**

#### **Refundable tax on CCPC's investment income**

**123.3** There shall be added to the tax otherwise payable under this Part for each taxation year by a corporation that is a Canadian-controlled private corporation throughout the year or a substantive CCPC at any time in the year, an amount equal to 10 2/3% of the lesser of

**(2) Subsection (1) applies to taxation years that end on or after April 7, 2022.**

**4 (1) The portion of paragraph (b) of the definition *full rate taxable income* in subsection 123.4(1) of the Act before subparagraph (i) is replaced by the following:**

(b) if the corporation is a Canadian-controlled private corporation throughout the year or a substantive CCPC at any time in the year, the amount by which that portion of the corporation's taxable income for the year that is subject to tax under subsection 123(1) exceeds the total of

**(2) Subsection (1) applies to taxation years the end on or after April 7, 2022.**

**5 (1) Paragraph 129(1)(b) of the Act is replaced by the following:**

(b) shall, with all due dispatch, make the dividend refund after sending the notice of assessment if an application for it has been made in writing by the corporation within the period within which the Minister would be allowed

(i) under subsection 152(4) to assess tax payable under this Part by the corporation for the year if that subsection were read without reference to paragraph 152(4)(a), or

(ii) under subsection 152(4.31) to assess tax payable under Part IV by the corporation for the year if the Minister has assessed the corporation tax payable under that Part for the year under subsection 152(4.31).

**(2) The definition *eligible portion* in subsection 129(4) of the Act is replaced by the following:**

*eligible portion* of a corporation's taxable capital gains or allowable capital losses for a taxation year is the total of all amounts each of which is the portion of a taxable capital gain or an allowable capital loss, as the case may be, of the corporation for the year from a disposition of a property that, except where the property was a designated property (within the meaning assigned by subsection 89(1)), cannot reasonably be regarded as having accrued while the property, or a property for which it was substituted, was property of a corporation other than a Canadian-controlled private corporation, a substantive CCPC, an investment corporation, a mortgage investment corporation or a mutual fund corporation; (*fraction admissible*)

**(3) The portion of paragraph (a) of the definition *non-eligible refundable dividend tax on hand* in subsection 129(4) of the Act before subparagraph (i) is replaced by the following:**

(a) if the corporation was a Canadian-controlled private corporation throughout the year or a substantive CCPC at any time in the year, the least of

**(4) Subsections (1) to (3) apply to taxation years that end on or after April 7, 2022.**

**6 (1) The portion of subsection 152(3.1) of the Act before paragraph (a) is replaced by the following:**

**Definition of *normal reassessment period***

**(3.1)** For the purposes of subsections (4), (4.01), (4.2), (4.3), (4.31), (5) and (9), the normal reassessment period for a taxpayer in respect of a taxation year is

**(2) Section 152 of the Act is amended by adding the following after subsection (4.3):**

**Consequential assessment of Part IV tax**

**(4.31)** Notwithstanding subsections (4), (4.1) and (5), if a taxpayer in a taxation year receives a taxable dividend from a corporation that, as a result of having paid the dividend, is entitled to a dividend refund, the Minister may, within one year after the expiration of the normal reassessment period for the taxpayer in respect of the year, assess or reassess the tax, interest or penalties payable under Part IV of the Act by the taxpayer in respect of the taxable dividend.

**(3) Subsections (1) and (2) apply to assessments or reassessments of taxpayers for taxation years that end on or after April 7, 2022.**

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

***substantive CCPC*** means a private corporation (other than a Canadian-controlled private corporation) that

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

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

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

**Substantive CCPC – anti-avoidance**

**(43)** For the purposes of this Act, if it is reasonable to consider that one of the purposes of any transaction (as defined in subsection 245(1)), or series of transactions, is to cause a corporation that is resident in Canada (other than a Canadian-controlled private corporation or a corporation that is, in absence of this subsection, a substantive CCPC) to avoid tax otherwise payable under section 123.3 on the corporation’s aggregate investment income, the corporation is deemed to be a substantive CCPC from the time that the transaction or series of transactions commenced until the earliest time at which the corporation

(a) becomes a Canadian-controlled private corporation,

(b) is subject to a loss restriction event, or

(c) ceases to be resident in Canada;

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

**(a) taxation years of a corporation that begin on or after April 7, 2022, if**

**(i) the corporation’s first taxation year that ends on or after April 7, 2022 ends due to a loss restriction event caused by a sale of all or substantially all of the shares of a corporation to a purchaser before 2023,**

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

**(iii) the sale occurs pursuant to a written purchase and sale agreement entered into before April 7, 2022; and**

**(b) in any other case, taxation years that end on or after April 7, 2022.**

## Interest Coupon Stripping

### Income Tax Act

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

**Interest coupon stripping arrangement – conditions**

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

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

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

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

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

#### **Interest coupon stripping arrangement – application**

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

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

where

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

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

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

#### **Specified publicly offered debt obligation**

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

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

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

**(2) Subsection (1) applies in respect of interest that accrues on or after April 7, 2022 and is paid or payable by a taxpayer to an interest coupon holder in respect of a debt or other obligation owed to a non-arm's length creditor. However, subsection (1) does not apply to interest that accrues before April 7, 2023, if the interest is paid or payable**

**(a) in respect of a debt or other obligation incurred by the taxpayer before April 7, 2022; and**

**(b) to an interest coupon holder that deals at arm's length with the non-arm's length creditor and that acquired the entitlement to the interest as a consequence of an agreement or other arrangement entered into by the interest coupon holder, and evidenced in writing, before April 7, 2022.**

## Electronic Filing and Certification of Tax Information Returns

### Income Tax Act

**1 Subsection 8(10) of the Act is replaced by the following:**

#### **Certificate of employer**

(10) An amount otherwise deductible for a taxation year under paragraph (1)(c), (f), (h) or (h.1) or subparagraph (1)(i)(ii) or (iii) by a taxpayer shall not be deducted unless the taxpayer's employer confirms in prescribed form that the conditions set out in the applicable provision were met in the year in respect of the taxpayer, and the form is filed with the taxpayer's return of income for the year.

**2 (1) Subsections 150.1(2.2) and (2.3) of the Act are replaced by the following:**

**Definition of *tax preparer***

**(2.2)** In this section and subsection 162(7.3), *tax preparer*, for a calendar year, means a person or partnership who, in the year, accepts consideration to prepare more than five returns of income of corporations, more than five returns of income of individuals (other than trusts), or more than five returns of income of estates or trusts, but does not include an employee who prepares returns of income in the course of performing their duties of employment.

**Electronic filing – tax preparer**

**(2.3)** A tax preparer must file any return of income prepared by the tax preparer for consideration by way of electronic filing, except that five of the returns of corporations, five of the returns of individuals (other than trusts), and five of the returns of estates or trusts may be filed other than by way of electronic filing.

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

**Declaration**

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

**(3) Section 150.1 of the Act is amended by adding the following after subsection (4):**

**Electronic notice of assessment**

**(4.1)** Notwithstanding subsection 244(14.1), a notice of assessment in respect of a return of income for a taxation year of an individual is presumed to have been sent to the individual and received by the individual on the day that it is made available, using electronic means, to the individual, if

(a) the return of income is filed by way of electronic filing; and

(b) the individual has authorized that notices or other communications may be made available in this manner and has not before that date revoked that authorization in a manner specified by the Minister.

**(4) Subsection (1) and (3) come into force on January 1, 2024.**

**3 (1) The portion of subsection 153(1) of the Act after paragraph (u) is replaced by the following:**

must deduct or withhold from the payment the amount determined in accordance with prescribed rules and must, at the prescribed time, remit that amount to the Receiver General on account of the payee’s tax for the year under this Part or Part XI.3, as the case may be, and, where at that prescribed time the person is a prescribed person, the remittance must be made to the account of the Receiver General at or through a designated financial institution.

**(2) Subsection 153(1.4) of the Act is replaced by the following:**

**Exception – remittance to designated financial institution**

**(1.4)** For the purpose of subsection (1), a prescribed person referred to in that subsection is deemed to have remitted an amount to the account of the Receiver General at or through a designated financial institution if the prescribed person has remitted the amount to the Receiver General at least one day before the day upon which the amount is due.

**(3) Subsections (1) and (2) apply in respect of payments and remittances made after 2021.**

**4 (1) The Act is amended by adding the following after section 160.4:**

## Electronic Payments

### Definitions

**160.5 (1)** The following definitions apply in this section.

**designated financial institution** has the same meaning as in subsection 153(6). (*institution financière désignée*)

**electronic payment** means any payment or remittance to the Receiver General that is made through electronic services offered by a designated financial institution or by any electronic means specified by the Minister. (*paiement électronique*)

### Requirement – electronic payments

**(2)** The remittance or payment of an amount to the Receiver General must be made as an electronic payment if the amount of the remittance or payment exceeds \$10,000, unless the payor or remitter cannot reasonably remit or pay the amount in that manner.

**(2) Subsection (1) applies in respect of payments and remittances made after 2023.**

**5 (1) Paragraph 162(7.02)(a) of the Act is replaced by the following:**

**(a)** where the number of those information returns is greater than 5 and less than 51, \$125;

**(a.1)** where the number of those information returns is greater than 50 and less than 251, \$250;

**(2) Section 162 of the Act is amended by adding the following after subsection (7.3):**

### Penalty – electronic payments

**(7.4)** Every person who fails to comply with subsection 160.5(2) is liable to a penalty equal to \$100 for each such failure.

**(3) Subsection 162(8.1) of the Act is replaced by the following:**

### Rules – partnership liable to a penalty

**(8.1)** If a partnership is liable to a penalty under any of subsections (5) to (7.1), (7.3), (7.4), (8) and (10), then sections 152, 158 to 160.1, 161 and 164 to 167 and Division J apply, with any modifications that the circumstances require, to the penalty as if the partnership were a corporation.

**(4) Subsection (1) applies in respect of information returns filed after 2023.**

**(5) Subsections (2) and (3) apply in respect of payments and remittances made after 2023.**

**6 Subsection 244(14.1) of the Act is replaced by the following:**

### Date when electronic notice sent

**(14.1)** If a notice or other communication in respect of an individual, other than a notice or other communication that refers to the business number of a person or partnership, is made available in electronic format such that it can be read or perceived by an individual or a computer system or other similar device, the notice or other communication is presumed to be sent to the individual and received by the individual on the date that an electronic message is sent, to the electronic address most recently provided by the individual to the Minister for the purposes of this subsection, informing the individual that a notice or other communication requiring the individual's immediate attention is available in the individual's secure electronic account. A notice or other communication is considered to be made available if it is posted by the Minister in the individual's secure electronic account and the individual has authorized that notices or other communications may be made available in this manner and has not before that date revoked that authorization in a manner specified by the Minister.

### **Date when electronic notice sent — My Business Account**

**(14.2)** A notice or other communication that is made available in electronic format such that it can be read or perceived by an individual or a computer system or other similar device, and that refers to the business number of a person or partnership, is presumed to be sent to the person or partnership and received by the person or partnership on the date that it is posted by the Minister in the secure electronic account in respect of a business number of the person or partnership, unless the person or partnership has requested, 30 days prior to that date, in a manner specified by the Minister, that the notice or other communication be sent by mail.

## **Tax Rebate Discounting Act**

### **7 Paragraphs 4(2)(a) and (b) of the *Tax Rebate Discounting Act* are replaced by the following:**

**(a)** including with the return of income, other than a return of income deemed by subsection 150.1(3) of the *Income Tax Act* to have been filed for the purposes of section 150 of that Act, a true copy of the statement referred to in subparagraph (1)(b)(i) as provided to the client, and

**(b)** providing to such person and within such period of time as the Minister may specify a true copy of the statement referred to in subparagraph (1)(b)(i) as provided to the client,

## **Income Tax Regulations**

### **8 (1) The portion of subsection 205.1(1) of the Regulations, before the list of types of prescribed information returns, is replaced by the following:**

#### **Electronic Filing**

**(1)** For the purpose of subsection 162(7.02) of the Act, the following types of information returns are prescribed and must be filed electronically if more than five information returns of that type are required to be filed for a calendar year:

**(2) The portion of subsection 205.1(2) of the Regulations before paragraph (a) is replaced by the following:**

**(2)** For purposes of subsection 150.1(2.1) of the Act, a prescribed corporation is any corporation except

**(3) Subsection (1) applies in respect of information returns filed after 2023.**

**(4) Subsection (2) applies to taxation years that begin after 2023.**

**9 (1) The portion of subsection 209(5) of the Regulations before paragraph (a) is replaced by the following:**

**(5)** A person may provide a Statement of Remuneration Paid (T4) information return, a Tuition and Enrolment Certificate, a Statement of Pension, Retirement, Annuity, and Other Income (T4A) information return, or a Statement of Investment Income (T5) information return, as required under subsection (1), as a single document in an electronic format (instead of the two copies required under subsection (1)) to the taxpayer to whom the return relates, on or before the date on which the return is to be filed with the Minister, unless

**(2) Subsection (1) applies in respect of information returns filed after 2021.**

## **Reporting Requirements for Trusts**

## **Income Tax Act**

**1 (1) Subsection 104(1) of the Act is replaced by the following:**

## Reference to trust or estate

**104 (1)** In this Act, a reference to a trust or estate (in this Subdivision referred to as a “trust”) shall, unless the context otherwise requires, be read to include a reference to the trustee, executor, administrator, liquidator of a succession, heir or other legal representative having ownership or control of the trust property, but, except for the purposes of this subsection, subsection (1.1), section 150, subparagraph (b)(v) of the definition *disposition* in subsection 248(1) and paragraph (k) of that definition, a trust is deemed not to include an arrangement under which the trust can reasonably be considered to act as agent for all the beneficiaries under the trust with respect to all dealings with all of the trust’s property unless the trust is described in any of paragraphs (a) to (e.1) of the definition *trust* in subsection 108(1).

## (2) Subsection (1) applies to taxation years that end after December 30, 2022.

### 2 (1) The portion of subsection 150(1.1) of the Act before paragraph (a) is replaced by the following:

#### Exception

**(1.1)** Subject to subsection (1.2), subsection (1) does not apply to a taxation year of a taxpayer if

### (2) Section 150 of the Act is amended by adding the following after subsection (1.1):

#### Exception – trusts

**(1.2)** Subsection (1.1) does not apply to a taxation year of a trust if the trust is resident in Canada and is an express trust, or for civil law purposes a trust other than a trust that is established by law or by judgement, unless the trust

- (a)** had been in existence for less than three months at the end of the year;
- (b)** holds assets with a total fair market value that does not exceed \$50,000 throughout the year, if the only assets held by the trust throughout the year are one or more of
  - (i)** money,
  - (ii)** a debt obligation described in paragraph (a) of the definition *fully exempt interest* in subsection 212(3),
  - (iii)** a share, debt obligation or right listed on a designated stock exchange,
  - (iv)** a share of the capital stock of a mutual fund corporation,
  - (v)** a unit of a mutual fund trust,
  - (vi)** an interest in a related segregated fund (within the meaning assigned by paragraph 138.1(1)(a)), and
  - (vii)** an interest as a beneficiary under a trust, all the units of which are listed on a designated stock exchange;
- (c)** is required under the relevant rules of professional conduct or the laws of Canada or a province to hold funds for the purposes of the activity that is regulated under those rules or laws, provided the trust is not maintained as a separate trust for a particular client or clients;
- (d)** is a registered charity;
- (e)** is a club, society or association described in paragraph 149(1)(l);
- (f)** is a mutual fund trust;
- (g)** is, for greater certainty, a related segregated fund trust, within the meaning assigned by paragraph 138.1(1)(a);
- (h)** is a trust, all the units of which are listed on a designated stock exchange;
- (i)** is prescribed to be a master trust;



- | (j) is, for greater certainty, a graduated rate estate;
- | (k) is a *qualified disability trust*, as defined in subsection 122(3);
- | (l) is an employee life and health trust;
- | (m) is a trust described under paragraph 81(1)(g.3);
- | (n) is a trust under or governed by
  - | (i) a deferred profit sharing plan,
  - | (ii) a pooled registered pension plan,
  - | (iii) a registered disability savings plan,
  - | (iv) a registered education savings plan,
  - | (v) a registered pension plan,
  - | (vi) a registered retirement income fund,
  - | (vii) a registered retirement savings plan,
  - | (viii) a tax-free savings account,
  - | (ix) an employee profit sharing plan,
  - | (x) a registered supplementary unemployment benefit plan, or
  - | (xi) a first home savings account; or
- | (o) is a cemetery care trust or a trust governed by an eligible funeral arrangement.

**Bare trusts and arrangements — inclusion**

(1.3) For the purposes of this section, a trust includes an arrangement under which the trust can reasonably be considered to act as agent for all the beneficiaries under the trust with respect to all dealings with all of the trust's property.

**Solicitor-client privilege**

(1.4) For greater certainty, subsections (1.1) to (1.3) do not require the disclosure of information that is subject to solicitor-client privilege.

**(3) Subsections (1) and (2) apply to taxation years that end after December 30, 2022.**

**3 (1) Section 163 of the Act is amended by adding the following after subsection (4):**

**False statement or omission — trust return**

(5) A person or partnership is liable to a penalty if the person or partnership

- | (a) knowingly or under circumstances amounting to gross negligence
  - | (i) makes — or participates in, assents to or acquiesces in, the making of — a false statement or omission in a return of income of a trust that is not subject to one of the exceptions listed in paragraphs 150(1.2)(a) to (o) for a taxation year, or
  - | (ii) fails to file a return described in subparagraph (i); or

(b) fails to comply with a demand under subsection 150(2) or 231.2(1) to file a return described in subparagraph (a)(i).

#### **False statement or omission — trust return**

(6) The amount of the penalty to which the person or partnership is liable under subsection (5) is equal to the greater of

(a) \$2,500; and

(b) 5% of the highest amount at any time in the year that is equal to the total fair market value of all the property held by the trust referred to in subsection (5) at that time.

**(2) Subsection (1) applies to taxation years that end after December 30, 2022.**

## **Income Tax Regulations**

**4 (1) The Regulations are amended by adding the following after section 204.1:**

#### **Additional reporting — trusts**

**204.2 (1)** For the purposes of subsection 150(1) of the Act, every person having the control of, or receiving income, gains or profits in a fiduciary capacity, or in a capacity analogous to a fiduciary capacity, shall provide information in respect of a trust, unless the trust is subject to one of the exceptions listed in paragraphs 150(1.2)(a) to (o) of the Act, that includes the name, address, date of birth (in the case of an individual other than a trust), jurisdiction of residence and TIN (as defined in subsection 270(1) of the Act) for each person who, in the year,

(a) is a trustee, beneficiary (subject to subsection (2)) or *settlor* (as defined in subsection 17(15) of the Act) of the trust; or

(b) has the ability (through the terms of the trust or a related agreement) to exert influence over trustee decisions regarding the appointment of income or capital of the trust.

(2) For the purposes of subsection (1), the requirement in paragraph (1)(a) to provide required information in respect of beneficiaries of a trust in a return is met if

(a) the required information is provided in respect of each beneficiary of the trust whose identity is known or ascertainable with reasonable effort by the person making the return at the time of filing the return;

(b) in respect of a trust, the beneficiaries of which are all of the members of an Indigenous group, community or people that holds rights recognized and affirmed by section 35 of *The Constitution Act, 1982*, or an identifiable class of the members of an Indigenous group, community or people that holds rights recognized and affirmed by section 35 of *The Constitution Act, 1982*, the person making the return provides a sufficiently detailed description of the class of beneficiaries to determine with certainty whether any particular person is a member of that class of beneficiaries;

(c) in respect of a trust that is not described in paragraph 150(1.2)(h) of the Act but which has one or more classes of units that are listed on designated stock exchange, the person making the return provides the required information regarding the beneficiaries of those classes of units that are not listed on a designated stock exchange; and

(d) in respect of beneficiaries not described in paragraphs (a) to (c), the person making the return provides sufficiently detailed information to determine with certainty whether any particular person is a beneficiary of the trust.

**(2) Subsection (1) applies to taxation years that end after December 30, 2022.**

**5 (1) The portion of subsection 4802(1.1) of the Regulations before paragraph (a) is replaced by the following:**

## Master trust

**(1.1)** For the purposes of subparagraph 127.55(f)(iii) and paragraphs 149(1)(o.4) and 150(1.2)(i) of the Act, a trust is prescribed at any particular time if, at all times after its creation and before the particular time,

**(2) Subsection (1) applies to taxation years that end after December 30, 2022.**

## Fixing contribution errors in defined contribution pension plans

### Income Tax Act

**1 (1) The description of Q in the definition *net past service pension adjustment* in subsection 146(1) of the Act is replaced by the following:**

**Q** is the total of all amounts each of which is the amount of a contribution made under subsection 147.1(20), or deemed by prescribed rules to have been made, in respect of the taxpayer for the immediately preceding year, and

**(2) Subsection (1) is deemed to have come into force on January 1, 2021.**

**2 (1) Subsection 147.1(1) of the Act is amended by adding the following in alphabetical order:**

***designated money purchase provision***, in a calendar year, means a money purchase provision of a registered pension plan, under which accounts are maintained in respect of at least 10 members throughout the year, or under which the total contributions made for the year on behalf of an individual described in paragraph 8515(4)(a) or (b) of the *Income Tax Regulations* do not exceed 50% of the total contributions made for the year; (*disposition à cotisations déterminées désignée*)

***permitted corrective contribution*** to a registered pension plan means a contribution in a calendar year in respect of an individual that would otherwise have been made in one or more of the 10 immediately preceding years (each such year referred to in this definition as a “retroactive year”) in accordance with the money purchase provision of the plan as registered but for an error that caused a failure to enroll the individual as a member of the plan or to make a required contribution, to the extent that the amount of the contribution does not exceed the lesser of

**(a)** the total of all amounts each of which is an amount, for a retroactive year, determined by the formula

$$A + B - C$$

where

**A** is the total of all amounts each of which is an amount by which a contribution required to be made at a particular time in the retroactive year under the provision in respect of the individual exceeds the amount contributed at the particular time in respect of the individual,

**B** is the amount of interest, if any, calculated in respect of each amount determined for A at a rate that

**(i)** is required by the *Pension Benefits Standards Act, 1985* or a similar law of a province, or

**(ii)** if subparagraph (i) does not apply, does not exceed a reasonable rate, and

**C** is the total amount previously contributed to the provision in respect of the individual under subsection (20) for the retroactive year, and

**(b)** the amount determined by the formula

$$E - F$$

where

**E** is 150% of the money purchase limit for the calendar year, and

F is the total amount previously contributed in respect of the individual under subsection (20) to the provision, or to any other money purchase provision, if a participating employer under the provision has been a participating employer in respect of the individual under that other provision; (*cotisation corrective permise*)

**(2) Section 147.1 of the Act is amended by adding the following after subsection (19):**

**Permitted corrective contribution**

**(20)** An individual or an employer may make a contribution in a calendar year under a money purchase provision of a registered pension plan in respect of the individual if it is a permitted corrective contribution and the provision was a designated money purchase provision in each of the prior years in respect of which the contribution is made.

**(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2021.**

**3 (1) Paragraph 147.2(1)(a) of the Act is replaced by the following:**

**(a)** in the case of a contribution in respect of a money purchase provision of a plan, the contribution was made in respect of periods before the end of the taxation year

**(i)** in accordance with the plan as registered, or

**(ii)** under subsection 147.1(20);

**(2) Paragraph 147.2(4)(a) of the Act is replaced by the following:**

**Service after 1989**

**(a)** the total of all amounts each of which is a contribution (other than a prescribed contribution) made by the individual in the year

**(i)** to a registered pension plan that is in respect of a period after 1989 or that is a prescribed eligible contribution, to the extent that the contribution was made in accordance with the plan as registered, or

**(ii)** under subsection 147.1(20);

**(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2021.**

## Income Tax Regulations

**4 (1) The portion of paragraph 8301(4)(a) of the Regulations before subparagraph (i) is replaced by the following:**

**(a)** a contribution (other than an excluded contribution, a contribution described in paragraph 8308(6)(e) or (g), or a contribution made under subsection 147.1(20) of the Act) made under the provision in the year by

**(2) Subsection (1) is deemed to have come into force on January 1, 2021.**

**5 (1) Subsection 8304.1(1) of the Regulations is replaced by the following:**

**Total pension adjustment reversal**

**(1)** For the purpose of subsection 248(1) of the Act, an individual's *total pension adjustment reversal* for a calendar year means the total of all amounts each of which is

**(a)** the pension adjustment reversal (in this Part and Part LXXXIV referred to as "PAR") determined in connection with the individual's termination in the year from a deferred profit sharing plan or from a benefit provision of a registered pension plan; or

**(b)** the pension adjustment correction determined in respect of the individual for the year under subsection (16).

**(2) Section 8304.1 of the Regulations is amended by adding the following after subsection (15):**

**Pension adjustment correction**

**(16)** If a distribution described in subparagraph 8502(d)(iii) or subsection 147.1(19) of the Act is made in a calendar year in respect of an individual under a money purchase provision, the individual's pension adjustment correction for the year is the total of all amounts each of which is an amount, in respect of one or more of the 10 years immediately preceding the calendar year (each such year referred to in this subsection as a "retroactive year"), determined by the formula

$$A - B - C$$

where

**A** is the total of all amounts each of which was included in determining the individual's pension credit with respect to an employer for the retroactive year under the provision;

**B** is the total amount that ought to have been contributed to the provision under the terms of the plan as registered with respect to the individual for the retroactive year; and

**C** is the amount, if any, by which the total of all amounts each of which is the individual's pension adjustment for the retroactive year in respect of a participating employer exceeds the lesser of the money purchase limit for the retroactive year and 18% of the individual's *compensation* (as defined in subsection 147.1(1) of the Act) from participating employers for the retroactive year.

**(3) Subsections (1) and (2) are deemed to have come into force on January 1, 2021.**

**6 (1) Section 8308 of the Regulations is amended by adding the following after subsection (5.3):**

**Conditions — permitted corrective contribution**

**(5.4)** If the individual enters into a written commitment to the administrator of the plan or to an employer who participates in the plan to make a permitted corrective contribution in accordance with subsection 147.1(20) of the Act in installments, amounts payable by the individual or the employer in respect of the contribution are deemed for the purposes of subsection 8402(4) and the definition *net past service pension adjustment* in subsection 146(1) of the Act to have been made at the time the written commitment was entered into.

**(2) Subsection (1) is deemed to have come into force on January 1, 2021.**

**7 (1) Section 8402 of the Regulations is amended by adding the following after subsection (3):**

**(4)** The administrator of a registered pension plan shall file with the Minister an information return in prescribed form within 120 days after a contribution is made to the plan in respect of an individual under subsection 147.1(20) of the Act.

**(2) Subsection (1) is deemed to have come into force on January 1, 2021, except that in its application to a permitted corrective contribution made before this Act receives royal assent, the administrator of the registered pension plan shall not be required to file the prescribed information return prior to the day that is 60 days after the day on which this Act receives royal assent.**

**8 (1) Section 8402.01 of the Regulations is amended by adding the following after subsection (4):**

**Pension adjustment correction — employer reporting**

**(4.1)** If a pension adjustment correction under subsection 8304.1(16) is determined for an individual in connection with a distribution from a registered pension plan (other than a pension adjustment correction that is nil), the administrator of the plan shall file with the Minister an information return in prescribed form reporting the pension adjustment correction

**(a)** if the distribution occurs in the first, second or third quarter of a calendar year, on or before the day that is 60 days after the last day of the quarter in which the distribution occurs; and

**(b)** if the distribution occurs in the fourth quarter of a calendar year, before February of the following calendar year.

**(2) Subsection (1) is deemed to have come into force on January 1, 2021, except that in its application to a distribution described in subsection 147.1(19) of the Act or subparagraph 8502(d)(iii) of the Regulations that is made before this Act receives royal assent, the administrator of the registered pension plan shall not be required to file the prescribed information return prior to the day that is 60 days after the day on which this Act receives royal assent.**

**9 (1) Subparagraph 8502(d)(v) of the Regulations is replaced by the following:**

**(v)** a payment of interest (computed at a rate not exceeding a reasonable rate) in respect of contributions that are returned as described in subparagraph (iii) or (iv),

**(2) Subsection (1) is deemed to have come into force on January 1, 2021.**

## Mandatory Disclosure Rules

### Income Tax Act

**1 (1) Paragraph 152(4)(b.1) of the Act is replaced by the following:**

**(b.1)** an information return described in subsection 237.1(7) that is required to be filed in respect of a deduction or claim made by the taxpayer in relation to a tax shelter is not filed as and when required, and the assessment, reassessment or additional assessment is made before the day that is three years after the day on which the information return is filed;

**(2) Subsection 152(4) of the Act is amended by adding the following after paragraph (b.4):**

**(b.5)** an information return that is required to be filed under subsection 237.3(2) in respect of a reportable transaction (as defined in subsection 237.3(1)) entered into by the taxpayer, or by a person for the benefit of the taxpayer, is not filed as and when required, and the assessment, reassessment or additional assessment is made before the day that is

**(i)** (i) in the case of a taxpayer described in paragraph 152(3.1)(a), four years after the day on which the information return is filed, or

**(ii)** (ii) in any other case, three years after the day on which the information return is filed;

**(b.6)** an information return that is required to be filed under subsection 237.4(4) in respect of a notifiable transaction (as defined in subsection 237.4(1)) entered into by the taxpayer, or by a person for the benefit of the taxpayer, is not filed as and when required, and the assessment, reassessment or additional assessment is made before the day that is

**(i)** (i) in the case of a taxpayer described in paragraph 152(3.1)(a), four years after the day on which the information return is filed, or

**(ii)** (ii) in any other case, three years after the day on which the information return is filed;

**(b.7)** an information return that is required to be filed under subsection 237.5(2) in respect of a reportable uncertain tax treatment (as defined in subsection 237.5(1)) of the taxpayer is not filed as and when required, and the assessment, reassessment or additional assessment is made before the day that is

**(i)** (i) in the case of a taxpayer described in paragraph 152(3.1)(a), four years after the day on which the information return is filed, or

**(ii)** (ii) in any other case, three years after the day on which the information return is filed;

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

### Extended period of assessment

**(4.01)** Notwithstanding subsections (4) and (5), an assessment, reassessment or additional assessment to which paragraph (4)(a), (b), (b.1), (b.3) to (b.7) or (c) applies in respect of a taxpayer for a taxation year may be made after the taxpayer's normal reassessment period in respect of the year to the extent that, but only to the extent that, it can reasonably be regarded as relating to,

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

**(b)** if paragraph (4)(b), (b.1), (b.5) to (b.7) or (c) applies to the assessment, reassessment or additional assessment,

#### **(5) Paragraph 152(4.01)(b) of the Act is amended by striking out "or" at the end of subparagraph (vi) and by replacing subparagraph (vii) with the following:**

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

**(viii)** the reportable transaction referred to in paragraph (4)(b.5),

**(ix)** the notifiable transaction referred to in paragraph (4)(b.6), or

**(x)** any transaction, or series of transactions, to which the reportable uncertain tax treatment referred to in paragraph (4)(b.7) relates;

#### **(6) Subsections (1) to (5) apply to taxation years that begin after 2022.**

#### **2 Paragraph 161(11)(b.1) of the Act is replaced by the following:**

**(b.1)** in the case of a penalty under subsection 237.1(7.4), 237.3(8), 237.4(12) or 237.5(5), from the day on which the taxpayer became liable to the penalty to the day of payment; and

#### **3 Subsection 163(2.9) of the Act is replaced by the following:**

##### **Partnership liable to penalty**

**(2.9)** If a partnership is liable to a penalty under paragraph (2)(i), subsection (2.4) or (2.901) or section 163.2, 237.1, 237.3 or 237.4, sections 152, 158 to 160.1, 161 and 164 to 167 and Division J apply, with any changes that the circumstances require, in respect of the penalty as if the partnership were a corporation.

#### **4 Paragraph 227(10)(b) of the Act is replaced by the following:**

**(b)** subsection 237.1(7.4) or (7.5), 237.3(8), 237.4(12) or 237.5(5) by a person or partnership,

#### **5 (1) The definition *solicitor-client privilege* in subsection 237.3(1) of the Act is repealed.**

#### **(2) The definition *avoidance transaction* in subsection 237.3(1) of the Act is replaced by the following:**

***avoidance transaction*** means a transaction if it may reasonably be considered that one of the main purposes of the transaction, or of a series of transactions of which the transaction is a part, is to obtain a tax benefit. (*opération d'évitement*)

#### **(3) The portion of the definition *reportable transaction* in subsection 237.3(1) of the Act before paragraph (a) is replaced by the following:**

***reportable transaction***, at any time, means an avoidance transaction that is entered into by or for the benefit of a person, and each transaction that is part of a series of transactions that includes the avoidance transaction, if at the time any of the following paragraphs applies in respect of the avoidance transaction or series:

#### **(4) The portion of paragraph (b) of the definition *reportable transaction* in subsection 237.3(1) of the Act before subparagraph (i) is replaced by the following:**

(b) an advisor or promoter in respect of the avoidance transaction or series, or any person who does not deal at arm's length with the advisor or promoter, obtains or obtained confidential protection, and the prohibition on disclosure provided under the confidential protection provides confidentiality in respect of a tax treatment in relation to the avoidance transaction or series,

**(5) Paragraph (c) of the definition *reportable transaction* in subsection 237.3(1) of the Act is replaced by the following:**

(c) either

(i) the person (in this subparagraph referred to as the "particular person"), another person who entered into the avoidance transaction for the benefit of the particular person or any other person who does not deal at arm's length with the particular person or with a person who entered into the avoidance transaction for the benefit of the particular person, has or had contractual protection in respect of the avoidance transaction or series, otherwise than

(A) as a result of a fee described in paragraph (a), or

(B) as a form of insurance, protection or undertaking described in paragraphs (a) or (b) of the definition *contractual protection* that

(I) applies in a normal commercial or investment context in which parties deal with each other at arm's length and act prudently, knowledgeably and willingly, and

(II) does not extend contractual protection for a tax treatment in respect of an avoidance transaction, or

(ii) an advisor or promoter in respect of the avoidance transaction or series, or any person who does not deal at arm's length with the advisor or promoter, has or had contractual protection in respect of the avoidance transaction or series, otherwise than

(A) as a result of a fee described in paragraph (a), or

(B) as a form of insurance, protection or undertaking described in paragraphs (a) or (b) of the definition *contractual protection* that

(I) applies in a normal commercial or investment context in which parties deal with each other at arm's length and act prudently, knowledgeably and willingly, and

(II) does not extend contractual protection for a tax treatment in respect of an avoidance transaction. (opération à déclarer)

**(6) Subsection 237.3(1) of the Act is amended by adding the following in alphabetical order:**

***tax treatment***, of a person, means a treatment in respect of a transaction, or series of transactions, that the person uses, or plans to use, in a return of income or an information return (or would use in a return of income or an information return if a return of income or an information return were filed) and includes the person's decision not to include a particular amount in a return of income or an information return. (*traitement fiscal*)

**(7) Paragraph 237.3(2)(a) of the Act is replaced by the following:**

(a) every person for whom a tax benefit results, or for whom a tax benefit is expected to result based on the person's tax treatment of the reportable transaction, from

(i) the reportable transaction,

(ii) any other reportable transaction that is part of a series of transactions that includes the reportable transaction, or

(iii) a series of transactions that includes the reportable transaction;



**(8) Subsections 237.3(4) and (5) of the Act are replaced by the following:**

**Clerical or secretarial services**

(4) Subsection (2) does not apply to a person solely because the person provided clerical services or secretarial services with respect to the planning.

**Time for filing return**

(5) An information return required under subsection (2) to be filed with the Minister for a reportable transaction must be filed by

(a) a person described in paragraph (2)(a) or (b) on or before the particular day that is 45 days after the earliest of

(i) the day on which the person becomes contractually obligated to enter into the reportable transaction,

(ii) the day on which the person enters into the reportable transaction, and

(iii) if the person is described in paragraph (2)(a) and a person described in paragraph (2)(b) enters into the reportable transaction for the benefit of the person described in paragraph (2)(a), the day on which the reportable transaction is entered into; and

(b) a person described in paragraph (2)(c) or (d) no later than the earliest particular day described in paragraph (a) for a person described in paragraph (2)(a) or (b) in respect of the reportable transaction.

**(9) The portion of subsection 237.3(6) of the Act before paragraph (a) is replaced by the following:**

**Tax benefits disallowed**

(6) At any time, section 245 is to be read without reference to its subsection (4) in respect of any reportable transaction in respect of a person described in paragraph (2)(a) in relation to the reportable transaction if, at that time,

**(10) Subsection 237.3(8) of the Act is replaced by the following:**

**Penalty**

(8) Every person who fails to file an information return in respect of a reportable transaction as required under subsection (2) on or before the day required under subsection (5) is liable to a penalty equal to

(a) if the person is described in paragraph (2)(a) or (b),

(i) if the person is a corporation and the carrying value of the corporation's assets is greater than or equal to \$50 million for its last taxation year that ends prior to the day on which the information return is required to be filed under subsection (5), \$2,000 multiplied by the number of weeks during which the failure continues, to a maximum amount equal to the greater of

(A) \$100,000, and

(B) 25% of the amount of the tax benefit in respect of the reportable transaction, and

(ii) in any other case, \$500 multiplied by the number of weeks during which the failure continues, to a maximum amount equal to the greater of

(A) \$25,000, and

(B) 25% of the amount of the tax benefit in respect of the reportable transaction; and

(b) if the person is described in paragraph (2)(c) or (d), the total of

(i) the amount of the fees charged by that person in respect of the reportable transaction,

(ii) \$10,000, and

(iii) \$1,000 multiplied by the number of days during which the failure continues, up to a maximum of \$100,000.

#### **Penalty – deeming rule**

**(8.1)** If a person described in both paragraphs (2)(b) and (d) is liable to a penalty under subsection (8) in respect of a reportable transaction, the amount of the penalty is deemed to be equal to the greater of the amounts determined under paragraphs (8)(a) and (b).

#### **Determining carrying value**

**(8.2)** For the purpose of subparagraph (8)(a)(i), the carrying value of the assets of a corporation is to be determined in accordance with paragraphs 181(3)(a) and (b).

**(11) Section 237.3(10) of the Act is repealed.**

**(12) Subsection 237.3(13) of the Act is replaced by the following:**

#### **Application of sections 231 to 231.3**

**(13)** Without restricting the generality of sections 231 to 231.3, even if a return of income has not been filed by a taxpayer under section 150 for a taxation year of the taxpayer in which a transaction occurs which is relevant to the tax benefit referred to in paragraph (2)(a) that results (or is expected to result) from the reportable transaction, sections 231 to 231.3 apply, with such modifications as the circumstances require, for the purpose of permitting the Minister to verify or ascertain any information in respect of the reportable transaction.

**(13) Subsections (1) to (12) apply with respect to reportable transactions entered into after 2022, except that subsections (8) to (8.2) of the Act do not apply in respect of transactions entered into before this Act receives royal assent.**

**6 (1) The Act is amended by adding the following after section 237.3:**

#### **Definitions**

**237.4 (1)** The following definitions apply in this section.

**advisor**, in respect of a notifiable transaction, means each person who provides, directly or indirectly in any manner whatever, any assistance or advice with respect to creating, developing, planning, organizing or implementing the notifiable transaction, to another person (including any person who enters into the notifiable transaction for the benefit of another person). (*conseiller*)

**fee**, in respect of a notifiable transaction, has the same meaning as in subsection 237.3(1). (*honoraires*)

**notifiable transaction**, at any time, means

(a) a transaction that is the same as, or substantially similar to, a transaction that is designated at that time by the Minister under subsection (3); and

(b) a transaction in a series of transactions that is the same as, or substantially similar to, a series of transactions that is designated at that time by the Minister under subsection (3). (*opération à signaler*)

**person** includes a partnership. (*personne*)

**promoter**, in respect of a notifiable transaction, has the same meaning as in subsection 237.3(1). (*promoteur*)

**tax benefit** has the same meaning as in subsection 245(1). (*avantage fiscal*)

**tax treatment** has the same meaning as in subsection 237.3(1). (*traitement fiscal*)

**transaction** has the same meaning as in subsection 245(1). (*opération*)

#### **Interpretation — substantially similar**

**(2)** For the purposes of the definition *notifiable transaction* in subsection (1), the term “substantially similar”

**(a)** includes any transaction, or series of transactions, in respect of which a person is expected to obtain the same or similar types of *tax consequences* (as defined in subsection 245(1)) and that is either factually similar or based on the same or similar tax strategy; and

**(b)** is to be interpreted broadly in favour of disclosure.

#### **Designation of notifiable transactions**

**(3)** The Minister may designate for the purposes of this section, with the concurrence of the Minister of Finance, in such manner as the Minister considers appropriate, transactions or series of transactions.

#### **Requirement to file return**

**(4)** An information return in prescribed form and containing prescribed information in respect of a notifiable transaction must be filed with the Minister by

**(a)** every person for whom a tax benefit results, or for whom a tax benefit is expected to result based on the person’s tax treatment of the notifiable transaction, from

**(i)** the notifiable transaction,

**(ii)** any other notifiable transaction that is part of a series of transactions that includes the notifiable transaction, or

**(iii)** a series of transactions that includes the notifiable transaction;

**(b)** every person who has entered into, for the benefit of a person described in paragraph (a), the notifiable transaction;

**(c)** every advisor or promoter in respect of the notifiable transaction; and

**(d)** every person who is not dealing at arm’s length with an advisor or promoter described in paragraph (c) and who is or was entitled, either immediately or in the future and either absolutely or contingently, to a fee in respect of the notifiable transaction.

#### **Application**

**(5)** For the purpose of subsection (4), if any person is required to file an information return in respect of a particular notifiable transaction under paragraph (c) or (d) of that subsection, the filing of an information return by an employer, or a partnership, in respect of the notifiable transaction under that subsection in prescribed form and manner in respect of the transaction is deemed to have been made by each employee of the employer, or each partner of the partnership, to whom subsection (4) applies in respect of the particular transaction.

#### **Secondary or ancillary financial services - exclusion**

**(6)** Subject to subsection (7), paragraphs (4)(c) and (d) do not apply, with respect to a particular transaction, to a particular person that provides services in respect of the transaction as

**(a)** a bank carrying on the business of banking, as described under subsection 409(2) of the *Bank Act*;

**(b)** an insurance corporation; or

**(c)** a credit union, as defined in subsection 137(6).

### **Financial services exclusion - limitation**

**(7)** Subsection (6) does not apply if the person described in that subsection knows, or would reasonably be expected to know but for circumstances amounting to gross negligence, that the particular transaction is a notifiable transaction.

### **Clerical or secretarial services**

**(8)** Subsection (4) does not apply to a person solely because the person provided clerical services or secretarial services with respect to the planning.

### **Time for filing return**

**(9)** An information return required under subsection (4) to be filed with the Minister for a notifiable transaction must be filed by

**(a)** a person described in paragraph (4)(a) or (b) on or before the particular day that is 45 days after the earliest of

**(i)** the day on which the person becomes contractually obligated to enter into the notifiable transaction,

**(ii)** the day on which the person enters into the notifiable transaction, and

**(iii)** if the person is described in paragraph (4)(a) and a person described in paragraph (4)(b) enters into the notifiable transaction for the benefit of the person described in paragraph (4)(a), the day on which the notifiable transaction is entered into; and

**(b)** a person described in paragraph (4)(c) or (d) no later than the earliest particular day described in paragraph (a) for a person described in paragraph (4)(a) or (b) in respect of the notifiable transaction.

### **Clarification of reporting transactions in series**

**(10)** For greater certainty, and subject to subsection (16), if subsection (4) applies to a person in respect of each transaction that is part of a series of transactions that includes a notifiable transaction, the filing of the information return by the person that reports each transaction in the series is deemed to satisfy the obligation of the person under subsection (4) in respect of each transaction so reported.

### **Assessments**

**(11)** Notwithstanding subsections 152(4) to (5), the Minister may make any assessments, determinations and redeterminations that are necessary to give effect to subsection (12).

### **Penalty**

**(12)** Every person who fails to file an information return in respect of a notifiable transaction as required under subsection (4) on or before the particular day required under subsection (9) is liable to a penalty equal to

**(a)** if the person is described in paragraph (4)(a) or (b),

**(i)** if the person is a corporation and the carrying value of the corporation's assets is greater than or equal to \$50 million for its last taxation year that ends prior to the day on which the information return is required to be filed under subsection (4), \$2,000 multiplied by the number of weeks during which the failure continues, to a maximum amount equal to the greater of

**(A)** \$100,000, and

**(B)** 25% of the amount of the tax benefit in respect of the notifiable transaction, and

**(ii)** in any other case, \$500 multiplied by the number of weeks during which the failure continues, to a maximum amount equal to the greater of

**(A)** \$25,000, and

(B) 25% of the amount of the tax benefit in respect of the notifiable transaction; and

(b) if the person is described in paragraph (4)(c) or (d), the total of

(i) the amount of the fees charged by that person in respect of the notifiable transaction,

(ii) \$10,000, and

(iii) \$1,000 multiplied by the number of days during which the failure continues, up to a maximum of \$100,000.

#### **Penalty – deeming rule**

(13) If a person described in both paragraphs (4)(b) and (d) is liable to a penalty under subsection (12) in respect of a notifiable transaction, the amount of the penalty is deemed to be equal to the greater of the amounts determined under paragraphs (12)(a) and (b).

#### **Penalty – deemed filers not liable**

(14) For greater certainty, if any person is deemed to have filed an information return in prescribed form and manner in respect of a particular notifiable transaction under subsection (5), that person is not liable to a penalty under subsection (12) in respect of the particular transaction.

#### **Determining carrying value**

(15) For the purpose of subparagraph (12)(a)(i), the carrying value of the assets of a corporation is to be determined in accordance with paragraphs 181(3)(a) and (b).

#### **Joint and several liability**

(16) If more than one person is liable to a penalty under subsection (12) in respect of a notifiable transaction, each of those persons are jointly and severally, or solidarily, liable to pay the penalty.

#### **Due diligence**

(17) A person required to file an information return in respect of a notifiable transaction is not liable for a penalty under subsection (12) if the person has exercised the degree of care, diligence and skill to prevent the failure to file that a reasonably prudent person would have exercised in comparable circumstances.

#### **Reporting not an admission**

(18) The filing of an information return under this section by a person in respect of a notifiable transaction is not an admission by the person that any transaction is part of a series of transactions.

#### **Application of ss. 231 to 231.3**

(19) Without restricting the generality of sections 231 to 231.3, even if a return of income has not been filed by a taxpayer under section 150 for a taxation year of the taxpayer in which a transaction occurs which is relevant to the tax benefit referred to in paragraph (4)(a) that results (or is expected to result) from a notifiable transaction, sections 231 to 231.3 apply, with such modifications as the circumstances require, for the purpose of permitting the Minister to verify or ascertain any information in respect of the notifiable transaction.

#### **Solicitor-client privilege**

(20) For greater certainty, for the purpose of this section, a lawyer who is an advisor in respect of a notifiable transaction is not required to disclose in an information return in respect of the transaction any information in respect of which the lawyer, on reasonable grounds, believes that a client of the lawyer has solicitor-client privilege.

**(2) Subsection (1) applies with respect to notifiable transactions entered into after 2022, except that subsections 237.4(12) to (15) of the Act, as enacted by subsection (1), do not apply to transactions entered into before this Act receives royal assent.**

**7 (1) The Act is amended by adding the following after section 237.4:**

## Definitions

**237.5 (1)** The following definitions apply in this section.

**consolidated financial statements** has the same meaning as in subsection 233.8(1). (*états financiers consolidés*)

**person** includes a partnership. (*personne*)

**relevant financial statements**, of a corporation for a taxation year, means audited financial statements that are prepared

(a) in respect of

(i) the corporation, or

(ii) a group, of which the corporation is a member, of two or more persons required to prepare consolidated financial statements for financial reporting purposes under applicable accounting principles;

(b) in accordance with

(i) International Financial Reporting Standards, or

(ii) other country-specific generally accepted accounting principles (such as U.S. generally accepted accounting principles) relevant for corporations that are listed on a stock exchange outside Canada; and

(c) for a period of time that ends in, the taxation year. (*états financiers de référence*)

**reportable uncertain tax treatment**, of a corporation for a taxation year, means a tax treatment of the corporation in respect of which uncertainty is reflected in relevant financial statements of the corporation for the year. (*traitement fiscal incertain à déclarer*)

**reporting corporation**, for a taxation year, means a corporation if

(a) the corporation has relevant financial statements for the year;

(b) the carrying value of the corporation's assets is greater than or equal to \$50 million at the end of the year; and

(c) the corporation is required to file a return of income for the year under section 150. (*société déclarante*)

**tax treatment**, of a corporation, means a treatment in respect of a transaction, or series of transactions, that the corporation uses, or plans to use, in a return of income or an information return (or would use in a return of income or an information return if a return of income or an information return were filed) and includes the corporation's decision not to include a particular amount in a return of income or an information return. (*traitement fiscal*)

**transaction** has the same meaning as in subsection 245(1). (*opération*)

## Requirement to file return

(2) Every reporting corporation for a taxation year that has one or more reportable uncertain tax treatments for the year shall file with the Minister an information return in prescribed form and containing prescribed information in respect of each reportable uncertain tax treatment of the corporation for the year.

## Time for filing return

(3) An information return required under subsection (2) to be filed by a corporation for a taxation year must be filed with the Minister on or before the corporation's filing-due date for the year.

### Assessments

(4) Notwithstanding subsections 152(4) to (5), the Minister may make any assessments, determinations and redeterminations that are necessary to give effect to subsection (5).

### Penalty

(5) Every corporation that fails to report a reportable uncertain tax treatment on an information return as required under subsection (2) on or before the day required under subsection (3) is liable to a penalty, for each such failure to report, equal to \$2,000 multiplied by the number of weeks during which the failure continues, up to a maximum of \$100,000.

### Due diligence

(6) A corporation required to file an information return in respect of a reportable uncertain tax treatment is not liable for a penalty under subsection (5) if the corporation has exercised the degree of care, diligence and skill to prevent the failure to file that a reasonably prudent person would have exercised in comparable circumstances.

### Reporting not an admission

(7) The filing of an information return in respect of a reportable uncertain tax treatment as required under subsection (2) by a corporation is not an admission by the corporation that

(a) the tax treatment is not in accordance with this Act or the regulations; or

(b) any transaction is part of a series of transactions.

### Application of ss. 231 to 231.3

(8) Without restricting the generality of sections 231 to 231.3, if a corporation is required to file an information return under subsection (2) in respect of a reportable uncertain tax treatment of the corporation for a taxation year, even if a return of income has not been filed by the corporation under section 150 for the year, sections 231 to 231.3 apply, with such modifications as the circumstances require, for the purpose of permitting the Minister to verify or ascertain any information in respect of the reportable uncertain tax treatment including, for greater certainty, any information relating to any transaction, or series of transactions, to which the reportable uncertain tax treatment relates.

### Determining carrying value

(9) For the purposes of the definition *reporting corporation* in subsection (1), the carrying value of the assets of a corporation is to be determined in accordance with paragraphs 181(3)(a) and (b).

**(2) Subsection (1) applies to taxation years that begin after 2022, except that subsection 237.5(5) of the Act, as enacted by subsection (1), does not apply to taxation years that begin before this Act receives royal assent.**

## Avoidance of Tax Debts

### Income Tax Act

**1 (1) Section 160 of the Act is amended by adding the following before subsection (1)**

#### Interpretation

**(0.1)** In this section and section 160.01, a transaction includes an arrangement or event.

**(2) Paragraph 160(1)(d) of the French version of the Act is replaced by the following:**

**d)** le bénéficiaire du transfert et l'auteur du transfert sont solidairement responsables du paiement d'une partie de l'impôt de l'auteur du transfert en vertu de la présente partie pour chaque année d'imposition égale à l'excédent de l'impôt pour l'année sur ce que cet impôt aurait été sans l'application des articles 74.1 à 75.1 de la présente loi et de l'article 74 de la *Loi de l'impôt sur le revenu*, chapitre 148 des Statuts révisés du Canada de 1952, à l'égard de tout

revenu tiré des biens ainsi transférés ou des biens y substitués ou à l'égard de tout gain tiré de la disposition de tels biens;

**(3) The portion of paragraph 160(1)(e) of the French version of the Act before subparagraph (i) is replaced by the following:**

**e)** le bénéficiaire du transfert et l'auteur du transfert sont solidairement responsables du paiement en vertu de la présente loi d'un montant égal au moins élevé des montants suivants :

**(4) Section 160 of the Act is amended by adding the following after subsection (4):**

**Anti-avoidance rules**

**(5)** For the purposes of subsections (1) to (4), if a person (referred to in this section as the "transferor") has transferred property either directly or indirectly, by means of a trust or by any other means whatever to another person (referred to in this section as the "transferee") in a transaction or as part of a series of transactions

**(a)** the transferor is deemed to not be dealing at arm's length with the transferee at all times in the transaction or series of transactions if

**(i)** at any time during the period beginning immediately prior to the transaction or series of transactions and ending immediately after the transaction or series of transactions, the transferor and transferee do not deal at arm's length, and

**(ii)** it is reasonable to conclude that one of the purposes of undertaking or arranging the transaction or series of transactions is to avoid joint and several, or solidary, liability of the transferee and transferor for an amount payable under this Act;

**(b)** an amount that the transferor is liable to pay under this Act (including, for greater certainty, an amount that the transferor is liable to pay under this section, regardless of whether the Minister has made an assessment under subsection (2) for that amount) is deemed to have become payable in the taxation year in which the property was transferred, if it is reasonable to conclude that one of the purposes for the transfer of property is to avoid the payment of a future amount payable under this Act by the transferor or transferee; and

**(c)** the amount determined under subparagraph (1)(e)(i) is deemed to be the greater of

**(i)** the amount otherwise determined under that subparagraph without reference to this paragraph, and

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

$$A - B$$

where

**A** is the fair market value of the property at the time of the transfer, and

**B** is

**(A)** the lowest fair market value of the consideration (that is held by the transferor) given for the property at any time during the period beginning immediately prior to the transaction or series of transactions and ending immediately after the transaction or series of transactions, or

**(B)** if the consideration is in a form that is cancelled or extinguished during the period referred to in clause (A),

**(I)** the amount that is the lowest of the amount determined in clause (A) and the fair market value during the period of any property that is substituted for the consideration referred to in clause (A) that is not cancelled or extinguished, or

**(II)** if there is no property that is substituted for the consideration and not cancelled or extinguished during the period, nil.



## 2 (1) The Act is amended by adding the following after section 160:

### Definitions

**160.01 (1)** The following definitions apply in this section.

**gross entitlements** of a person at any time, in respect of a planning activity of the person, means all amounts to which the person, or another person not dealing at arm's length with the person, is entitled, either before or after that time and either absolutely or contingently, to receive or obtain in respect of the activity. (*droits à paiement*)

**person** includes a partnership. (*personne*)

**planning activity** has the same meaning as in subsection 163.2(1). (*activité de planification*)

**section 160 avoidance planning** by a person, means planning activity in respect of a transaction or series of transactions that

(a) is, or is part of, a section 160 avoidance transaction; and

(b) one of the purposes of the transaction or series of transactions is to

(i) reduce a transferee's joint and several, or solidary, liability for tax owing under this Act by the transferor (or that would be owing by the transferor if not for a tax attribute transaction), or

(ii) reduce the person's or another person's ability to pay any amount owing, or that may become owing, under this Act by that person. (*planification d'évitement en vertu de l'article 160*)

**section 160 avoidance transaction** means a transaction or series of transactions, in respect of which,

(a) the conditions in paragraph 160(5)(a) or (b) are met; or

(b) if subsection 160(5) applied to the transaction or series of transactions, the amount determined under subparagraph 160(5)(c)(ii) would exceed the amount determined under subparagraph 160(5)(c)(i). (*opération d'évitement en vertu de l'article 160*)

**tax attribute** means a balance, pool or other amount determined under this Act that is or may be relevant in computing income or in determining a taxpayer's liability for tax under this Act in any taxation year and includes,

(a) a capital loss, non-capital loss, restricted farm loss, farm loss and limited partnership loss;

(b) an amount that is deductible in computing the person's income;

(c) any balance of undeducted outlays, expenses or other amounts;

(d) paid-up capital in respect of a share of any class of the capital stock of a corporation;

(e) cost or capital cost of a property;

(f) an amount deductible from an amount otherwise payable under the Act; and

(g) an amount that is deemed to have been remitted as an amount payable under the Act. (*attribut fiscal*)

**tax attribute transaction** means a transaction or series of transactions in which a tax attribute – of a person that dealt at arm's length with a transferor or transferee immediately before the transaction or series of transactions – is used, directly or indirectly, to provide a tax benefit for the transferor or transferee (or, if either the transferor or transferee is amalgamated with another corporation, the "new corporation" as defined in subsection 87(1)). (*opération d'attribut fiscal*)

**tax benefit** has the same meaning as in subsection 163.2(1). (*avantage fiscal*)

**transferee** refers to “transferee” as used in subsections 160(1) and (5). (*bénéficiaire du transfert*)

**transferor** refers to “transferor” as used in subsections 160(1) and (5). (*auteur du transfert*)

### **Penalty**

**(2)** Every person that engages in, participates in, assents to or acquiesces in planning activity that they know is section 160 avoidance planning, or would reasonably be expected to know is section 160 avoidance planning, but for circumstances amounting to gross negligence is liable to a penalty that is the lesser of

**(a)** 50% of the amount payable under this Act (determined without reference to this subsection), the joint and several, or solidary, liability for which was sought to be avoided through the planning; and

**(b)** the total of \$100,000 and the person’s gross entitlements at the time at which the notice of assessment of the penalty is sent to the person in respect of the planning.

### **Clerical or secretarial services**

**(3)** Subsection (2) does not apply to a person solely because the person provided clerical services or secretarial services with respect to the planning.

**(2) Subsection (1) is deemed to apply in respect of a transaction or series of transactions that occur after April 18, 2021.**

## Taxation of Veterans’ and Active Service Members’ Benefits

### Income Tax Act

**1 (1) Subsection 81(1) of the Act is amended by adding the following after paragraph (d.1):**

#### **Canadian Forces - service-related injuries**

**(d.2)** the total of all amounts received or enjoyed by the taxpayer or the taxpayer’s spouse or common-law partner or survivor (as defined in subsection 146.2(1)) in the year on account of:

**(i)** benefits provided under the *Veterans Health Care Regulations*,

**(ii)** benefits provided in respect of Rehabilitation Services and Vocational Assistance under Part 2 of the *Veterans Well-being Act*, and

**(iii)** benefits provided to a member of the Canadian Forces under the Compensation and Benefit Instructions for the Canadian Forces that are any of a

**(A)** home modifications benefit,

**(B)** home modifications move benefit,

**(C)** vehicle modifications benefit,

**(D)** home assistance benefit,

**(E)** attendant care benefit,

**(F)** caregiver benefit, or

**(G)** spousal education upgrade benefit;

**(2) Subsection (1) is deemed to have come into force on January 1, 2018.**

**2 (1) Paragraph 81(1)(d.2) of the Act is amended by striking out “and” at the end of subparagraph (ii), by adding “and” at the end of subparagraph (iii) and by adding the following after subparagraph (iii):**

**(iv)** benefits provided to a member of the Canadian Forces under the Canadian Armed Forces Self-Development Program as education expense reimbursements for ill and injured regular force members;

**(2) Subsection (1) is deemed to have come into force on January 1, 2021.**