Legislative Proposals Relating to the Income Tax Act

Investment Tax Credit for Clean Hydrogen

1 (1) The *Income Tax Act* is amended by adding the following after section 127.47:

Definitions

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

actual carbon intensity means the carbon intensity of hydrogen that is produced by a qualified clean hydrogen project of a taxpayer, based on the actual inputs to the production of hydrogen and actual process emissions from the production of hydrogen by the project. (*intensité carbonique réelle*)

average actual carbon intensity means, for the compliance period of a clean hydrogen project, the amount determined by the formula

$$((A \times B) + (C \times D) + (E \times F) + (G \times H) + (I \times J)) \div K$$

where

A is the actual carbon intensity of the project for the first operating year of the compliance period,

B is the quantity, in kilograms, of hydrogen produced by the project in the first operating year of the compliance period,

C is the actual carbon intensity of the project for the second operating year of the compliance period,

D is the quantity, in kilograms, of hydrogen produced by the project in the second operating year of the compliance period,

E is the actual carbon intensity of the project for the third operating year of the compliance period,

F is the quantity, in kilograms, of hydrogen produced by the project in the third operating year of the compliance period,

G is the actual carbon intensity of the project for the fourth operating year of the compliance period,

H is the quantity, in kilograms, of hydrogen produced by the project in the fourth operating year of the compliance period,

I is the actual carbon intensity of the project for the fifth operating year of the compliance period,

J is the quantity, in kilograms, of hydrogen produced by the project in the fifth operating year of the compliance period, and

K is the total quantity, in kilograms, of hydrogen produced by the project during the compliance period. (*intensité carbonique réelle moyenne*)

captured carbon has the same meaning as in subsection 127.44(1). (*carbone capté*)

carbon dioxide equivalent means the quantity of carbon dioxide emissions that would be required to produce a warming effect equivalent to the emissions of any specified greenhouse gas, as determined under the Fuel LCA Model. (*équivalent en dioxyde de carbone*)

carbon intensity means the quantity in kilograms of carbon dioxide equivalent per kilogram of hydrogen produced. (*intensité carbonique*)

CCUS process has the same meaning as in subsection 127.44(1). (*processus de CUSC*)

CFR carbon intensity means *carbon intensity* as defined in the *Clean Fuel Regulations*. (*intensité carbonique selon le RCP*)

clean ammonia means ammonia produced from clean hydrogen. (*ammoniac propre*)

clean ammonia equipment means equipment that is used solely for the purpose of producing ammonia, including equipment for

(a) converting hydrogen into ammonia;

(b) heat recovery and conversion;

(c) nitrogen generation;

(d) feed storage (unless the feed is stored hydrogen) and feed compression; and

(e) refrigeration and storage of ammonia. (*matériel pour ammoniac propre*)

clean hydrogen means hydrogen produced, whether solely or in conjunction with other gases, that has a carbon intensity of less than four. (*hydrogène propre*)

clean hydrogen project of a taxpayer means a project to support

(a) the operation of eligible clean hydrogen property;

(b) the production of clean hydrogen; and

(c) if applicable, the production of clean ammonia that uses a feedstock of hydrogen produced by the project or another clean hydrogen project of the taxpayer. (*projet pour l'hydrogène propre*)

clean hydrogen project plan means a plan for a clean hydrogen project of a taxpayer that

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

(b) sets out the expected carbon intensity of the hydrogen to be produced by the project

(i) determined in accordance with subsection (6), and

(ii) supported by a report prepared by a qualified validation firm in respect of the project;

(c) if the project is intended to produce clean ammonia, demonstrates

(i) that the project, together with any other clean hydrogen projects of the taxpayer, have sufficient production capacity to satisfy the needs of the taxpayer's ammonia production facility, and

(ii) if the taxpayer's hydrogen production facility and its ammonia production facility are not co-located, the feasibility of transporting hydrogen between the facilities;

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

(e) is filed by the taxpayer with the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources. (*plan de projet pour l'hydrogène propre*)

clean hydrogen tax credit of a qualifying taxpayer for a taxation year means

(a) the total of all amounts each of which is the specified percentage of the capital cost to the taxpayer of an eligible clean hydrogen property that is acquired by the taxpayer in the year; and

(b) the total of amounts required by subsection (12) to be added in computing the taxpayer's clean hydrogen tax credit at the end of the year. (*crédit d'impôt pour l'hydrogène propre*)

compliance period in respect of a clean hydrogen project of a taxpayer, means the period of time beginning on the first day of the compliance period of the project and ending on the last day of the fifth operating year of the project. (*période de conformité*)

dual-use electricity and heat equipment means equipment, that is part of a clean hydrogen project, that supports the production of hydrogen by reforming natural gas and that

(a) generates electrical energy, heat energy or a combination of electrical or heat energy, and more than 50% of either the electrical energy or heat energy that is expected to be produced over the first 20 years of project operations, based on the most recent clean hydrogen project plan, is expected (not including equipment that supports the project indirectly by way of an electrical utility grid) to support

(i) a qualified CCUS project, unless the equipment uses fossil fuels and emits carbon dioxide that is not subject to capture by a CCUS process, or

(ii) a qualified clean hydrogen project, unless the equipment uses fossil fuels and emits carbon dioxide that is not subject to capture by a CCUS process;

(b) is transmission equipment that directly transmits electrical energy from equipment described in paragraph (a) to a qualified clean hydrogen project and more than 50% of the electrical energy to be transmitted by the equipment over the first 20 years of project operations, based on the most recent clean hydrogen project plan, is expected to support the qualified CCUS project or qualified clean hydrogen project; or

(c) is distribution equipment that distributes electrical or heat energy. (*matériel pour électricité et chaleur à double usage*)

dual-use hydrogen and ammonia equipment means equipment that is part of a clean hydrogen project and that is used for the generation of oxygen and nitrogen to be used in hydrogen and ammonia production. (*matériel pour hydrogène et ammoniac à double usage*)

eligible clean hydrogen property means property, other than excluded property, that

(a) is acquired by a qualifying taxpayer and becomes available for use in connection with a qualified clean hydrogen project of the taxpayer in Canada on or after March 28, 2023, determined without reference to subsection (5);

(b) has not been used, or acquired for use or lease, by any person or partnership for any purpose whatever before it was acquired by the taxpayer; and

(c) is property situated in Canada and

(i) that is described in subparagraph (d)(xxii) of Class 43.1 of Schedule II to the *Income Tax Regulations*,

(ii) that is used all or substantially all to produce hydrogen through natural gas reforming, including pre-reformers, auto-thermal reformers, steam methane reformers, pre-heating equipment, syngas coolers, shift reactors, purification equipment, fired heaters, water treatment and conditioning equipment, equipment used in hydrogen compression and storage of hydrogen, oxygen production equipment and methanizers,

(iii) that is

(A) clean ammonia equipment,

(B) dual-use electricity and heat equipment, or

(C) dual-use hydrogen and ammonia equipment,

(iv) that is physically and functionally integrated with the equipment described in any of subparagraphs (i) to (iii) and that is ancillary equipment used solely to support the functioning of equipment described in any of subparagraphs (i) to (iii) within a hydrogen or ammonia production process as part of

(A) an electrical system,

(B) a feed supply system,

(C) a cooling system,

(D) a process material storage and handling and distribution system,

(E) a process venting system,

(F) a process waste management system, or

(G) an oxygen or nitrogen distribution system, or

(v) that is equipment used for system safety and integrity, or as part of a control or monitoring system, solely to support the equipment described in any of subparagraphs (i) to (iv). (*bien admissible pour l'hydrogène propre*)

eligible pathway means the production of hydrogen

(a) from electrolysis; or

(b) by natural gas reforming with carbon dioxide captured using a CCUS process. (*méthode admissible*)

eligible power purchase agreement means an agreement that allows a taxpayer to purchase electricity

(a) that is sourced from hydro, solar or wind generation that

(i) first commenced electricity generation on or after March 28, 2023 and no more than one year before the taxpayer's first clean hydrogen project plan is filed with the Minister of Natural Resources, and

(ii) is located in the same province as the clean hydrogen project of the taxpayer and is connected to the electricity grid of that province; and

(b) for the sole purpose of operating the taxpayer's clean hydrogen project during all or any portion of the first 20 years of the project's operations. (*entente pour l'achat d'électricité admissible*)

eligible renewable natural gas means natural gas

(a) that is produced from non-fossil carbon;

(b) in respect of which a CFR carbon intensity has been determined under the *Clean Fuel Regulations*; and

(c) that is sourced from a facility that first commenced production of natural gas no more than one year before the taxpayer's first clean hydrogen project plan is filed with the Minister of Natural Resources. (*gaz naturel renouvelable admissible*)

excluded property means property that is

(a) included in Class 57 or 58 of Schedule II to the *Income Tax Regulations*;

(b) equipment used for the off-site transmission, transportation or distribution of hydrogen or ammonia;

(c) an automotive vehicle or related refuelling equipment;

(d) auxiliary electrical generating equipment, other than equipment described in clause (c)(iv)(A) of the definition *eligible clean hydrogen property* in this subsection;

(e) a building or other structure;

(f) construction equipment, furniture or office equipment; or

(g) equipment used for off-site storage. (*bien exclu*)

expected carbon intensity means the carbon intensity of hydrogen that is expected to be produced by a particular clean hydrogen project of a taxpayer, as documented in the taxpayer's clean hydrogen project plan in respect of the project. (*intensité carbonique attendue*)

first day of the compliance period means, in respect of a clean hydrogen project of a taxpayer,

(a) unless paragraph (b) or (c) applies, the particular day that is 120 days after the day on which hydrogen is first produced by the project;

(b) if the taxpayer files an election in prescribed form and manner with the Minister with its return of income for the taxation year that includes the particular day referred to in paragraph (a), the day that is one year after the particular day; or

(c) if the taxpayer has filed an election under paragraph (b) and files a second election in prescribed form and manner with the Minister with its return of income for the taxation year that includes the day referred to in paragraph (b), the day that is two years after the particular day referred to in paragraph (a). (*premier jour de la période de conformité*)

Fuel LCA Model means the Government of Canada's Fuel Life Cycle Assessment Model that is published by the Minister of the Environment to determine the carbon intensity of a fuel, energy source or material input using life-cycle inventories for various pathways. (*modèle ACV des combustibles*)

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

ineligible use has the same meaning as in subsection 127.44(1). (*utilisation non admissible*)

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

non-hydrogen or ammonia use means a use of a particular property at a particular time that would, if the property were acquired at that time, result in the property ceasing to be an *eligible clean hydrogen property*, determined without reference to paragraph (b) of that definition. (*utilisation autre que pour l'hydrogène ou l'ammoniac*)

operating year means each cumulative 365-day period, the first of which begins on the first day of the compliance period of a taxpayer's clean hydrogen project, disregarding any period during which the project is not operating. (*année d'exploitation*)

preliminary clean hydrogen work activity means an activity that is preliminary to the acquisition, construction, fabrication or installation by or on behalf of a taxpayer of eligible clean hydrogen property in respect of the taxpayer's clean hydrogen project including, but not limited to, a preliminary activity that is

(a) obtaining permits or regulatory approvals;

(b) performing front-end design or engineering work, including front-end engineering design studies (or equivalent studies as determined by the Minister of Natural Resources) but excluding detailed design or engineering work in relation to eligible clean hydrogen property;

(c) conducting feasibility studies or pre-feasibility studies (or equivalent studies as determined by the Minister of Natural Resources);

(d) conducting environmental assessments; or

(e) clearing or excavating land. (*travaux préliminaires pour l’hydrogène propre*)

qualified CCUS project has the same meaning as in subsection 127.44(1). (*projet de CUSC admissible*)

qualified clean hydrogen project means a clean hydrogen project of a taxpayer where the Minister of Natural Resources has confirmed in writing that

(a) the hydrogen will be produced from an eligible pathway;

(b) the expected carbon intensity contained in the taxpayer’s most recent clean hydrogen project plan

(i) is determined in accordance with subsection (6), and

(ii) can reasonably be expected to be achieved based on the project design; and

(c) if the project is intended to produce clean ammonia, the taxpayer has demonstrated

(i) that the project, together with any other clean hydrogen projects of the taxpayer, have sufficient production capacity to satisfy the needs of the taxpayer’s ammonia production facility, and

(ii) if the taxpayer’s hydrogen production facility and its ammonia production facility are not co-located, the feasibility of transporting hydrogen between the facilities. (*projet admissible pour l’hydrogène propre*)

qualified validation firm means, in respect of a clean hydrogen project of a taxpayer, an engineering firm that

(a) is registered and in good standing with a professional association that has the authority or recognition by law of a jurisdiction in Canada to regulate the profession of engineering in

(i) the jurisdiction where the project is located, or

(ii) if there is no professional association in the jurisdiction described in subparagraph (i), a jurisdiction in Canada where a professional association regulates the profession of engineering;

(b) has appropriate insurance coverage;

(c) has expertise in modelling using the Fuel LCA Model and engineering expertise in production processes for hydrogen and, if applicable, ammonia;

(d) at all times, deals at arm’s length with the taxpayer; and

(e) meets the requirements described in the carbon intensity modelling guidance in respect of the production of hydrogen published by the Government of Canada. (*firme admissible de validation*)

qualified verification firm means, in respect of a clean hydrogen project of a taxpayer, an engineering firm that

(a) is registered and in good standing with a professional association that has the authority or recognition by law of a jurisdiction in Canada to regulate the profession of engineering in

(i) the jurisdiction where the project is located, or

(ii) if there is no professional association in the jurisdiction described in subparagraph (i), a jurisdiction in Canada where a professional association regulates the profession of engineering;

(b) has appropriate insurance coverage;

(c) has expertise in life-cycle analysis of greenhouse gas emissions;

(d) at all times, deals at arm's length with the taxpayer;

(e) is not a qualified validation firm in respect of the project; and

(f) meets the requirements described in the carbon intensity modelling guidance in respect of the production of hydrogen published by the Government of Canada. (*firme admissible de vérification*)

qualifying taxpayer means a taxable Canadian corporation. (*contribuable admissible*)

specified greenhouse gas means

(a) carbon dioxide;

(b) methane;

(c) nitrous oxide;

(d) sulphur hexafluoride; and

(e) any other greenhouse gases listed in the Fuel LCA Model and included in the carbon intensity modelling guidance in respect of the production of hydrogen published by the Government of Canada at the time that a taxpayer files its most recent clean hydrogen project plan with the Minister of Natural Resources. (*gaz à effet de serre déterminé*)

specified percentage means

(a) in respect of the capital cost of an eligible clean hydrogen property (other than clean ammonia equipment) that is acquired by a qualifying taxpayer for use in a clean hydrogen project,

(i) if the expected carbon intensity of the hydrogen to be produced by the project is less than 0.75 and the property is acquired

(A) before 2034, 40%,

(B) in 2034, 20%, and

(C) after 2034, 0%,

(ii) if the expected carbon intensity of the hydrogen to be produced by the project is 0.75 or greater and less than two and the property is acquired

(A) before 2034, 25%,

(B) in 2034, 12.5%, and

(C) after 2034, 0%,

(iii) if the expected carbon intensity of the hydrogen to be produced by the project is two or greater and less than four and the property is acquired

(A) before 2034, 15%,

(B) in 2034, 7.5%, and

(C) after 2034, 0%, and

(iv) if the expected carbon intensity of the hydrogen to be produced by the project is four or greater, 0%; and

(b) in respect of the capital cost of clean ammonia equipment that is acquired by a qualifying taxpayer for use in a clean hydrogen project,

(i) if the expected carbon intensity of the hydrogen to be produced by the project and used in the production of ammonia is less than four and the equipment is acquired

(A) before 2034, 15%,

(B) in 2034, 7.5%, and

(C) after 2034, 0%, and

(ii) if the expected carbon intensity of the hydrogen to be produced by the project is four or greater, 0%. (*pourcentage déterminé*)

Clean hydrogen tax credit

(2) If a qualifying taxpayer files with its return of income for a taxation year a prescribed form containing prescribed information, the taxpayer is deemed to have paid on its balance-due day for the year an amount on account of the taxpayer's tax payable under this Part for the year equal to the taxpayer's clean hydrogen tax credit for the year.

Deemed deduction

(3) For the purposes of this section, paragraph 12(1)(t), subsection 13(7.1), variable I of the definition *undepreciated capital cost* in subsection 13(21) and subsection 53(2), and sections 127.44, 127.45 and 127.49, the amount deemed under subsection (2) to have been paid by a taxpayer for a taxation year is deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year.

Time limit for application

(4) A payment on account of tax payable shall not be deemed to be paid under subsection (2) if the taxpayer does not file with the Minister the form described in subsection (2) in respect of the amount on or before the day that is one year after the taxpayer's filing-due date for the year.

Time of acquisition

(5) For the purpose of this section, eligible clean hydrogen property is deemed not to have been acquired before the property becomes available for use by the taxpayer, determined without reference to paragraphs 13(27)(c) and (28)(d).

Determination of carbon intensity

(6) For the purposes of calculating the carbon intensity of hydrogen produced and to be produced by a clean hydrogen project of a taxpayer,

(a) the most recent Fuel LCA Model at the time of filing by the taxpayer of the most recent related clean hydrogen project plan with the Minister of Natural Resources shall be used;

(b) in applying the Fuel LCA Model, an assessment of emissions from the production of hydrogen by the project and upstream emissions from the production of inputs to the hydrogen-production process shall be taken into account;

(c) if the taxpayer produces hydrogen from natural gas reforming, any captured carbon that is subject to an ineligible use is deemed not to be captured;

(d) if the project uses electricity supplied through a provincial grid,

(i) pursuant to an eligible power purchase agreement,

(A) the contribution to carbon intensity of any such electricity that is used in the operation of the project is to correspond with the carbon intensity of the technology-specific electricity in the Fuel LCA Model, and

(B) the contribution of the purchased electricity is to be calculated in proportion to the number of years for which the agreement will be in place during the first 20 years of the project's operations, or

(ii) in any other case, the carbon intensity of the grid is to be taken into account in applying the Fuel LCA Model;

(e) if the project uses natural gas for the purpose of producing hydrogen from natural gas reforming,

(i) if the natural gas is eligible renewable natural gas,

(A) the contribution to carbon intensity of that natural gas is to correspond with the most recent CFR carbon intensity that is determined under the *Clean Fuel Regulations*, and

(B) the contribution of that natural gas is to be calculated in proportion to the number of years for which that natural gas will be used during the first 20 years of the project's operations, or

(ii) in any other case, the contribution to carbon intensity of natural gas is to be taken into account in applying the Fuel LCA Model; and

(f) any carbon intensity modelling guidance in respect of the production of hydrogen, published by the Government of Canada at the time of filing by the taxpayer of the most recent related clean hydrogen project plan with the Minister of Natural Resources, is to apply conclusively with respect to the calculation of carbon intensity.

Changes to clean hydrogen project

(7) Subsection (8) applies in respect of a qualified clean hydrogen project of a taxpayer if, before the first day of the compliance period of the project,

(a) the Minister of Natural Resources determines that there has been a change to the project design that may reasonably be expected to result in an increase (as compared to the most recent clean hydrogen project plan for the project) of more than 0.25 kilograms of carbon dioxide equivalent per kilogram of hydrogen to be produced by the project and requests that the taxpayer file a revised project plan for the project; or

(b) the taxpayer reasonably expects that there will be an increase (as compared to the most recent project plan for the project) of more than 0.25 kilograms of carbon dioxide equivalent per kilogram of hydrogen to be produced by the project.

Rules relating to revised project plan

(8) If this subsection applies,

(a) the taxpayer shall file, within 180 days, a revised clean hydrogen project plan in respect of the project with the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources;

(b) if the Minister of Natural Resources is satisfied that the hydrogen will be produced from an eligible pathway and that the expected carbon intensity contained in the taxpayer's revised clean hydrogen project plan is determined in accordance with subsection (6) and can reasonably be expected to be achieved based on the revised project design,

(i) the Minister of Natural Resources shall confirm, with all due dispatch, the revised plan,

(ii) the taxpayer's clean hydrogen tax credit shall be redetermined, as of the date of the filing of the revised plan, based on the expected carbon intensity set out in the revised plan, and

(iii) if the taxpayer previously deducted an amount in respect of a clean hydrogen tax credit, subsection (18) applies as if the compliance period ended on that date and the average actual carbon intensity of the project was equal to the expected carbon intensity set out in the revised plan;

(c) if the Minister of Natural Resources is not satisfied in accordance with paragraph (b) and does not issue a confirmation described in subparagraph (b)(i) within one year of the filing of the taxpayer's revised plan, then, as of the expiry of that period,

(i) the project is deemed not to be a qualified clean hydrogen project,

(ii) the average actual carbon intensity of the project is deemed to be greater than 4.25, and

(iii) subsection (18) applies as if the compliance period of the project ended on the expiry date of that period; and

(d) if the taxpayer fails to file a revised clean hydrogen project plan in accordance with paragraph (a), then, as of the expiry of the 180-day period described in paragraph (a),

(i) subject to subparagraph (ii),

(A) the project is deemed not to be a qualified clean hydrogen project,

(B) the average actual carbon intensity of the project is deemed to be greater than 4.25, and

(C) subsection (18) applies as if the compliance period of the project ended on the expiry date of that period, and

(ii) once the taxpayer has filed the revised project plan, subparagraph (i) is deemed never to have applied.

Clean hydrogen project determination

(9) For the purposes of this section,

(a) the Minister may, in consultation with the Minister of Natural Resources, determine that one or more clean hydrogen projects is one project or multiple projects

(i) at any time before the Minister of Natural Resources confirms the expected carbon intensity of the hydrogen to be produced by a clean hydrogen project, or

(ii) if a taxpayer files or is required to file a revised clean hydrogen project plan in accordance with subsection (8), at any time before the Minister of Natural Resources confirms the revised plan;

(b) any determination under paragraph (a) is deemed to result in the clean hydrogen project or clean hydrogen projects, as the case may be, being one project or multiple projects, as the case may be;

(c) for each project determined under paragraph (a), a separate clean hydrogen project plan shall be filed by the taxpayer with the Minister of Natural Resources (in the form and manner determined by the Minister of Natural Resources) on or before the day that is 180 days after the determination is made; and

(d) the Minister of Natural Resources may request from the taxpayer all documentation and information necessary for the Minister of Natural Resources to fulfill a responsibility under this section, including final detailed engineering designs, and may refuse to confirm the taxpayer's clean hydrogen project plan or revised clean hydrogen project plan if such documentation or information is not provided by the taxpayer on or before the day that is 180 days after it was requested.

Capital cost of clean hydrogen property

(10) For the purposes of this section, the capital cost of eligible clean hydrogen property shall

(a) not include any amount in respect of a capital property

(i) for which an amount was previously deducted under this section by any person,

(ii) in respect of which a *CCUS tax credit* (as defined in subsection 127.44(1)), a *clean technology investment tax credit* (as defined in subsection 127.45(1)) or a *CTM investment tax credit* (as defined in subsection 127.49(1)) was deducted by any person, or

(iii) that has, by virtue of section 21, been added to the cost of a property;

(b) be determined without reference to subsections 13(7.1) and (7.4);

(c) be reduced by the amount of any government assistance or non-government assistance that can reasonably be considered to be in respect of the property and that, at the time of the filing of the taxpayer's return of income under this Part for the taxation year in which the property was acquired by the taxpayer or partnership, the taxpayer or partnership has received, is entitled to receive or can reasonably be expected to receive;

(d) be determined with reference to subsections 127(11.6) to (11.8) in respect of an expenditure or cost to a taxpayer except that

(i) the reference in subsection 127(11.6) to subsection 127(11.5) is to be read as a reference to section 127.48,

(ii) the reference in subsection 127(11.6) to subsection 127(26) is to be read as a reference to subsection 127.48(13), and

(iii) the term "qualified expenditure" is to be read as an expenditure eligible to be added to the capital cost of an eligible clean hydrogen property;

(e) not include any amount in respect of an expenditure incurred for a preliminary clean hydrogen work activity;

(f) not include the proportion of the capital cost of dual-use electricity and heat equipment or equipment described in subparagraph (c)(iv) or (v) of the definition *eligible clean hydrogen property* in subsection (1) that can reasonably be expected to support a process other than the production of hydrogen or ammonia, as indicated in the most recent clean hydrogen project plan; and

(g) if the property is dual-use electricity and heat equipment that is used in the production of hydrogen and ammonia, is dual-use hydrogen and ammonia equipment or is equipment described in subparagraph (c)(iv) or (v) of the definition *eligible clean hydrogen property* in subsection (1), be allocated between two separate capital cost amounts, with each amount determined based on the percentage of the expected use of the equipment that is attributable to hydrogen production and ammonia production, and

(i) the capital cost amount that is attributable to ammonia production is deemed to be in respect of clean ammonia equipment, and

(ii) the capital cost amount that is attributable to hydrogen production is deemed to be in respect of eligible clean hydrogen property other than clean ammonia equipment.

Repayment of assistance

(11) 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 government assistance or non-government assistance that was applied to reduce the capital cost of an eligible clean hydrogen property under paragraph (10)(c) for a preceding taxation year, the amount repaid (or no longer expected to be received) is to be added to the cost to the taxpayer of a property acquired in the particular year for the purpose of determining the taxpayer's clean hydrogen tax credit for the year.

Partnerships

(12) Subject to section 127.47, where, in a particular taxation year of a qualifying taxpayer who is a member of a partnership, an amount would be determined under subsection (2) in respect of the partnership, for its taxation year that ends in the particular year, if the partnership were a taxable Canadian corporation and its fiscal period were its taxation year, the portion of that amount that can reasonably be considered to be the taxpayer's share thereof shall be added in computing the clean hydrogen tax credit of the taxpayer at the end of the particular year.

Unpaid amounts

(13) For the purposes of this section, where any part of the capital cost of a taxpayer's eligible clean hydrogen property is unpaid on the day that is 180 days after the end of the taxation year in which a deduction in respect of a clean hydrogen tax credit would otherwise be available in respect of the property, such amount is to be

(a) excluded from the capital cost of the property in the year; and

(b) added to the capital cost of the property at the time it is paid.

Tax shelter investment

(14) Subsection (2) does not apply if an eligible clean hydrogen property – or an interest in a person or partnership that has, directly or indirectly, an interest in, or for civil law, a right in, such property – is a tax shelter investment for the purpose of section 143.2.

Annual information reporting requirement

(15) If a clean hydrogen tax credit was deducted in any taxation year by a taxpayer in respect of a qualified clean hydrogen project, the taxpayer shall file, with its return of income for each taxation year that begins during the compliance period in respect of the project, a prescribed form containing prescribed information in respect of the operations of the project.

Compliance — annual carbon intensity reporting

(16) If a clean hydrogen tax credit was deducted by a taxpayer in respect of a qualified clean hydrogen project, the taxpayer shall file with the Minister and the Minister of Natural Resources, within 180 days after the end of each operating year, a compliance report in prescribed form and manner including

(a) the actual carbon intensity of the hydrogen produced by the project during the year;

(b) the quantity, in kilograms, of hydrogen that is produced by the project during the year;

(c) any shutdown time of the project in respect of the year;

(d) a report that verifies the actual carbon intensity of the hydrogen produced during the year, prepared by a qualified verification firm in respect of the project; and

(e) any information required in guidelines published by the Minister of Natural Resources.

Failure to report

(17) Each taxpayer that fails to file a compliance report for a project as described in subsection (16) is liable to a penalty, for each such failure, in an amount, not exceeding the total of all clean hydrogen tax credits deducted by the taxpayer in respect of the project, equal to the amount determined by the formula

$$((4\% \times A) \div 365) \times B$$

where

A is the total of all amounts, each of which is the amount of a clean hydrogen tax credit in respect of the project deducted by the taxpayer for a taxation year that ended before the applicable date in subsection (16), and

B is the number of days during which the failure continues.

Recovery — change in carbon intensity

(18) In the taxation year of a taxpayer in which the compliance period of the taxpayer's qualified clean hydrogen project ends, if the average actual carbon intensity of the hydrogen produced is greater than the most recent expected carbon intensity that was used to determine a clean hydrogen tax credit in respect of the project, there shall be added to the taxpayer's tax otherwise payable under this Part for the taxation year an amount equal to the total of all amounts, each of which is determined by the formula

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

where

A is the specified percentage that was applied to the capital cost of the eligible clean hydrogen property forming part of the project in determining a clean hydrogen tax credit of the taxpayer,

B is the specified percentage that would have applied to the capital cost of the property if the expected carbon intensity were equal to the average actual carbon intensity of the project, and

C is the capital cost of the property on which the clean hydrogen tax credit was deducted.

Minister's determination

(19) For the purpose of subsection (18), the Minister of Natural Resources shall review each of the taxpayer's compliance reports described in subsection (16) and the Minister may, in consultation with the Minister of Natural Resources, make a determination or redetermination of the actual carbon intensity of the hydrogen produced by a taxpayer's clean hydrogen project for any operating year during the compliance period of the project.

De minimis exception

(20) Subsection (18) does not apply to a taxpayer if the difference between the average actual carbon intensity of the taxpayer's qualified clean hydrogen project and the expected carbon intensity of the project is 0.25 or less.

Recapture of clean hydrogen tax credit — application

(21) Subsection (22) applies in a taxation year where

(a) a taxpayer acquired an eligible clean hydrogen property in the year or any of the preceding 20 calendar years;

(b) the taxpayer became entitled to a clean hydrogen tax credit in respect of the capital cost, or a portion of the capital cost, of the property; and

(c) in the year, the property is converted to a non-hydrogen or ammonia use, is exported from Canada or is disposed of without having been previously exported or converted to a non-hydrogen or ammonia use.

Recapture of clean hydrogen tax credit

(22) If this subsection applies for a taxation year in respect of an eligible clean hydrogen property, there shall be added to the taxpayer's tax otherwise payable under this Part for the year an amount determined by the formula

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

where

A is the amount of the taxpayer's clean hydrogen tax credit in respect of the property,

B is the total of all amounts, each of which can reasonably be considered to be the portion of any amount previously paid by the taxpayer because of subsection (18) in respect of the property,

C is an amount, not exceeding the amount determined for D, equal to

(a) if the property is disposed of to a person or partnership who deals at arm's length with the taxpayer, the proceeds of disposition of the property, and

(b) in any other case, the fair market value of the property, and

D is the capital cost of the property on which the clean hydrogen tax credit was deducted.

Election — sale of clean hydrogen project

(23) If at any time a qualifying taxpayer (referred to in this subsection as the "vendor") disposes of all or substantially all of its property comprising a qualified clean hydrogen project of the taxpayer to another taxable Canadian corporation (referred to in this subsection as the "purchaser"), and the vendor and the purchaser jointly elect in prescribed form, on or before the day that is the earliest of the days on or before which any taxpayer making the election is required to file a return of income pursuant to section 150 for the taxation year in which the transaction occurred, to have this subsection apply, the following rules apply:

(a) the purchaser is deemed to have acquired any eligible clean hydrogen property of the vendor at the times acquired by the vendor;

(b) the provisions of this Act that applied to the vendor in respect of the property that are relevant to the application of the Act in respect of the property after that time are deemed to have applied to the purchaser and, for greater certainty, the purchaser is deemed to have claimed the clean hydrogen tax credits determined under subsection (2) that could have been claimed by the vendor, before that time, in respect of the project;

(c) any clean hydrogen project plans that were filed by the vendor in respect of the project before that time are deemed to have been filed by the purchaser;

(d) the purchaser is or will be liable for amounts in respect of the property for which the vendor would be liable under this section in respect of actions, transactions or events that occur after that time as if the vendor had undertaken them or otherwise participated in them; and

(e) subsection (22) does not apply to the vendor in respect of the disposition of property to the purchaser.

Recapture event reporting requirement

(24) If subsection (22) applies to a taxpayer for a particular year, the taxpayer shall notify the Minister in prescribed form and manner on or before the taxpayer's filing-due date for the year.

Recovery and recapture — partnerships

(25) If subsection (12) has at any time applied to add an amount in computing the clean hydrogen tax credit of a member of a partnership, subsections (18) to (24) apply to determine amounts in respect of the partnership as if the partnership was a taxable Canadian corporation, its fiscal period were its taxation year and it had deducted all of the clean hydrogen tax credits that were previously added in computing the clean hydrogen tax credit of any member of the partnership because of the application of subsection (12) in respect of its partnership interest.

Member's share of recovery or recapture

(26) Unless subsection (27) applies, if, in a taxation year, a taxpayer is a member of a partnership, the amount that can reasonably be considered to be the taxpayer's share of any amount of tax determined because of subsection (25) in respect of the partnership shall be added to the taxpayer's tax otherwise payable under this Part for the year.

Election by member

(27) A taxable Canadian corporation that is a member of a partnership during a fiscal period of the partnership may elect, in prescribed form and manner, to add to its tax payable under this Part for its taxation year that includes the end of the fiscal period the total amount of tax determined for a taxation year because of subsection (25) in respect of the partnership.

Joint, several and solidary liability

(28) Each member of a partnership is jointly and severally, or for civil law, solidarily, liable for any portion of the amount of tax – determined because of subsection (25) in respect of the partnership for a taxation year – that is not added to the tax payable

(a) of a member of the partnership under subsection (26); or

(b) of a taxable Canadian corporation because of subsection (27) and paid by the corporation by its filing-due date for the year.

Interest on recovery tax

(29) For the purpose of applying subsection 161(1) to an amount of tax payable because of subsection (18) (other than an amount payable because of subsection (8)), the balance-due day of a taxpayer is deemed to be the balance-due day of the taxation year for the related clean hydrogen tax credit under subsection (2).

Credit after compliance period

(30) For the purpose of applying subsection (2) in respect of a property acquired after the compliance period of a qualified clean hydrogen project of the taxpayer, the expected carbon intensity of the project is deemed to be the greater of

the expected carbon intensity otherwise determined and the average actual carbon intensity for the compliance period of the project.

Purpose

(31) The purpose of this section is to encourage the investment of capital in the production of clean hydrogen and clean ammonia in Canada.

Authority of the Minister of Natural Resources

(32) For the purpose of determining whether a property is an eligible clean hydrogen property, any technical guide, published by the Department of Natural Resources and as amended from time to time, is to apply conclusively with respect to engineering and scientific matters.

(2) Subsection (1) is deemed to have come into force on March 28, 2023, except that before January 1, 2024, subsection 127.48(3) of the Act (as enacted by subsection (1)) is to be read without reference to section 127.49 and subsection 127.48(10) of the Act (as enacted by subsection (1)) is to be read without reference to the words "*CTM investment tax credit* (as defined in subsection 127.49(1))".

Clean Technology Manufacturing Investment Tax Credit

1 (1) The Act is amended by adding the following after section 127.48:

Definitions

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

CTM investment tax credit of a qualifying taxpayer for a taxation year means

(a) the total of all amounts each of which is the specified percentage of the capital cost to the taxpayer of CTM property acquired by the taxpayer in the year for a CTM use; and

(b) the total of all amounts required by subsection (8) to be added in computing the taxpayer's CTM investment tax credit at the end of the year. (*crédit d'impôt à l'investissement pour la FTP*)

CTM property means property of a taxpayer, other than excluded property,

(a) situated in Canada and intended for use exclusively in Canada;

(b) that has not been used, or acquired for use or lease, for any purpose whatever before it was acquired by the taxpayer;

(c) that, if it is to be leased by the taxpayer to another person or a partnership, is

(i) leased to a qualifying taxpayer or a partnership all the members of which are taxable Canadian corporations, and

(ii) leased in the ordinary course of carrying on a business in Canada by the taxpayer whose principal business is selling or servicing property of that type, or whose principal business is leasing property, lending money, purchasing conditional sales contracts, accounts receivable, bills of sale, chattel mortgages or hypothecary claims on movables, bills of exchange or other obligations representing all or part of the sale price of merchandise or services, or any combination thereof; and

(d) described in Schedule II to the *Income Tax Regulations* that is

(i) included in

(A) paragraph (a) or (c) of Class 8,

(B) paragraph (a) of Class 43,

(C) Class 53,

(D) Class 43.1 that would otherwise be included in any of clauses (A) to (C), or

(E) Class 43.2 that would otherwise be included in clause (D),

(ii) included in

(A) paragraph (b) of Class 8, or would be included in paragraph (b) of Class 8 if the word “solely” were read as “primarily” and if the word “building” were read as “structure”,

(B) Class 43.1 that would otherwise be included in clause (A), or

(C) Class 43.2 that would otherwise be included in clause (B),

(iii) included in

(A) subparagraph (k)(i) of Class 10, provided that the property would otherwise be in paragraph (a) or (c) of Class 8,

(B) subparagraph (k)(ii) of Class 10,

(C) paragraph (b) of Class 41, or in paragraph (b) of Class 41.2, that would otherwise be included in clauses (A) or (B),

(D) paragraph (b) of Class 43,

(E) Class 43.1 that would otherwise be included in any of clauses (A) to (D), or

(F) Class 43.2 that would otherwise be included in clause (E),

(iv) included in paragraph (d) or (j) of Class 12, or

(v) included in

(A) paragraph (a) or (e) of Class 10 or Class 38, but excluding any property that is designed or adapted for use on streets and highways, or

(B) Class 56. (*bien de FTP*)

CTM use means the use of a property

(a) all or substantially all for activities described in paragraph (a) or (c) of the definition *qualified zero-emission technology manufacturing activities* in section 5202 of the *Income Tax Regulations*; or

(b) in a qualifying mineral activity producing all or substantially all qualifying materials. (*utilisation pour la FTP*)

excluded property means any property used in the production of battery cells or modules if the production has benefitted from, or can reasonably be expected to benefit from, support under a contribution agreement with the Government of Canada. (*bien exclu*)

government assistance means *government assistance* as defined in subsection 127(9). (*aide gouvernementale*)

non-CTM use means a use of a property other than a CTM use. (*utilisation autre que pour la FTP*)

non-government assistance means *non-government assistance* as defined in subsection 127(9). (*aide non gouvernementale*)

permitted element means hydrogen, carbon, nitrogen, oxygen, phosphorus, sulfur, selenium, a halogen or a noble gas. (*élément autorisé*)

qualifying material means

(a) lithium;

(b) cobalt;

(c) nickel;

(d) copper;

(e) rare earth elements; and

(f) graphite. (*matériaux admissibles*)

qualifying mineral activity means

(a) the extraction of resources from a mineral deposit or from a tailing pond;

(b) a mineral processing activity, including crushing, grinding, milling, separation, sieving, screening, froth flotation, leaching, recrystallization, precipitation, drying, evaporation, heating, calcinating, roasting, smelting, casting of ingots, refining, purification, distillation, electrodeposition and surface roughening of electrodeposited foil, that

(i) is performed at a mine site, well site, tailing pond, mill, smelter or refinery, and

(ii) occurs prior to or as part of a process intended

(A) to increase the purity of at least one qualifying material, or

(B) to produce a material with non-trace amounts of a single qualifying material, and without non-trace amounts of any elements other than permitted elements;

(c) a recycling activity that is

(i) sorting, disassembly or shredding of a recyclable material, or

(ii) a material processing activity substantially similar to an activity described in paragraph (b);

(d) a synthetic graphite activity that is

(i) performed during or after the graphitization stage, and

(ii) a material processing activity substantially similar to an activity described in paragraph (b); or

(e) spheronization of graphite or coating of spheronized graphite. (*activité minière admissible*)

qualifying taxpayer means a taxable Canadian corporation. (*contribuable admissible*)

specified percentage means in respect of a CTM property of the taxpayer that is acquired

(a) before January 1, 2024, determined without reference to subsection (4), nil;

(b) after December 31, 2023 and before January 1, 2032, 30%;

(c) after December 31, 2031 and before January 1, 2033, 20%;

(d) after December 31, 2032 and before January 1, 2034, 10%;

(e) after December 31, 2033 and before January 1, 2035, 5%; and

(f) after December 31, 2034, nil. (*pourcentage déterminé*)

CTM investment tax credit

(2) If a qualifying taxpayer files with its return of income for a taxation year a prescribed form containing prescribed information, the taxpayer is deemed to have paid on its balance-due day for the year an amount on account of the taxpayer's tax payable under this Part for the year equal to the taxpayer's CTM investment tax credit for the year.

Time limit for application

(3) A payment on account of tax payable shall not be deemed to be paid under subsection (2) unless the taxpayer files with the Minister the form described in subsection (2) in respect of the amount on or before the day that is one year after the taxpayer's filing-due date for the year.

Time of acquisition

(4) For the purpose of this section, CTM property is deemed not to have been acquired by a taxpayer before the property is considered to have become available for use by the taxpayer, determined without reference to paragraphs 13(27)(c) and (28)(d).

Special rules — adjustments

(5) For the purpose of this section, the capital cost of CTM property shall

(a) not include any amount in respect of a capital property

(i) for which an amount was previously deducted under this section by any person,

(ii) in respect of which a *CCUS tax credit* (as defined in subsection 127.44(1)), a *clean technology investment tax credit* (as defined in subsection 127.45(1)) or a *clean hydrogen tax credit* (as defined in subsection 127.48(1)) was deducted by any person, or

(iii) that has, by virtue of section 21, been added to the cost of a property;

(b) be determined without reference to subsections 13(7.1) and (7.4);

(c) be reduced by the amount of any government assistance or non-government assistance that can reasonably be considered to be in respect of the property and that, at the time of the filing of the taxpayer's return of income under this Part for the taxation year in which the property was acquired by the taxpayer or partnership, the taxpayer or partnership has received, is entitled to receive or can reasonably be expected to receive; and

(d) be determined with reference to subsections 127(11.6) to (11.8) in respect of an expenditure or cost to a taxpayer except that

(i) the reference in subsection 127(11.6) to subsection 127(11.5) is to be read as a reference to section 127.49,

(ii) the reference in subsection 127(11.6) to subsection 127(26) is to be read as a reference to subsection 127.49(9), and

(iii) the term "qualified expenditure" is to be read as an expenditure eligible to be added to the capital cost of a CTM property.

Deemed deduction

(6) For the purpose of this section, paragraph 12(1)(t), subsection 13(7.1), the description of I in the definition *undepreciated capital cost* in subsection 13(21), subsection 53(2) and sections 127.45 and 127.48, the amount deemed under subsection (2) to have been paid by a taxpayer for a taxation year is deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year.

Repayment of assistance

(7) 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 government assistance or non-government assistance that was applied to reduce the cost of a property under paragraph (5)(c) for a preceding taxation year, the amount repaid (or no longer expected to be received) is to be added to the cost to the taxpayer of a property acquired in the particular year for the purpose of determining the taxpayer's CTM investment tax credit for the year.

Partnerships

(8) Subject to section 127.47, where, in a particular taxation year of a qualifying taxpayer that is a member of a partnership, an amount would be determined under subsection (2) in respect of the partnership, for its taxation year that ends in the particular year, if the partnership were a taxable Canadian corporation and its fiscal period were its taxation year, the portion of that amount that can reasonably be considered to be the taxpayer's share thereof shall be added in computing the CTM investment tax credit of the taxpayer at the end of the particular year.

Unpaid amounts

(9) For the purpose of this section, where any part of the capital cost of a taxpayer's CTM property is unpaid on the day that is 180 days after the end of the taxation year in which a deduction in respect of a CTM investment tax credit would otherwise be available in respect of the property, such amount is to be

(a) excluded from the capital cost of such property in the year; and

(b) added to the capital cost of such property at the time it is paid.

Tax shelter investment

(10) Subsection (2) does not apply if a CTM property – or an interest in a person or partnership that has, directly or indirectly, an interest in, or for civil law, a right in, such property – is a tax shelter investment for the purpose of section 143.2.

Recapture — conditions for application

(11) Subsection (12) applies in a taxation year if

(a) a taxpayer acquired a CTM property in the year or any of the preceding 10 calendar years;

(b) the taxpayer became entitled to a CTM investment tax credit in respect of the capital cost, or a portion of the capital cost, of the property; and

(c) in the year, the property (or another property that incorporates the property) is converted to a non-CTM use, is exported from Canada or is disposed of without having been previously exported or converted to a non-CTM use.

Recapture of credit

(12) If this subsection applies, there shall be added to the taxpayer's tax otherwise payable under this Part for the year the lesser of

(a) the amount of the taxpayer's CTM investment tax credit in respect of the property, and

(b) the amount determined by the formula

$$A \times (B \div C)$$

where

A is the amount of the taxpayer's CTM investment tax credit in respect of the property;

B is

(i) in the case where the property is disposed of to a person who deals at arm's length with the taxpayer, the proceeds of disposition of the property, or

(ii) in the case where the property is disposed of to a person who does not deal at arm's length with the taxpayer, is converted to a non-CTM use or is exported from Canada, the fair market value of the property, and

C is the capital cost of the property on which the CTM investment tax credit was deducted.

Certain non-arm's length transfers

(13) Subsections (11) and (12) do not apply to a taxpayer (in this subsection referred to as the "transferor") that disposes of a property to a taxable Canadian corporation (in this subsection referred to as the "purchaser") related to the transferor, if the purchaser acquired the property in circumstances where the property would be CTM property to the purchaser (but for paragraph (b) of that definition) and is used by the purchaser for a CTM use.

Certain non-arm's length transfers — recapture deferred

(14) If subsections (11) and (12) do not apply because of subsection (13), subsection 127(34) applies with such modifications as the circumstances require, including that the reference to subsection 127(33) be read as subsection 127.49(13).

Recapture event reporting requirement

(15) If subsection (12) or (13) applies to a taxpayer for a taxation year, the taxpayer shall notify the Minister in prescribed form and manner on or before the taxpayer's filing-due date for the year.

Recapture of credit for partnerships

(16) Subsection (17) applies in a fiscal period of a partnership if

(a) the partnership acquired a CTM property in the fiscal period or in any of the 10 preceding calendar years;

(b) the cost, or a portion of the cost, of the property is included in an amount, a percentage of which can reasonably be considered to have been included in computing the amount determined under subsection (8) in respect of the partnership at the end of a fiscal period; and

(c) in the fiscal period, the property (or another property that incorporates the property) is converted to a non-CTM use, is exported from Canada or is disposed of without having been previously exported or converted to a non-CTM use.

Addition to tax

(17) If this subsection applies to a fiscal period of a partnership, where a taxpayer is a member of the partnership during the fiscal period, there shall be added to the taxpayer's tax otherwise payable under this Part for the taxpayer's taxation year in which the fiscal period ends the amount that can reasonably be considered to be the taxpayer's share of the amount, if any, equal to the lesser of

(a) the amount that can reasonably be considered to have been included in respect of the property in computing the amount determined under subsection (8) in respect of the partnership, and

(b) the percentage described in paragraph (16)(b) of

(i) where the property (or the other property) is disposed of to a person who deals at arm's length with the partnership, the proceeds of disposition of the property, and

(ii) in any other case, the fair market value of the property (or the other property) at the time of the conversion, export or disposition.

Information return — partnerships

(18) If subsections (16) and (17) apply with respect to the property of a partnership for a fiscal period, the partnership shall notify the Minister in prescribed form and manner on or before the day when a return is required by section 229 of the *Income Tax Regulations* to be filed in respect of the period.

CTM investment tax credit — purpose

(19) The purpose of this section is to encourage the investment of capital in Canada for a CTM use.

(2) Subsection (1) is deemed to have come into force on January 1, 2024.

Consequential amendments related to the Clean Hydrogen and Clean Technology Manufacturing Investment Tax Credits

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

Investment tax credit

(t) the amount deducted under subsection 127(5) or 127(6), 127.44(3), 127.45(6) or 127.48(3) 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) to (c)(vi.3) or (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) Paragraph 12(1)(t) of the Act, as enacted by subsection (1), is replaced by the following:

Investment tax credit

(t) the amount deducted under subsection 127(5) or 127(6), 127.44(3), 127.45(6), 127.48(3) or 127.49(6) 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) to (c)(vi.4) or (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);

(3) Subsection (1) is deemed to have come into force on March 28, 2023.

(4) Subsection (2) is deemed to have come into force on January 1, 2024.

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) or (6), 127.44(3), 127.45(6) or 127.48(3) 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) The portion of subsection 13(7.1) of the Act before paragraph (a), as enacted by subsection (1), 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) or (6), 127.44(3), 127.45(6), 127.48(3) or 127.49(6) 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

(3) 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) or (6), 127.44(3), 127.45(6) or 127.48(3) by the taxpayer for a taxation year ending before the particular time,

(4) Paragraph 13(7.1)(e) of the Act, as enacted by subsection (3), 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) or (6), 127.44(3), 127.45(6), 127.48(3) or 127.49(6) by the taxpayer for a taxation year ending before the particular time,

(5) 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 subsection 127(5) or (6), 127.44(3), 127.45(6) or 127.48(3), 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,

(6) The description of I in the definition *undepreciated capital cost* in subsection 13(21) of the Act, as enacted by subsection (5), is replaced by the following:

I is the total of all amounts deducted under subsection 127(5) or (6), 127.44(3), 127.45(6), 127.48(3) or 127.49(6), 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,

(7) The portion of paragraph 13(24)(a) of the Act before subparagraph (i) is replaced by the following:

(a) subject to paragraph (b), for the purposes of the description of A in the definition *undepreciated capital cost* in subsection (21) and of sections 127, 127.1, 127.44, 127.45 and 127.48, the property is deemed

(8) The portion of paragraph 13(24)(a) of the Act before subparagraph (i), as enacted by subsection (7), is replaced by the following:

(a) subject to paragraph (b), for the purposes of the description of A in the definition *undepreciated capital cost* in subsection (21) and of sections 127, 127.1, 127.44, 127.45, 127.48 and 127.49, the property is deemed

(9) Subsections (1), (3), (5) and (7) are deemed to have come into force on March 28, 2023.

(10) Subsections (2), (4), (6) and (8) are deemed to have come into force on January 1, 2024.

3 (1) The portion of paragraph (l) in the description of B in the definition *adjusted taxable income* in subsection 18.2(1) of the Act before subparagraph (ii) is replaced by the following:

(l) an amount deducted under subsection 127(5) or (6), 127.44(3), 127.45(6) or 127.48(3) in respect of a property acquired in a preceding taxation year in computing the taxpayer's tax payable for a preceding taxation year to the extent that it

(i) is included in an amount determined under paragraph 13(7.1)(e) or subparagraph 53(2)(c)(vi) to (c)(vi.3) or (2)(h)(ii) or for I in the definition *undepreciated capital cost* in subsection 13(21), and

(2) The portion of paragraph (l) in the description of B in the definition *adjusted taxable income* in subsection 18.2(1) of the Act before subparagraph (ii), as enacted by subsection (1), is replaced by the following:

(I) an amount deducted under subsection 127(5) or (6), 127.44(3), 127.45(6), 127.48(3) or 127.49(6) in respect of a property acquired in a preceding taxation year in computing the taxpayer's tax payable for a preceding taxation year to the extent that it

(i) is included in an amount determined under paragraph 13(7.1)(e) or subparagraph 53(2)(c)(vi) to (c)(vi.4) or (2)(h)(ii) or for I in the definition *undepreciated capital cost* in subsection 13(21), and

(3) Subsection (1) is deemed to have come into force on October 1, 2023.

(4) Subsection (2) is deemed to have come into force on January 1, 2024.

4 (1) Subparagraph 53(1)(e)(xiii) of the Act is replaced by the following:

(xiii) any amount required by subsection 127(30) or 127.45(17) or section 127.48 or 211.92 to be added to the taxpayer's tax otherwise payable under this Part for a taxation year that ended before that time in respect of the interest in the partnership;

(2) Subparagraph 53(1)(e)(xiii) of the Act, as enacted by subsection (1), is replaced by the following:

(xiii) any amount required by subsection 127(30), 127.45(17) or 127.49(17) or section 127.48 or 211.92 to be added to the taxpayer's tax otherwise payable under this Part for a taxation year that ended before that time in respect of the interest in the partnership;

(3) Paragraph 53(2)(c) of the Act is amended by adding the following after subparagraph (vi.2):

(vi.3) an amount equal to that portion of all amounts deemed deducted under subsection 127.48(3) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) of the taxpayer under subsection 127.48(12),

(4) Paragraph 53(2)(c) of the Act is amended by adding the following after subparagraph (vi.3):

(vi.4) an amount equal to that portion of all amounts deemed deducted under subsection 127.49(6) in computing the tax otherwise payable by the taxpayer under this Part for the taxpayer's taxation years ending before that time that may reasonably be attributed to amounts added in computing the *CTM investment tax credit* (as defined in subsection 127.49(1)) of the taxpayer under subsection 127.49(8),

(5) Subsections (1) and (3) are deemed to have come into force on March 28, 2023.

(6) Subsections (2) and (4) are deemed to have come into force on January 1, 2024.

5 (1) Subclause 66.8(1)(a)(ii)(B)(I) of the Act is replaced by the following:

(I) the total of all amounts required by subsections 127(8), 127.44(11), 127.45(8) and 127.48(12) in respect of the partnership to be added in computing the investment tax credit, the *CCUS tax credit* (as defined in subsection 127.44(1)), the *clean technology investment tax credit* (as defined in subsection 127.45(1)) or the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) of the taxpayer in respect of the fiscal period, and

(2) Subclause 66.8(1)(a)(ii)(B)(I) of the Act, as enacted by subsection (1), is replaced by the following:

(I) the total of all amounts required by subsections 127(8), 127.44(11), 127.45(8), 127.48(12) and 127.49(8) in respect of the partnership to be added in computing the investment tax credit, the *CCUS tax credit* (as defined in subsection 127.44(1)) or the *clean technology investment tax credit* (as defined in subsection 127.45(1)), the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) or the *CTM investment tax credit* (as defined in subsection 127.49(1)) of the taxpayer in respect of the fiscal period, and

(3) Subsection (1) is deemed to have come into force on March 28, 2023.

(4) Subsections (2) is deemed to have come into force on January 1, 2024.

6 (1) Subsection 87(2)(qq.1) of the Act is replaced by the following:

Continuation of corporation

(qq.1) for the purposes of sections 127.44, 127.45 and 127.48 and Part XII.7, the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

(2) Subsection 87(2)(qq.1) of the Act, as enacted by subsection (1), is replaced by the following:

Continuation of corporation

(qq.1) for the purposes of sections 127.44, 127.45, 127.48 and 127.49 and Part XII.7, the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

(3) Subsection (1) is deemed to have come into force on March 28, 2023.

(4) Subsections (2) is deemed to have come into force on January 1, 2024.

7 (1) Subsection 88(1) of the Act is amended by replacing paragraph (e.31) with the following:

(e.31) for the purposes of sections 127.44, 127.45 and 127.48 and Part XII.7, at the end of any particular taxation year ending after the subsidiary was wound up, the parent is deemed to be the same corporation as, and a continuation of the subsidiary;

(2) Subsection 88(1) of the Act is amended by replacing paragraph (e.31), as enacted by subsection (1), with the following:

(e.31) for the purposes of sections 127.44, 127.45, 127.48 and 127.49 and Part XII.7, at the end of any particular taxation year ending after the subsidiary was wound up, the parent is deemed to be the same corporation as, and a continuation of the subsidiary;

(3) Paragraph 88(2)(c) of the Act is replaced by the following:

(c) for the purpose of computing the income of the corporation for its taxation year that includes the particular time, paragraph 12(1)(t) shall be read as follows:

"12(1)(t) the amount deducted under subsection 127(5) or 127(6), 127.44(3), 127.45(6) or 127.48(3) in computing the taxpayer's tax payable for the year or a preceding taxation year to the extent that it was not included under this paragraph in computing the taxpayer's income for a preceding taxation year or is not included in an amount determined under paragraph 13(7.1)(e) or 37(1)(e) or subparagraph 53(2)(c)(vi) to (c)(vi.3) or (h)(ii) or the amount determined 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);".

(4) Paragraph 88(2)(c) of the Act, as enacted by subsection (3), is replaced by the following:

(c) for the purpose of computing the income of the corporation for its taxation year that includes the particular time, paragraph 12(1)(t) shall be read as follows:

"12(1)(t) the amount deducted under subsection 127(5) or 127(6), 127.44(3), 127.45(6), 127.48(3) or 127.49(6) in computing the taxpayer's tax payable for the year or a preceding taxation year to the extent that it was not included under this paragraph in computing the taxpayer's income for a preceding taxation year or is not included in an amount determined under paragraph 13(7.1)(e) or 37(1)(e) or subparagraph 53(2)(c)(vi) to (c)(vi.4) or (h)(ii) or the amount determined 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);".

(5) Subsections (1) and (3) are deemed to have come into force on March 28, 2023.

(6) Subsections (2) and (4) are deemed to have come into force on January 1, 2024.

8 (1) Subparagraph 96(2.1)(b)(ii) of the Act is replaced by the following:

(ii) the amount required by subsection 127(8), 127.44(11), 127.45(8) or 127.48(12) in respect of the partnership to be added in computing the investment tax credit, the *CCUS tax credit* (as defined in subsection 127.44(1)), the *clean technology investment tax credit* (as defined in subsection 127.45(1)) or the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) of the taxpayer for the taxation year,

(2) Subparagraph 96(2.1)(b)(ii) of the Act, as enacted by subsection (1), is replaced by the following:

(ii) the amount required by subsection 127(8), 127.44(11), 127.45(8), 127.48(12) or 127.49(8) in respect of the partnership to be added in computing the investment tax credit, the *CCUS tax credit* (as defined in subsection 127.44(1)), the *clean technology investment tax credit* (as defined in subsection 127.45(1)), the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) or the *CTM investment tax credit* (as defined in subsection 127.49(1)) of the taxpayer for the taxation year,

(3) The portion of subsection 96(2.2) of the Act before paragraph (a) is replaced by the following:

At-risk amount

(2.2) For the purposes of this section and sections 111, 127, 127.44, 127.45, 127.47 and 127.48, the at-risk amount of a taxpayer, in respect of a partnership of which the taxpayer is a limited partner, at any particular time is the amount, if any, by which the total of

(4) The portion of subsection 96(2.2) of the Act before paragraph (a), as enacted by subsection (3), is replaced by the following:

At-risk amount

(2.2) For the purposes of this section and sections 111, 127, 127.44, 127.45, 127.47, 127.48 and 127.49, the at-risk amount of a taxpayer, in respect of a partnership of which the taxpayer is a limited partner, at any particular time is the amount, if any, by which the total of

(5) The portion of subsection 96(2.4) of the Act before paragraph (a) is replaced by the following:

Limited partner

(2.4) For the purposes of this section and sections 111, 127, 127.44, 127.45, 127.47 and 127.48 a taxpayer who is a member of a partnership at a particular time is a limited partner of the partnership at that time if the member's partnership interest is not an exempt interest (within the meaning assigned by subsection (2.5)) at that time and if, at that time or within 3 years after that time,

(6) The portion of subsection 96(2.4) of the Act before paragraph (a), as enacted by subsection (5), is replaced by the following:

Limited partner

(2.4) For the purposes of this section and sections 111, 127, 127.44, 127.45, 127.47, 127.48 and 127.49 a taxpayer who is a member of a partnership at a particular time is a limited partner of the partnership at that time if the member's partnership interest is not an exempt interest (within the meaning assigned by subsection (2.5)) at that time and if, at that time or within 3 years after that time,

(7) Subsections (1), (3) and (5) are deemed to have come into force on March 28, 2023.

(8) Subsections (2), (4) and (6) are deemed to have come into force on January 1, 2024.

9 (1) Clause 111(1)(e)(ii)(A) of the Act is replaced by the following:

(A) the amount required by subsections 127(8), 127.44(11), 127.45(8) or 127.48(12) in respect of the partnership to be added in computing the investment tax credit, the *CCUS tax credit* (as defined in subsection 127.44(1)), the *clean technology investment tax credit* (as defined in subsection 127.45(1)) or the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) of the taxpayer for the taxation year

(2) Clause 111(1)(e)(ii)(A) of the Act, as enacted by subsection (1), is replaced by the following:

(A) the amount required by subsections 127(8), 127.44(11), 127.45(8), 127.48(12) or 127.49(8) in respect of the partnership to be added in computing the investment tax credit, the *CCUS tax credit* (as defined in subsection 127.44(1)), the *clean technology investment tax credit* (as defined in subsection 127.45(1)), the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) or the *CTM investment tax credit* (as defined in subsection 127.49(1)) of the taxpayer for the taxation year

(3) Subsection (1) is deemed to have come into force on March 28, 2023.

(4) Subsection (2) is deemed to have come into force on January 1, 2024.

10 (1) Subsection 127.44(3) of the Act is replaced by the following:

Deemed deduction

(3) For the purposes of this section, paragraph 12(1)(t), subsection 13(7.1), the description of I in the definition *undepreciated capital cost* in subsection 13(21), subsection 53(2), sections 127.45 and 127.48 and Part XII.7, the amount deemed under subsection (2) to have been paid by a taxpayer for a taxation year is deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year.

(2) Subsection 127.44(3) of the Act, as enacted by subsection (1), is replaced by the following:

Deemed deduction

(3) For the purposes of this section, paragraph 12(1)(t), subsection 13(7.1), the description of I in the definition *undepreciated capital cost* in subsection 13(21), subsection 53(2), sections 127.45, 127.48 and 127.49 and Part XII.7, the amount deemed under subsection (2) to have been paid by a taxpayer for a taxation year is deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year.

(3) Clause 127.44(9)(b)(ii)(C) of the Act is replaced by the following:

(C) for which an investment tax credit, a *clean technology investment tax credit* (as defined in subsection 127.45(1)) or a *clean hydrogen tax credit* (as defined in subsection 127.48(1)) is claimed,

(4) Clause 127.44(9)(b)(ii)(C) of the Act, as enacted by subsection (3), is replaced by the following:

(C) for which an investment tax credit, a *clean technology investment tax credit* (as defined in subsection 127.45(1)), a *clean hydrogen tax credit* (as defined in subsection 127.48(1)) or a *CTM investment tax credit* (as defined in subsection 127.49(1)) is claimed,

(5) Subsections (1) and (3) are deemed to have come into force on March 28, 2023.

(6) Subsections (2) and (4) are deemed to have come into force on January 1, 2024.

11 (1) Subparagraph 127.45(5)(a)(ii) of the Act is replaced by the following:

(ii) in respect of which a *CCUS tax credit* (as defined in subsection 127.44(1)) or a *clean hydrogen tax credit* (as defined in subsection 127.48(1)) was deducted by any person, or

(2) Subparagraph 127.45(5)(a)(ii) of the Act, as enacted by subsection (1), is replaced by the following:

(ii) in respect of which a *CCUS tax credit* (as defined in subsection 127.44(1)), a *clean hydrogen tax credit* (as defined in subsection 127.48(1)) or a *CTM investment tax credit* (as defined in subsection 127.49(1)) was deducted by any person, or

(3) Subsection 127.45(6) of the Act is replaced by the following:

Deemed deduction

(6) For the purposes of this section, paragraph 12(1)(t), subsection 13(7.1), the description of I in the definition *undepreciated capital cost* in subsection 13(21), subsection 53(2) and section 127.48, the amount deemed under subsection (2) to have been paid by a taxpayer for a taxation year is deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year.

(4) Subsection 127.45(6) of the Act, as enacted by subsection (3), is replaced by the following:

Deemed deduction

(6) For the purposes of this section, paragraph 12(1)(t), subsection 13(7.1), the description of I in the definition *undepreciated capital cost* in subsection 13(21) and subsection 53(2) and sections 127.48 and 127.49, the amount deemed under subsection (2) to have been paid by a taxpayer for a taxation year is deemed to have been deducted from the taxpayer's tax otherwise payable under this Part for the year.

(5) Subsections (1) and (3) are deemed to have come into force on March 28, 2023.

(6) Subsections (2) and (4) are deemed to have come into force on January 1, 2024.

12 (1) The definition *designated work site* in subsection 127.46(1) of the Act is replaced by the following:

designated work site in a taxation year of an incentive claimant means a work site where specified property of an incentive claimant is located during the year and includes the site of a *CCUS project* (as defined in section 127.44) or of a *clean hydrogen project* (as defined in section 127.48) of the incentive claimant. (*chantier désigné*)

(2) The definition *regular tax credit rate* in subsection 127.46(1) of the Act is replaced by the following:

regular tax credit rate means the *specified percentage* (as defined in subsections 127.44(1), 127.45(1) and 127.48(1), as the case may be). (*taux du crédit d'impôt régulier*)

(3) The definition *specified tax credit* in subsection 127.46(1) of the Act is replaced by the following:

specified tax credit means the *CCUS tax credit* under section 127.44, the *clean technology investment tax credit* under section 127.45 and the *clean hydrogen tax credit* under section 127.48. (*crédit d'impôt déterminé*)

(4) Subsection 127.46(2) of the Act is replaced by the following:

Reduced or regular rate

(2) Despite sections 127.44, 127.45 and 127.48, the applicable rate for each specified tax credit of an incentive claimant is the reduced tax credit rate unless the incentive claimant elects in prescribed form and manner to meet the prevailing wage requirements under subsection (3) and the apprenticeship requirements under subsection (5) for each installation taxation year in respect of the specified tax credit.

(5) Subsections (1) to (4) apply in respect of specified property prepared or installed on or after November 28, 2023.

13 (1) The definition *clean economy allocation provision* in subsection 127.47(1) of the Act is amended by striking out "or" at the end of paragraph (a), by adding "or" to the end of paragraph (b) and by adding the following after paragraph (b):

(c) subsection 127.48(12). (*disposition d'allocation pour l'économie propre*)

(2) The definition *clean economy allocation provision* in subsection 127.47(1) of the Act, as amended by subsection (1), is amended by striking out "or" at the end of paragraph (b), by adding "or" to the end of paragraph (c) and by adding the following after paragraph (c):

(d) subsection 127.49(8). (*disposition d'allocation pour l'économie propre*)

(3) The definition *clean economy expenditure* in subsection 127.47(1) of the Act is amended by striking out "or" at the end of paragraph (a), by adding "or" to the end of paragraph (b) and by adding the following after paragraph (b):

(c) the capital cost of eligible clean hydrogen property as determined under section 127.48. (*dépense pour l'économie propre*)

(4) The definition *clean economy expenditure* in subsection 127.47(1) of the Act, as amended by subsection (3), is amended by striking out "or" at the end of paragraph (b), by adding "or" to the end of paragraph (c) and by adding the following after paragraph (c):

(d) the capital cost of CTM property as determined under section 127.49. (*dépense pour l'économie propre*)

(5) The definition *clean economy provision* in subsection 127.47(1) of the Act is amended by striking out "or" at the end of paragraph (c), by adding "or" at the end of paragraph (d) and by adding the following after paragraph (d):

(e) section 127.48. (*disposition pour l'économie propre*)

(6) The definition *clean economy provision* in subsection 127.47(1) of the Act is amended by striking out "or" at the end of paragraph (d), by adding "or" at the end of paragraph (e) and by adding the following after paragraph (e):

(f) section 127.49. (*disposition pour l'économie propre*)

(7) The definition *clean economy tax credit* in subsection 127.47(1) of the Act is amended by striking out "or" at the end of paragraph (a), by adding "or" to the end of paragraph (b) and by adding the following after paragraph (b):

(c) a *clean hydrogen tax credit* (as defined under section 127.48(1)). (*crédit d'impôt pour l'économie propre*)

(8) The definition *clean economy tax credit* in subsection 127.47(1) of the Act is amended by striking out "or" at the end of paragraph (b), by adding "or" to the end of paragraph (c) and by adding the following after paragraph (c):

(d) a *CTM investment tax credit* (as defined under section 127.49(1)). (*crédit d'impôt pour l'économie propre*)

(9) Subsections (1), (3), (5) and (7) are deemed to have come into force on March 28, 2023.

(10) Subsections (2), (4), (6) and (8) are deemed to have come into force on January 1, 2024.

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

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

(2) Paragraph 152(1)(b) of the Act, as enacted by subsection (1), is replaced by the following:

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

(3) Subsection 152(4) of the Act is amended by adding the following after paragraph (b.10):

(b.92) a prescribed form that is required to be filed by the taxpayer, or a partnership of which the taxpayer is a member, under subsection 127.48(24) is not filed as and when required, and the assessment, reassessment or additional assessment is made in relation to amounts, transactions or events described in subsections 127.48(21), (22) or (25) to (28) before the day that is

(i) in the case of a taxpayer described in paragraph (3.1)(a), four years after the day on which the form is filed, or

(ii) in any other case, three years after the day on which the form is filed;

(4) Subsection 152(4) of the Act, as enacted by subsection (3), is amended by adding the following after paragraph (b.92):

(b.93) a prescribed form that is required to be filed by the taxpayer, or a partnership of which the taxpayer is a member, under subsection 127.49(15) or (18) is not filed as and when required, and the assessment, reassessment or additional assessment is made in relation to transactions or events described in subsections 127.49(11) to (14) or (16) and (17) before the day that is

(i) in the case of a taxpayer described in paragraph (3.1)(a), four years after the day on which the form is filed, or

(ii) in any other case, three years after the day on which the form is filed;

(5) Paragraph 152(4.01)(b) of the Act is amended by striking out "or" at the end of subparagraph (xi) and by adding the following after subparagraph (xii):

(xiii) the amounts, transactions or events referred to in paragraph (4)(b.92);

(6) Paragraph 152(4.01)(b) of the Act is amended by striking out "or" at the end of subparagraph (xii) and by adding the following after subparagraph (xiii):

(xiv) the transactions or events referred to in paragraph (4)(b.93);

(7) Subsections (1), (3) and (5) are deemed to have come into force on March 28, 2023.

(8) Subsections (2), (4) and (6) are deemed to have come into force on January 1, 2024.

15 (1) Paragraph 157(3)(e) of the Act is replaced by the following:

(e) 1/12 of the total of the amounts each of which is deemed by subsection 125.4(3), 125.5(3), 125.6(2) or (2.1), 127.1(1), 127.41(3), 127.44(2), 127.45(2) or 127.48(2) to have been paid on account of the corporation's tax payable under this Part for the year.

(2) Paragraph 157(3)(e) of the Act, as enacted by subsection (1), is replaced by the following:

(e) 1/12 of the total of the amounts each of which is deemed by subsection 125.4(3), 125.5(3), 125.6(2) or (2.1), 127.1(1), 127.41(3), 127.44(2), 127.45(2), 127.48(2) or 127.49(2) to have been paid on account of the corporation's tax payable under this Part for the year.

(3) Paragraph 157(3.1)(c) of the Act is replaced by the following:

(c) 1/4 of the total of the amounts each of which is deemed by subsection 125.4(3), 125.5(3), 125.6(2) or (2.1), 127.1(1), 127.41(3), 127.44(2), 127.45(2) or 127.48(2) to have been paid on account of the corporation's tax payable under this Part for the taxation year.

(4) Paragraph 157(3.1)(c) of the Act, as enacted by subsection (3), is replaced by the following:

(c) 1/4 of the total of the amounts each of which is deemed by subsection 125.4(3), 125.5(3), 125.6(2) or (2.1), 127.1(1), 127.41(3), 127.44(2), 127.45(2), 127.48(2) or 127.49(2) to have been paid on account of the corporation's tax payable under this Part for the taxation year.

(5) Subsections (1) and (3) are deemed to have come into force on March 28, 2023.

(6) Subsections (2) and (4) are deemed to have come into force on January 1, 2024.

16 (1) Paragraph 163(2)(d.1) of the Act is replaced by the following:

(d.1) the amount, if any, by which

(i) the amount that would be deemed by subsection 127.44(2), 127.45(2) or 127.48(2), as the case may be, to be paid for the year by the person if that amount were calculated by reference to the information provided in the return or form filed for the year under that subsection

exceeds

(ii) the amount that is deemed by subsection 127.44(2), 127.45(2) or 127.48(2), as the case may be, to be paid for the year by the person,

(2) Paragraph 163(2)(d.1) of the Act, as enacted by subsection (1), is replaced by the following:

(d.1) the amount, if any, by which

(i) the amount that would be deemed by subsection 127.44(2), 127.45(2), 127.48(2) or 127.49(2), as the case may be, to be paid for the year by the person if that amount were calculated by reference to the information provided in the return or form filed for the year under that subsection

exceeds

(ii) the amount that is deemed by subsection 127.44(2), 127.45(2), 127.48(2) or 127.49(2), as the case may be, to be paid for the year by the person,

(3) Subsection (1) is deemed to have come into force on March 28, 2023.

(4) Subsection (2) is deemed to have come into force on January 1, 2024.

17 (1) Subsection 220(2.2) of the Act is replaced by the following:

Exception

(2.2) Subsection (2.1) does not apply in respect of a prescribed form, receipt or document, or prescribed information, that is filed with the Minister on or after the day specified, in respect of the form, receipt, document or information, in subsection 37(11), paragraph (m) of the definition *investment tax credit* in subsection 127(9) or subsection 127.44(17), 127.45(3) or 127.48(4).

(2) Subsection 220(2.2) of the Act, as enacted by subsection (1), is replaced by the following:

Exception

(2.2) Subsection (2.1) does not apply in respect of a prescribed form, receipt or document, or prescribed information, that is filed with the Minister on or after the day specified, in respect of the form, receipt, document or information, in subsection 37(11), paragraph (m) of the definition *investment tax credit* in subsection 127(9) or subsection 127.44(17), 127.45(3), 127.48(4) or 127.49(3).

(3) Subsection (1) is deemed to have come into force on March 28, 2023.

(4) Subsection (2) is deemed to have come into force on January 1, 2024.

Concessional Loans

1 (1) Paragraph 12(1)(x) of the Act is amended by striking out "and" at the end of subparagraph (vii), by adding "and" at the end of subparagraph (viii) and by adding the following after subparagraph (viii):

(ix) was not an excluded loan.

(2) Subsection 12(11) of the Act is amended by adding the following in alphabetical order:

excluded loan means a loan evidenced in writing, other than a forgivable loan,

(a) that is from a payer that is

(i) a government, municipality or other public authority in Canada, or

(ii) a person resident in Canada or Canadian partnership, if it is reasonable to conclude that the payer would not have made the loan but for the direct or indirect receipt by the payer of amounts from a government, municipality or other public authority in Canada;

(b) for which, at the time the loan was made, bona fide arrangements were made for repayment of the loan within a reasonable time; and

(c) the funds from which were used for the purpose of earning income from a business or property. (*prêt exclu*)

(3) Subsections (1) and (2) are deemed to have come into force on November 21, 2023.

2 (1) Subsection 13(7.1) of the Act is amended by striking out "or" at the end of paragraph (b), by adding "or" at the end of paragraph (b.1) and by adding the following after paragraph (b.1):

(b.2) an *excluded loan* as defined in subsection 12(11),

(2) Subsection (1) is deemed to have come into force on November 21, 2023.

3 (1) The definition *government assistance* in subsection 127(9) of the Act is replaced by the following:

government assistance means assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than as a deduction under subsection (5) or (6) or a deemed payment on account of tax payable under subsection 127.44(2), 127.45(2) or 127.48(2); (*aide gouvernementale*)

(2) The definition *government assistance* in subsection 127(9) of the Act, enacted by subsection (1), is replaced by the following:

government assistance means assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than as an *excluded loan* (as defined in subsection 12(11)) or a deduction under subsection (5) or (6) or a deemed payment on account of tax payable under subsection 127.44(2), 127.45(2) or 127.48(2); (*aide gouvernementale*)

(3) The definition *government assistance* in subsection 127(9) of the Act, enacted by subsection (2), is replaced by the following:

government assistance means assistance from a government, municipality or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than as an *excluded loan* (as defined in subsection 12(11)) or a deduction under subsection (5) or (6) or a deemed payment on account of tax payable under subsection 127.44(2), 127.45(2), 127.48(2) or 127.49(2); (*aide gouvernementale*)

(4) Subsection (1) is deemed to have come into force on March 28, 2023.

(5) Subsection (2) is deemed to have come into force on November 21, 2023.

(6) Subsection (3) is deemed to have come into force on January 1, 2024.

Short-Term Rentals

1 (1) The Act is amended by adding the following after section 67.6:

Definitions

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

non-compliant amount, for a taxation year, means the amount determined by the formula

$$A \times B \div C$$

where

A is the total of all outlays made, or expenses incurred, in the taxation year in respect of the use of a residential property as a short-term rental in the taxation year;

B is the number of days in the taxation year that the residential property was a noncompliant short-term rental; and

C is the number of days in the taxation year that the residential property was a short-term rental. (*montant non conforme*)

non-compliant short-term rental means, at any time, a short-term rental that is located in a province or municipality that, at that time,

(a) does not permit the operation of a short-term rental at the location of the short-term rental; or

(b) requires registration, a license or a permit to operate as a short-term rental, if the short-term rental does not comply with all registration, licensing and permit requirements. (*location à court terme non conforme*)

residential property means all or any part of a house, apartment, condominium unit, cottage, mobile home, trailer, houseboat or other property located in Canada, the use of which is permitted for residential purposes under applicable law. (*immeuble résidentiel*)

short-term rental means a residential property that is offered for rent for a period of less than 90 consecutive days. (*location à court terme*)

Non-deductibility of expenses — short-term rental

(2) Notwithstanding any other provision of this Act, in computing income for a taxation year, no amount is deductible for an outlay made, or an expense incurred, in respect of a short-term rental to the extent the outlay or expense is a non-compliant amount for the taxation year.

Deemed compliance

(3) For the purposes of subsection (1), a short-term rental of a person or partnership is deemed not to be a non-compliant short-term rental for the person or partnership's 2024 taxation year if

(a) the short-term rental is located in a province or municipality that requires registration, a license or a permit to operate as a short-term rental; and

(b) the short-term rental complies with all registration, licensing and permit requirements on December 31, 2024.

Reassessments

(4) Notwithstanding subsections 152(4) to (5), the Minister may make such assessments, reassessments and additional assessments of tax, interest and penalties and such determinations and redeterminations as are necessary to give effect to subsection (2) for any taxation year.

(2) Subsection (1) applies to outlays made and expenses incurred after 2023.

International Shipping

1 (1) Subsection 81(1) of the Act is amended by adding the following after paragraph 81(1)(c):

Ship of resident corporations

(c.1) the income for the year of a corporation resident in Canada (if this Act were read without reference to subsection 250(4)) earned in Canada from international shipping, if that corporation satisfies the conditions in paragraphs 250(6)(a) and (b);

(2) Subsection (1) applies in respect of taxation years of a taxpayer that begin on or after December 31, 2023.

2 (1) Subsection 250(6) of the Act is amended by striking out "and" after paragraph (b), by adding "and" at the end of paragraph (c) and by adding the following after paragraph (c):

(d) the corporation files an election in prescribed form and manner in respect of the year.

(2) The portion of subsection 250(6.03) of the Act before paragraph (a) is replaced by the following:

Service providers

(6.03) If this subsection applies for a taxation year, then for the purposes of subsection (6) and paragraphs 81(1)(c) and (c.1),

(3) The definition *eligible entity* in subsection 250(6.04) of the Act is amended by striking out "or" at the end of paragraph (a) and by adding the following after paragraph (a):

(a.1) a corporation resident in Canada (if this Act were read without reference to subsection 250(4)) that satisfies the conditions in paragraphs 250(6)(a) and (b); or

(4) Subsections (1) to (3) apply in respect of taxation years of a taxpayer that begin on or after December 31, 2023.