Legislative Proposals Relating to the Income Tax Act and the Income Tax Regulations

Canadian Entrepreneurs' Incentive

1 (1) The *Income Tax Act* is amended by adding the following after section 110.62:

Canadian entrepreneur incentive

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

excluded business means:

(a) the professional practice of an accountant, lawyer, notary, physician, mental health practitioner, health care practitioner, veterinarian, optometrist, dentist, chiropractor, engineer or architect;

(b) a business whose principal asset is the reputation, knowledge or skill of one or more employees;

(c) the provision of consulting services;

(d) the provision of financial services including financial transactions involving the creation, liquidation, or change in ownership of financial assets, in facilitating financial transactions or credit intermediation;

(e) the provision of services or instruments relating to insurance including underwriting annuities, insurance policies and reinsurance, retailing of insurance and the provision of related services to policy holders;

(f) the provision of services relating to property including:

(i) appraising real property,

(ii) renting, leasing or otherwise allowing the use of tangible or intangible property, or

(iii) managing, selling or renting real property for others;

(g) the purchase, sale and rental of real property;

(h) the provision of services or sale of goods relating to providing short-term lodging and complementary services to travellers, vacationers and others, in facilities such as hotels, motor hotels, resorts, motels, casino hotels, bed and breakfast accommodations, cottages and cabins, recreational vehicle parks and campgrounds, hunting and fishing camps, and recreational and adventure camps;

(i) the provision of services or sale of goods relating to preparing meals, snacks and beverages, for immediate consumption on or off the premises; and

(j) operating facilities or providing services relating to cultural, entertainment and recreational interests including:

(i) production, promotion or participation in live performances, events or exhibits intended for public viewing,

(ii) providing the artistic, creative or technical skills necessary for the production of artistic products or live performances,

(iii) preservation or exhibition of objects or sites of historical, cultural or educational interest, and

(iv) operation of a facility or provision of services that enable patrons to participate in sports or recreational activities or pursue amusement, hobbies and leisure-time interests. (*entreprise exclue*)

qualifying Canadian entrepreneur incentive property of an individual (other than a trust) means, property that

(a) at the time of its disposition is

(i) a share that would be a *qualified small business corporation share* (as defined in subsection 110.6(1)), if the words “used principally in an active business carried on primarily in Canada by the particular corporation or by a corporation related to it” in paragraph (a) of the definition *small business corporation*, in subsection 248(1) were read as: “used principally in an active business (other than an *excluded business*, as defined in subsection 110.63(1)) carried on primarily in Canada by the particular corporation or by a corporation related to it”, or

(ii) *qualified farm or fishing property* (as defined in subsection 110.6(1));

(b) is, throughout a period of at least 24 continuous months preceding the disposition time,

(i) if the property is a share, the individual owned not less than 5% of the issued and outstanding shares (having full voting rights under all circumstances) of the corporation,

(ii) if the property is an interest in a partnership, the individual’s specified proportion of the partnership for its most recent fiscal period is not less than 5%, and

(iii) if the property is not described in subparagraph (i) or (ii), the fair market value of the individual’s interest in the property was not less than 5% of the total fair market value of the property; and

(c) is an interest in a business in which the individual was actively engaged on a regular, continuous and substantial basis (within the meaning of paragraph 120.4(1.1)(a)) in the activities of the business for a total period of not less than three years. (*bien admissible de l’incitatif aux entrepreneurs canadiens*)

Qualifying Canadian entrepreneur incentive property

(2) In computing the taxable income for a taxation year that begins after 2024 of an individual (other than a trust) who was resident in Canada throughout the year and who disposed of qualifying Canadian entrepreneur incentive property after 2024, there may be deducted such amount as the individual may claim not exceeding 1/2 of the least of

(a) the amount determined by the formula

A – B

where

A is, if the year is

(a) 2025, $266,667,

(b) 2026, $533,333,

(c) 2027, $800,000,

(d) 2028, $1,066,667, and

(e) 2029 or a subsequent year, $1,333,333, and

B is twice the total of all amounts each of which is an amount deducted under this section in computing the individual’s taxable income for a preceding taxation year;

(b) the amount determined by the formula

C – D

where

C is the total amount that would be deductible in respect of the individual for the year under section 110.6, in respect of capital gains and losses if the only capital gains and losses of the individual were for properties that, at

the time they were disposed of, were qualifying Canadian entrepreneur incentive property and the amount determined under paragraph 110.6(2.02)(a) was the total of the amount that would otherwise be determined under that paragraph and the amount determined under paragraph (a), and

D is the total amount deducted by the individual for the year under section 110.6, in respect of properties that were, at the time they were disposed of, qualifying Canadian entrepreneur incentive property; and

(c) the amount that would be determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were qualifying Canadian entrepreneur incentive property of the individual.

Failure to report capital gain

(3) Despite subsection (2), no amount may be deducted under this section in respect of a capital gain of an individual for a particular taxation year in computing the individual's taxable income for the particular taxation year or any subsequent year, if

(a) the individual knowingly or under circumstances amounting to gross negligence

(i) fails to file the individual's return of income for the particular taxation year within one year after the taxpayer's filing-due date for the particular taxation year, or

(ii) fails to report the capital gain in the individual's return of income for the particular taxation year; and

(b) the Minister establishes the facts justifying the denial of such an amount under this section.

Deduction not permitted

(4) Despite subsection (2), no amount may be deducted under this section in computing an individual's taxable income for a taxation year in respect of a capital gain of the individual for the taxation year if the capital gain is from a disposition of property which disposition is part of a series of transactions or events

(a) that includes a dividend received by a corporation to which dividend subsection 55(2) does not apply but would apply if this Act were read without reference to paragraph 55(3)(b); or

(b) in which any property is acquired by a corporation or partnership for consideration that is significantly less than the fair market value of the property at the time of acquisition (other than an acquisition as the result of an amalgamation or merger of corporations or the winding-up of a corporation or partnership or a distribution of property of a trust in satisfaction of all or part of a corporation's capital interest in the trust).

Deduction not permitted

(5) Despite subsection (2), if an individual has a capital gain for a taxation year from the disposition of a property and it can reasonably be concluded, having regard to all the circumstances, that a significant part of the capital gain is attributable to the fact that dividends were not paid on a share (other than a prescribed share within the meaning of subsection 110.6(8)) or that dividends paid on such a share in the taxation year or in any preceding taxation year were less than 90% of the average annual rate of return on that share for that year, no amount in respect of that capital gain shall be deducted under this section in computing the individual's taxable income for the year.

Average annual rate of return

(6) For the purpose of subsection (5), the average annual rate of return on a share (other than a prescribed share within the meaning of subsection 110.6(8)) of a corporation for a taxation year is the annual rate of return by way of dividends that a knowledgeable and prudent investor who purchased the share on the day it was issued would expect to receive in that year, other than the first year after the issue, in respect of the share if

(a) there was no delay or postponement of the payment of dividends and no failure to pay dividends in respect of the share;

(b) there was no variation from year to year in the amount of dividends payable in respect of the share (other than where the amount of dividends payable is expressed as an invariant percentage of or by reference to an invariant difference between the dividend expressed as a rate of interest and a generally quoted market interest rate); and

(c) the proceeds to be received by the investor on the disposition of the share are the same amount the corporation received as consideration on the issue of the share.

Related persons, etc.

(7) For the purposes of this section,

(a) a taxpayer shall be deemed to have disposed of shares that are identical properties in the order in which the taxpayer acquired them;

(b) a personal trust shall be deemed

(i) to be related to a person or partnership for any period throughout which the person or partnership was a beneficiary of the trust, and

(ii) in respect of shares of the capital stock of a corporation, to be related to the person from whom it acquired those shares if, at the time the trust disposed of the shares, all of the beneficiaries (other than registered charities) of the trust were related to that person or would have been so related if that person were living at that time;

(c) a partnership shall be deemed to be related to a person for any period throughout which the person was a member of the partnership;

(d) a person who is a member of a partnership that is a member of another partnership is deemed to be a member of the other partnership;

(e) if a corporation acquires shares of a class of the capital stock of another corporation from any person, it shall be deemed in respect of those shares to be related to the person if all or substantially all the consideration received by that person from the corporation in respect of those shares was common shares of the capital stock of the corporation; and

(f) shares issued by a corporation to a particular person or partnership shall be deemed to have been owned immediately before their issue by a person who was not related to the particular person or partnership unless the shares were issued

(i) as consideration for other shares,

(ii) as part of a transaction or series of transactions in which the person or partnership disposed of property to the corporation that consisted of

(A) all or substantially all the assets used in an active business carried on by that person or the members of that partnership, or

(B) an interest in a partnership all or substantially all the assets of which were used in an active business carried on by the members of the partnership, or

(iii) as payment of a stock dividend.

(2) Subsection (1) applies to taxation years that begin after 2024.

Disability Supports Deduction

1 (1) Subparagraph (ii) of the description of A in paragraph 64(a) of the Act is amended by striking out "and" at the end of clause (P) and by adding the following after clause (Q):

(R) where the taxpayer has a severe and prolonged impairment in physical functions, for the cost of an ergonomic work chair prescribed by a medical practitioner, including related amounts paid for an ergonomic assessment to a person engaged in the business of providing such services,

(S) where the taxpayer has a severe and prolonged impairment in physical functions, for the cost of a bed positioning device prescribed by a medical practitioner, including related amounts paid for an ergonomic assessment to a person engaged in the business of providing such services,

(T) where the taxpayer has a severe and prolonged impairment in physical functions, for the cost of a mobile computer cart prescribed by a medical practitioner,

(U) where the taxpayer has an impairment in physical or mental functions, for the cost of an alternative input device prescribed by a medical practitioner to allow the taxpayer to use a computer,

(V) where the taxpayer has an impairment in physical or mental functions, for the cost of a digital pen device prescribed by a medical practitioner to allow the taxpayer to use a computer,

(W) where the taxpayer has a vision impairment, for the cost of a navigation device for low vision that is prescribed by a medical practitioner,

(X) where the taxpayer has an impairment in mental functions, for the cost of memory or organizational aids that are prescribed by a medical practitioner, and

(Y) where the taxpayer is blind or profoundly deaf or has severe autism, severe diabetes, severe epilepsy, severe mental impairment or a severe and prolonged impairment that markedly restricts the use of the taxpayer's arms or legs, for the cost of goods, services and expenses described in subparagraphs 118.2(2)(l)(i) to (iv) if the references in those subparagraphs to the "patient" were read as references to the "taxpayer" and the animal described in subparagraph 118.2(2)(l)(i) is prescribed by a medical practitioner,

(2) Subsection (1) applies to the 2024 and subsequent taxation years.

2 (1) Section 5700 of the *Income Tax Regulations* is amended by striking out "and" at the end of paragraph (z.3), by adding "and" at the end of paragraph (z.4) and by adding the following after paragraph (z.4):

(z.5) navigation device for low vision for an individual who has a vision impairment.

(2) Subsection (1) applies to the 2024 and subsequent taxation years.

Employee Ownership Trust Tax Exemption

1 (1) The portion of subparagraph 39(9)(b)(i) of the Act before clause (A) is replaced by the following:

(i) the total of all amounts each of which is twice the amount deducted by the taxpayer under sections 110.6, 110.61 and 110.62 in computing the taxpayer's taxable income for a preceding taxation year that

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

2 (1) Subsection 40(1.3) of the Act is replaced by the following:

Reserve — dispositions to employee ownership trusts

(1.3) In computing the amount that a taxpayer may claim under subparagraph (1)(a)(iii) in computing the taxpayer's gain from the disposition of a share of the capital stock of a corporation, that subparagraph is to be read as if the references in that subparagraph to "1/5" and "4" were references to "1/10" and "9" respectively, if the shares were disposed of by the taxpayer pursuant to a qualifying business transfer.

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

3 (1) Paragraphs 74.2(2)(a) and (b) of the Act are replaced by the following:

(a) for the purposes of sections 3 and 111, as they apply for the purposes of sections 110.6, 110.61 and 110.62, such portion of the gain or loss as may reasonably be considered to relate to the disposition of a property by another person in the year shall be deemed to arise from the disposition of that property by the individual in the year; and

(b) for the purposes of sections 110.6, 110.61 and 110.62, that property shall be deemed to have been disposed of by the individual on the day on which it was disposed of by the other person.

(2) Subsection (1) applies to the 2024 and subsequent taxation years.

4 (1) Paragraph (a) of the description of A in the definition *annual gains limit* in subsection 110.6(1) of the Act is replaced by the following:

(a) the amount determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses (except any portion related to a deduction claimed by the individual in the year under subsection 110.61(2) or 110.62(2)), and

(2) Subparagraph (a)(ii) of the description of B in the definition *annual gains limit* in subsection 110.6(1) of the Act is replaced by the following:

(ii) the amount, if any, by which the amount determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses (except any portion related to a deduction claimed by the individual in the year under subsection 110.61(2) or 110.62(2)) exceeds the amount determined for A in respect of the individual for the year, and

(3) Paragraph (b) of the description of B in the definition *annual gains limit* in subsection 110.6(1) of the Act is replaced by the following:

(b) all of the individual's allowable business investment losses for the year (except any portion that reduced the amount otherwise deductible by the individual in the year under subsection 110.61(2) or 110.62(2)); (*plafond annuel des gains*)

(4) Paragraph (a) of the definition *cumulative net investment loss* in subsection 110.6(1) of the Act is replaced by the following:

(a) the total of all amounts each of which is the investment expense of the individual for the year or a preceding taxation year ending after 1987 (except any portions included in subparagraph (ii) of the description of H in paragraph 110.61(2)(b) and subparagraph (ii) of the description of H in paragraph 110.62(2)(b) to the extent they reduced the amount otherwise deductible by the individual under each of those subsections)

(5) Subsections (1) to (4) apply in respect of dispositions that occur on or after Announcement Date.

5 (1) Subsection 110.61(2) of the Act is replaced by the following:

Capital gains deduction — qualifying business transfers

(2) If this subsection applies to an individual, in computing the taxable income for a taxation year of the individual, there may be deducted such amount as the individual may claim not exceeding the least of

(a) the amount determined by the formula

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

where

A is the elected amount (within the meaning of clause (1)(e)(ii)(A)) included in the joint election referred to in paragraph (1)(e),

B is

(i) 1, if only one individual is entitled to a deduction under this subsection in respect of the qualifying business transfer,

(ii) the percentage assigned to the individual in the joint election referred to in paragraph (1)(e), if a percentage is assigned to the individual in accordance with clause (1)(e)(ii)(B), and

(iii) in any other case, nil,

C is the fraction of the taxpayer's capital gain from the disposition of the subject shares that is a taxable capital gain under paragraph 38(a) that applies to the subject shares in the year, and

D is the total of each amount claimed by the taxpayer under this subsection in a prior taxation year in respect of the disposition of the subject shares multiplied by the amount determined by the formula

$$E \div F$$

where

E is the fraction of a capital gain that is a taxable capital gain under paragraph 38(a) in the current year, and

F is the fraction of a capital gain that is a taxable capital gain under paragraph 38(a) in the prior year in respect of the disposition of the subject shares; and

(b) the amount determined by the formula

$$G - H$$

where

G is the lesser of

(i) the amount determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and losses (except any portion related to a deduction previously claimed by the individual in the year under this subsection), and

(ii) the amount that would be determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were the subject shares, and

H is the total of

(i) the individual's allowable business investment losses for the year (except any portion that previously reduced the amount otherwise deductible by the individual in the year under this subsection),

(ii) the amount, if any, by which the individual's investment expense for the year exceeds the individual's investment income for the year (except any portion of the excess that previously reduced the amount otherwise deductible by the individual in the year under this subsection), and for the purposes of this subparagraph,

(A) ***investment expense*** of an individual for a year, has the meaning assigned by subsection 110.6(1) except that, the reference to "paragraph (a) of the description of B in the definition *annual gains limit*" in paragraph (f) of that definition is to be read as "subparagraph (iii) of the description of H in subsection 110.61(2)", and

(B) ***investment income*** of an individual for a year, has the meaning assigned by subsection 110.6(1) except that, the reference to "A in the definition *annual gains limit*" in paragraph (f) of that definition is to be read as "G in subsection 110.61(2)", and

(iii) the amount, if any, by which

(A) the individual's net capital losses for other taxation years deducted under paragraph 111(1)(b) in computing the individual's taxable income for the year

exceeds

(B) the amount, if any, by which the amount determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses (except any portion related to a deduction previously claimed by the individual in respect of other subject shares under this subsection) exceeds the amount determined for G.

(2) Section 110.61 of the Act is amended by adding the following after subsection (2):

Ordering

(2.1) if an individual claims more than one deduction under subsection (2) in the year, the individual must designate the order in which the deductions are claimed and, if the individual does not designate an order, the Minister may designate the order.

(3) Subsections (1) and (2) are deemed to have come into force on Announcement Date.

6 (1) Paragraph 111(2)(b) of the Act is replaced by the following:

(b) paragraph (1.1)(b) is to be read as follows:

"(b) the amount, if any, by which

(i) the amount claimed under paragraph (1)(b) in respect of the taxpayer's net capital losses for the particular year

exceeds the total of

(ii) all amounts in respect of the taxpayer's net capital losses that, using the formula in subparagraph (2)(a)(ii), would be required to be claimed under paragraph (1)(b) for the particular year to produce the amount determined under paragraph (2)(a) for the particular year, and

(iii) all amounts each of which is an amount deducted under section 110.6, 110.61 or 110.62 in computing the taxpayer's taxable income for a taxation year, except to the extent that, where the particular year is the year in which the taxpayer died, the amount, if any, by which the amount determined under subparagraph (2)(b)(i) in respect of the taxpayer for the immediately preceding taxation year exceeds the amount so determined under subparagraph (2)(b)(ii)."

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

(b) an amount deducted under paragraph (1)(a.1) or (b) or sections 110.6, 110.61 or 110.62, or deductible under any of paragraphs 110(1)(d) to (g) and (k), section 112 and subsections 113(1) and 138(6), in computing the taxpayer's taxable income for the year, or

7 (1) Subclause 126(1)(b)(ii)(A)(III) of the Act is replaced by the following:

(III) the total of all amounts each of which is an amount deducted under section 110.6, 110.61 or 110.62 or paragraph 111(1)(b), or deductible under any of paragraphs 110(1)(d) to (g) and sections 112 and 113, in computing the taxpayer's taxable income for the year, and

(2) Subclause 126(2.1)(a)(ii)(A)(III) of the Act is replaced by the following:

(III) the total of all amounts each of which is an amount deducted under section 110.6, 110.61 or 110.62 or paragraph 111(1)(b), or deductible under any of paragraphs 110(1)(d) to (g) and sections 112 and 113, in computing the taxpayer's taxable income for the year, and

(3) Subparagraph 126(3)(b)(iii) of the Act is replaced by the following:

(iii) the total of all amounts each of which is an amount deducted under section 110.6, 110.61 or 110.62 or paragraph 111(1)(b), or deductible under any of paragraphs 110(1)(d) to (d.3), (f) and (g), in computing the taxpayer's taxable income for the year,

(4) Subsection 126(5.1) of the Act is replaced by the following:

Deductions for specified capital gains

(5.1) If in a taxation year an individual has claimed a deduction under section 110.6, 110.61 or 110.62 in computing the individual's taxable income for the year, for the purposes of this section the individual shall be deemed to have claimed

the deduction under section 110.6, 110.61 or 110.62 in respect of such taxable capital gains or portion thereof as the individual may specify in the individual's return of income required to be filed pursuant to section 150 for the year or, where the individual has failed to so specify, in respect of such taxable capital gains as the Minister may specify in respect of the taxpayer for the year.

(5) Paragraph (g) of the definition *non-business-income tax* in subsection 126(7) of the Act is replaced by the following:

(g) that can reasonably be attributed to a taxable capital gain or a portion thereof in respect of which the taxpayer or a spouse or common-law partner of the taxpayer has claimed a deduction under section 110.6, 110.61 or 110.62, or

(6) Subparagraph 126(9)(a)(ii) of the Act is replaced by the following:

(ii) for the purpose of subparagraph (1)(b)(i), any portion of income in respect of which an amount was deducted under section 110.6, 110.61 or 110.62 in computing the taxpayer's income, or

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

8 (1) Clause 128(2)(e)(ii)(A) of the Act is replaced by the following:

(A) an amount under any of paragraphs 110(1)(d) to (d.3) and sections 110.6, 110.61 and 110.62 to the extent that the amount is in respect of an amount included in income under subparagraph (i) for that taxation year, and

(2) Subparagraph 128(2)(f)(iii) of the Act is replaced by the following:

(iii) in computing the individual's taxable income for the year, no amount were deductible under any of paragraphs 110(1)(d) to (d.3) and sections 110.6, 110.61 and 110.62 in respect of an amount included in income under subparagraph (e)(i), and no amount were deductible under section 111, and

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

9 (1) Subsection 183.1(7) of the Act is replaced by the following:

Where s. 110.6(8) does not apply

(7) If this section has been applied in respect of an amount, subsections 110.6(8), 110.61(8) and 110.62(8) do not apply to the capital gain in respect of which the amount formed all or a part of the proceeds of disposition.

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

10 (1) Paragraph 251(1)(b) of the Act is replaced by the following:

(b) a taxpayer and a personal trust (other than a trust described in any of paragraphs (a) to (e.1) and (h) of the definition *trust* in subsection 108(1)) are deemed not to deal with each other at arm's length if the taxpayer, or any person not dealing at arm's length with the taxpayer, would be beneficially interested in the trust if subsection 248(25) were read without reference to subclauses 248(25)(b)(iii)(A)(II) to (IV); and

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

11 (1) Paragraph 600(c) of the Regulations is replaced by the following:

(c) paragraphs 12(2.2)(b), 66.7(7)(c), (d) and (e) and (8)(c), (d) and (e), 80.01(4)(c), 86.1(2)(f), 110.61(1)(e), 110.62(1)(e) and 128.1(4)(d), (6)(a) and (c), (7)(d) and (g) and (8)(c) of the Act;

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

Workers Cooperatives

1 (1) Subparagraph 40(1)(a)(iii) of the Act before clause (A) is replaced by the following:

(iii) subject to subsections (1.1) to (1.4), such amount as the taxpayer may claim

(2) Section 40 of the Act is amended by adding the following after subsection (1.3):

Reserve — dispositions to worker cooperatives

(1.4) In computing the amount that a taxpayer may claim under subparagraph (1)(a)(iii) in computing the taxpayer's gain from the disposition of a share of the capital stock of a corporation, that subparagraph is to be read as if the references in that subparagraph to "1/5" and "4" were references to "1/10" and "9" respectively, if the shares were disposed of by the taxpayer pursuant to a qualifying cooperative conversion.

(3) Subsections (1) and (2) apply in respect of transactions that occur on or after January 1, 2024.

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

Continuing corporation

(j.6) for the purposes of paragraphs 12(1)(t) and (x), subsections 12(2.2) and 13(7.1), (7.4) and (24), paragraphs 13(27)(b) and (28)(c), subsections 13(29) and 18(9.1), paragraphs 20(1)(e), (e.1), (v) and (hh), sections 20.1, 32, paragraph 37(1)(c), subsection 39(13), subparagraphs 53(2)(c)(vi) and (h)(ii), paragraph 53(2)(s), subsections 53(2.1), 66(11.4), 66.7(11), 84.1(2.31) and (2.32), sections 110.61 and 110.62, subsection 127(10.2), section 139.1, subsection 152(4.3), the determination of D in the definition *undepreciated capital cost* in subsection 13(21), the determination of L in the definition *cumulative Canadian exploration expense* in subsection 66.1(6) and the definitions *qualifying business transfer* and *qualifying cooperative conversion* in subsection 248(1), the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

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

3 (1) The Act is amended by adding the following after section 110.61:

Capital gains deduction for qualifying cooperative conversion – conditions

110.62 (1) Subsection (2) applies to an individual (other than a trust) if, at the time of a disposition (referred to in this section as the "disposition time") of shares of the capital stock (referred to in this section as the "subject shares") of a corporation (referred to in this section as the "subject corporation") to another corporation (referred to in this section as the "purchaser corporation") that occurred after 2023 and before 2027 under a qualifying cooperative conversion, the following conditions are met:

(a) no individual has prior to the disposition time sought a deduction under this section in respect of a disposition of shares that, at the time of that disposition, derived their value from an active business that is also relevant to the determination of whether the disposition of the subject shares satisfies the condition set out in paragraph (a) of the definition *qualifying cooperative conversion* in subsection 248(1);

(b) throughout the 24 months immediately preceding the disposition time,

(i) the subject shares were not owned by anyone other than the individual or a person or partnership related to the individual, and

(ii) more than 50% of the fair market value of the subject shares was derived from assets which were used principally in an active business;

(c) immediately before the disposition time,

(i) the subject corporation and each corporation affiliated with the subject corporation in which the subject corporation owns (directly or indirectly) shares is not a professional corporation, and

(ii) the purchaser corporation is not established for the purposes of providing employment to its members who are its employees at that time (excluding any officer or director of the purchaser corporation) or the employees of another corporation controlled by the purchaser corporation;

(d) at the disposition time,

(i) the individual is at least 18 years of age,

(ii) throughout any 24-month period ending before the disposition time, the individual, or a spouse or common-law partner of the individual, was actively engaged on a regular and continuous basis in the business that is relevant to the determination of whether the subject shares satisfy the condition set out in paragraph (a) of the definition *qualifying cooperative conversion* in subsection 248(1), and

(iii) the purchaser corporation is a worker cooperative, of which at least 75% of its

(A) qualifying cooperative workers described in paragraph (d) of the definition *worker cooperative* in subsection 248(1) are resident in Canada, and

(B) individual employee members described in paragraph (e) of the definition *worker cooperative* in subsection 248(1) are resident in Canada; and

(e) the purchaser corporation, the individual and any other individual entitled to a deduction under subsection (2) in respect of the qualifying cooperative conversion

(i) jointly elect, in prescribed form, for the deduction provided under subsection (2) to apply in respect of the disposition of the subject shares,

(ii) include the following information in the election:

(A) an amount (in this paragraph referred to as the "elected amount") equal to the total amount of capital gains that the parties agree may be eligible for a deduction under subsection (2) with respect to the qualifying cooperative conversion, not exceeding $10,000,000, and

(B) if more than one individual is eligible for a deduction in respect of the qualifying cooperative conversion, the percentage of the elected amount that is assigned to each eligible individual (provided that the total percentages assigned to all individuals cannot exceed 100%), and

(iii) file the election with the Minister on or before the earlier of the individual's and the worker cooperative's filing-due date for the taxation year that includes the disposition time.

Capital gains deduction — qualifying business transfers

(2) If this subsection applies to an individual, in computing the taxable income for a taxation year of the individual, there may be deducted such amount as the individual may claim not exceeding the least of

(a) the amount determined by the formula

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

where

A is the elected amount (within the meaning of clause (1)(e)(ii)(A)) included in the joint election referred to in paragraph (1)(e),

B is

(i) 1, if only one individual is entitled to a deduction under this subsection in respect of the qualifying business transfer,

(ii) the percentage assigned to the individual in the joint election referred to in paragraph (1)(e), if a percentage is assigned to the individual in accordance with clause (1)(e)(ii)(B), and

(iii) in any other case, nil,

C is the fraction of the taxpayer's capital gain from the disposition of the subject shares that is a taxable capital gain under paragraph 38(a) that applies to the subject shares in the year, and

D is the total of each amount claimed by the taxpayer under this subsection in a prior taxation year in respect of the disposition of the subject shares multiplied by the amount determined by the formula

$$E \div F$$

where

E is the fraction of a capital gain that is a taxable capital gain under paragraph 38(a) in the current year, and

F is the fraction of a capital gain that is a taxable capital gain under paragraph 38(a) in the prior year in respect of the disposition of the subject shares; and

(b) the amount that would be determined in respect of the individual for the year under paragraph 3(b) (to the extent that that amount is not included in computing an amount determined under paragraph 110.6(2)(d) or (2.1)(d) for the individual) in respect of capital gains and capital losses if the only properties referred to in paragraph 3(b) were the subject shares of the individual.

Disqualifying event

(3) For the purposes of this section, a disqualifying event in respect of a qualifying cooperative conversion occurs at the earliest of

(a) the time when the worker cooperative that participated in the qualifying cooperative conversion ceases to be a worker cooperative, and

(b) the time that is the beginning of the taxation year of the worker cooperative in which less than 50% of the fair market value of the shares of the worker cooperative is attributable to assets used principally in an active business carried on by the worker cooperative (or by a qualifying cooperative business controlled by the worker cooperative) at both that time and at the beginning of the preceding taxation year of the worker cooperative.

Consequences of a disqualifying event

(4) If a disqualifying event in respect of a qualifying cooperative conversion occurs

(a) within 24 months of the disposition time for the qualifying cooperative conversion, subsection (2) is deemed to have never applied in respect of the subject shares disposed of under the qualifying cooperative conversion; or

(b) any time after the day that is 24 months after the disposition time for the qualifying cooperative conversion, in computing the income of the worker cooperative that participated in the qualifying cooperative conversion, the worker cooperative is deemed to have a gain equal to the elected amount (within the meaning of clause (1)(e)(ii)(A)) included in the joint election referred to in paragraph (1)(e), for the year in which the disqualifying event occurs, from the disposition of a capital property.

Anti-avoidance

(5) Despite any other provision in this section, subsection (2) does not apply in respect of a qualifying cooperative conversion if it is reasonable to consider that one of the purposes of any *transaction* (as defined in subsection 245(1)), or series of transactions, is to

(a) involve the subject corporation (or the purchaser corporation) in the qualifying cooperative conversion to accommodate the direct or indirect acquisition of subject shares (or the acquisition of all or substantially all of the risk of loss and opportunity for gain or profit in respect of the subject shares) by another person or partnership (other than the subject corporation or the purchaser corporation) in a manner that permits an individual to claim a deduction under subsection (2) that would otherwise not be available; or

(b) organize or reorganize a subject corporation or any other corporation, partnership or trust in a manner that allows a deduction to be claimed under subsection (2) in respect of more than one qualifying cooperative conversion of a business that is relevant to the determination of whether subject shares satisfied the condition set out in paragraph (a) of the definition *qualifying cooperative conversion* in subsection 248(1).

Failure to report capital gain

(6) Despite subsection (2), no amount may be deducted under this section in respect of a capital gain of an individual for a particular taxation year in computing the individual's taxable income for the particular taxation year or any subsequent year, if

(a) the individual knowingly or under circumstances amounting to gross negligence

(i) fails to file the individual's return of income for the particular taxation year within one year after the taxpayer's filing-due date for the particular taxation year, or

(ii) fails to report the capital gain in the individual's return of income for the particular taxation year; and

(b) the Minister establishes the facts justifying the denial of such an amount under this section.

Deduction not permitted

(7) Despite subsection (2), no amount may be deducted under this section in computing an individual's taxable income for a taxation year in respect of a capital gain of the individual for the taxation year if the capital gain is from a disposition of property which disposition is part of a series of transactions or events

(a) that includes a dividend received by a corporation to which dividend subsection 55(2) does not apply but would apply if this Act were read without reference to paragraph 55(3)(b); or

(b) in which any property is acquired by a corporation or partnership for consideration that is significantly less than the fair market value of the property at the time of acquisition (other than an acquisition as the result of an amalgamation or merger of corporations or the winding-up of a corporation or partnership or a distribution of property of a trust in satisfaction of all or part of a corporation's capital interest in the trust).

Deduction not permitted

(8) Despite subsection (2), if an individual has a capital gain for a taxation year from the disposition of a property and it can reasonably be concluded, having regard to all the circumstances, that a significant part of the capital gain is attributable to the fact that dividends were not paid on a share (other than a prescribed share within the meaning of subsection 110.6(8)) or that dividends paid on such a share in the taxation year or in any preceding taxation year were less than 90% of the average annual rate of return on that share for that year, no amount in respect of that capital gain shall be deducted under this section in computing the individual's taxable income for the year.

Average annual rate of return

(9) For the purpose of subsection (8), the average annual rate of return on a share (other than a prescribed share within the meaning of subsection 110.6(8)) of a corporation for a taxation year is the annual rate of return by way of dividends that a knowledgeable and prudent investor who purchased the share on the day it was issued would expect to receive in that year, other than the first year after the issue, in respect of the share if

(a) there was no delay or postponement of the payment of dividends and no failure to pay dividends in respect of the share;

(b) there was no variation from year to year in the amount of dividends payable in respect of the share (other than where the amount of dividends payable is expressed as an invariant percentage of or by reference to an invariant difference between the dividend expressed as a rate of interest and a generally quoted market interest rate); and

(c) the proceeds to be received by the investor on the disposition of the share are the same amount the corporation received as consideration on the issue of the share.

Deduction not permitted

(10) If it is reasonable to consider that one of the main reasons for an individual acquiring, holding or having an interest in a partnership or trust (other than an interest in a personal trust) or for the existence of any terms, conditions, rights or other attributes of the interest is to enable the individual to receive or have allocated to the individual a percentage of any capital gain or taxable capital gain of the partnership or trust that is larger than the individual's percentage of the income of the partnership or trust, as the case may be, despite any other provision of this Act, no amount may be deducted under subsection (2) by the individual in respect of any such gain allocated or distributed to the individual.

Related persons, etc.

(11) For the purposes of this section,

(a) a taxpayer is deemed to have disposed of shares that are identical properties in the order in which the taxpayer acquired them;

(b) a personal trust is deemed

(i) to be related to a person or partnership for any period throughout which the person or partnership was a beneficiary of the trust, and

(ii) in respect of shares of the capital stock of a corporation, to be related to the person from whom it acquired those shares if, at the time the trust disposed of the shares, all of the beneficiaries (other than registered charities) of the trust were related to that person or would have been so related if that person were living at that time;

(c) a partnership is deemed to be related to a person for any period throughout which the person was a member of the partnership;

(d) a person who is a member of a partnership that is a member of another partnership is deemed to be a member of the other partnership;

(e) if a corporation acquires shares of a class of the capital stock of another corporation from any person, it is deemed in respect of those shares to be related to the person if all or substantially all the consideration received by that person from the corporation in respect of those shares was common shares of the capital stock of the corporation; and

(f) shares issued by a corporation to a particular person or partnership are deemed to have been owned immediately before their issue by a person who was not related to the particular person or partnership unless the shares were issued

(i) as consideration for other shares,

(ii) as part of a transaction or series of transactions in which the person or partnership disposed of property to the corporation that consisted of

(A) all or substantially all the assets used in an active business carried on by that person or the members of that partnership, or

(B) an interest in a partnership all or substantially all the assets of which were used in an active business carried on by the members of the partnership, or

(iii) as payment of a stock dividend.

(2) Paragraph 110.62(2)(b) of the Act, as enacted by subsection (1), is replaced by the following:

(b) the amount determined by the formula

$$G - H$$

where

G is the lesser of

(i) the amount determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses (except any portion related to a deduction previously claimed by the individual in the year under this subsection or subsection 110.61(2)), and

(ii) the amount that would be determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and losses if the only properties referred to in that paragraph were properties that, at the time they were disposed of, were the subject shares, and

H is the total of

(i) the individual's allowable business investment losses for the year (except any portion that previously reduced the amount otherwise deductible by the individual in the year under this subsection or subsection 110.61(2)),

(ii) the amount, if any, by which the individual's investment expense for the year exceeds the individual's investment income for the year (except any portion of the excess that previously reduced the amount otherwise deductible by the individual in the year under this subsection or subsection 110.61(2)), and for the purposes of this subparagraph,

(A) ***investment expense*** of an individual for a year, has the meaning assigned by subsection 110.6(1) except that, the reference to "paragraph (a) of the description of B in the definition *annual gains limit*" in paragraph (f) of that definition is to be read as "subparagraph (iii) of the description of H in subsection 110.62(2)", and

(B) ***investment income*** of an individual for a year, has the meaning assigned by subsection 110.6(1) except that, the reference to "A in the definition *annual gains limit*" in paragraph (f) of that definition is to be read as "G in subsection 110.62(2)", and

(iii) the amount, if any, by which

(A) the individual's net capital losses for other taxation years deducted under paragraph 111(1)(b) in computing the individual's taxable income for the year

exceeds

(B) the amount, if any, by which the amount determined in respect of the individual for the year under paragraph 3(b) in respect of capital gains and capital losses (except any portion related to a deduction previously claimed by the individual in respect of other subject shares under this subsection or subsection 110.61(2)) exceeds the amount determined for G.

(3) Section 110.62 of the Act is amended by adding the following after subsection (2):

Ordering

(2.1) If an individual claims more than one deduction under subsection (2) in the year, the individual must designate the order in which the deductions are claimed and, if the individual does not designate an order, the Minister may designate the order.

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

(4) Subsections (2) and (3) are deemed to have come into force on Announcement Date.

3 (1) Subsection 136(1) of the Act is replaced by the following:

136 (1) Notwithstanding any other provision of this Act, a cooperative corporation that would, but for this section, be a private corporation is deemed not to be a private corporation except for the purposes of paragraphs 87(2)(vv) and (ww) (including, for greater certainty, in applying those paragraphs as provided under paragraph 88(1)(e.2)), the definitions *excessive eligible dividend designation*, *general rate income pool* and *low rate income pool* in subsection 89(1), subsections 89(4) to (6) and (8) to (10), sections 123.4, 125, 125.1, 127 and 127.1, the definition *mark-to-market property* in subsection 142.2(1), sections 152 and 157, subsection 185.2(3), the definitions *qualifying cooperative business* and

small business corporation in subsection 248(1) (as it applies for the purposes of paragraph 39(1)(c)) and subsection 249(3.1).

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

4 (1) Subsection 152(4) of the Act is amended by adding the following after paragraph (b.94):

(b.941) the assessment, reassessment or additional assessment is made before the day that is 36 months after the end of the normal reassessment period for the taxpayer in respect of the year and is made in respect of a disposition, in the year, of shares of the capital stock of a corporation in respect of which the taxpayer claimed a deduction under subsection 110.62(2);

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

5 (1) Section 160 of the Act is amended by adding the following after subsection (1.6):

Joint and several, or solidary, liability — qualifying cooperative conversions

(1.7) If a purchaser corporation and a taxpayer have jointly elected under paragraph 110.62(1)(e) in respect of a disposition of shares of the capital stock of a corporation and paragraph 110.62(4)(a) applies, the subject corporation, the purchaser corporation and the taxpayer are jointly and severally, or solidarily, liable for the tax payable by the taxpayer under this Part to the extent that the tax payable by the taxpayer is greater than it would have been if the disposition had satisfied the conditions of section 110.62.

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

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

qualifying cooperative business, at a particular time, means a corporation controlled by a worker cooperative

(a) that is a Canadian-controlled private corporation,

(b) not more than 40% of the directors of which consist of individuals that, immediately before the time that the worker cooperative acquired control of the corporation, owned, directly or indirectly, together with any person or partnership that is related to or affiliated with the director, 50% or more of the fair market value of the shares of the capital stock or indebtedness of the corporation, and

(c) that deals at arm's length and is not affiliated with any person or partnership that owned, directly or indirectly, 50% or more of the fair market value of the shares of the capital stock or indebtedness of the corporation immediately before the time the worker cooperative acquired control of the corporation; (*entreprise coopérative admissible*)

qualifying cooperative conversion means a disposition by a taxpayer of shares of the capital stock of a corporation (in this definition referred to as the "subject corporation") to another corporation (in this definition referred to as the "purchaser corporation"), if

(a) immediately before the disposition, all or substantially all the fair market value of the assets of the subject corporation is attributable to assets (other than an interest in a partnership) that are used principally in an active business (referred to in this definition as the "business") carried on by the subject corporation or a corporation that is controlled and wholly-owned by the subject corporation,

(b) at the time of the disposition,

(i) the taxpayer deals at arm's length with the purchaser corporation,

(ii) the purchaser corporation acquires control of the subject corporation, and

(iii) the purchaser corporation is a worker cooperative, and

(c) at all times after the disposition,

(i) the taxpayer deals at arm’s length with the purchaser corporation and subject corporation, and

(ii) the taxpayer does not retain any right or influence that, if exercised, would allow the taxpayer (whether alone or together with any person or partnership that is related to or affiliated with the taxpayer) to control, directly or indirectly in any manner whatever, the purchaser corporation or subject corporation; (*conversion admissible de coopérative*)

qualifying cooperative worker means an individual who

(a) holds a membership share of a corporation that was incorporated or continued by or under the provisions of a law, of Canada or of a province, that provide for the establishment of the corporation as a cooperative corporation or that provide for the establishment of cooperative corporations,

(b) is an employee of the corporation or a qualifying cooperative business controlled by the corporation,

(c) does not represent, together with any person or partnership that is related or affiliated with the individual, more than 50% of the members of the worker cooperative,

(d) immediately before the time of a qualifying cooperative conversion that involved the corporation, did not own, directly or indirectly, together with any person or partnership that is related to or affiliated with the individual, shares of the capital stock or indebtedness of the corporation or a qualifying cooperative business controlled by the corporation, the value of which is equal to or greater than 50% of the fair market value of the shares of the capital stock and indebtedness of the corporation or the qualifying cooperative business controlled by the corporation, and

(e) has not claimed, and is not related to an individual who claimed, a deduction under subsection 110.62(2) in respect of a disposition of shares of the corporation or a qualifying cooperative business controlled by the corporation; (*qualifying cooperative worker*)

worker cooperative means a corporation that, at all relevant times, satisfies the following conditions:

(a) the corporation is resident in Canada,

(b) the corporation was incorporated or continued by or under the provisions of a law, of Canada or of a province, that provide for the establishment of the corporation as a cooperative corporation or that provide for the establishment of cooperative corporations,

(c) the corporation is established for the purpose of providing employment to its members,

(d) the corporation would be controlled by a particular person if each membership share of the capital stock of the corporation that is owned by a qualifying cooperative worker were owned by the particular person,

(e) at least 75% of all individuals employed by the corporation and all qualifying cooperative businesses controlled by the corporation (other than an employee who has not completed an applicable probationary period, which may not exceed 12 months) are holders of a membership share of the corporation,

(f) each initial membership share provided to an employee of the corporation and any qualifying cooperative business controlled by the corporation is

(i) issued in exchange for a payment of a nominal amount determined in the same manner for all members described in the definition *qualifying cooperative worker*, and

(ii) offered to each employee following their completion of an applicable probationary period, which may not exceed 12 months,

(g) at least one-third of the directors of the corporation are qualifying cooperative workers of the corporation,

(h) not more than 40% of the directors of the corporation consist of individuals each of whom, immediately before the time of a qualifying cooperative conversion that involved the corporation, owned, directly or indirectly, together with any person or partnership that is related to or affiliated with the director, 50% or more of the fair market value of the shares of the capital stock or indebtedness of the corporation or a qualifying cooperative business controlled by the corporation, and

(i) the by-laws of the corporation provide a procedure for allocating, crediting or distributing any surplus earnings of the corporation, including that not less than 50% of those earnings must be paid on the basis of the remuneration earned by the qualifying cooperative workers from the corporation or the labour contributed by those members to the corporation; (*coopérative de travailleurs*)

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

Charities and Qualified Donees

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

registered foreign charity means a person described in subparagraph (a)(v) of the definition *qualified donee* in this subsection; (*organisme de bienfaisance étranger enregistré*)

(2) Subsection 149.1(6.3) of the Act is replaced by the following:

Designation as public foundation, etc.

(6.3) The Minister may, by notice sent by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to a registered charity, on the Minister's own initiative or on application made to the Minister in prescribed form, designate the charity to be a charitable organization, private foundation or public foundation and the charity shall be deemed to be registered as a charitable organization, private foundation or public foundation, as the case may be, for taxation years commencing after the day of mailing or sending of the notice unless and until it is otherwise designated under this subsection or its registration is revoked under subsection (2), (3), (4), (4.1) or 168(2).

(3) Section 149.1 of the Act is amended by adding the following after subsection (14.1):

Information returns

(14.2) Every registered foreign charity must, within six months from the end of each taxation year of the charity and without notice or demand, file with the Minister a public information return for the year in prescribed form and containing prescribed information.

(4) Paragraph 149.1(15)(a) of the Act is replaced by the following:

(a) the information contained in a public information return referred to in subsection (14), (14.1) or (14.2), and the filing status of information returns required by that subsection, must be communicated or otherwise made available to the public by the Minister in such manner as the Minister considers appropriate;

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

Refusal to register

(22) The Minister may by mail, or electronically if authorized in accordance with subsection 244(14.3), give notice to a person that the application of the person for registration as a qualified donee referred to in subparagraph (a)(i) or (iii) or any of paragraphs (b) to (c) of the definition *qualified donee* in subsection (1) is refused.

(6) Subsection 149.1(23) of the Act is replaced by the following:

Annulment of registration

(23) The Minister may by registered mail, or electronically if authorized in accordance with subsection 244(14.3), give notice to a person that the registration of the person as a registered charity is annulled and deemed not to have been so

registered, if the person was so registered by the Minister in error or the person has, solely as a result of a change in law, ceased to be a charity.

(7) The portion of subsection 149.1(26) of the Act before paragraph (a) is replaced by the following:

Foreign charities

(26) For the purposes of subparagraph (a)(v) of the definition *qualified donee* in subsection (1), the Minister may register, in consultation with the Minister of Finance, a foreign charity for a 36-month period that includes the time at which His Majesty in right of Canada has made a gift to the foreign charity, if

(8) Subsections (1) and (3) are deemed to have come into force on April 17, 2024 and apply to taxation years that begin on or after that day.

(9) Subsection (7) applies to registrations after April 16, 2024.

2 (1) The portion of subsection 168(1) of the Act before paragraph (a) is replaced by the following:

Notice of intention to revoke registration

168 (1) The Minister may by registered mail, or electronically if authorized in accordance with subsection 244(14.3), give notice to a person described in any of paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) that the Minister proposes to revoke its registration if the person

(2) Paragraph 168(1)(c) of the Act is replaced by the following:

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

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

Revocation of registration

(2) If the Minister gives notice under subsection (1) to a registered charity, a registered Canadian amateur athletic association or a registered journalism organization,

(a) if it has applied to the Minister in writing for the revocation of its registration, the Minister shall, forthwith after the mailing or sending of the notice, publish a copy of the notice on an internet webpage of the Government of Canada, and on that publication of a copy of the notice, the registration is revoked;

(b) in any other case, the Minister may, after the expiration of 30 days from the day of mailing or sending of the notice, or after the expiration of such extended period from the day of mailing or sending of the notice as the Federal Court of Appeal or a judge of that Court, on application made at any time before the determination of any appeal pursuant to subsection 172(3) from the giving of the notice, may fix or allow, publish a copy of the notice on an internet webpage of the Government of Canada, and on that publication of a copy of the notice, the registration is revoked; and

(c) the Minister shall maintain a permanent record of the notice and make the notice available to the public in such manner as the Minister considers appropriate.

(4) The portion of subsection 168(4) of the Act before paragraph (a) is replaced by the following:

Objection to proposal or designation

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

3 Subsection 188.1(6) of the Act is replaced by the following:

Failure to file information returns

(6) Every registered charity, registered foreign charity, registered Canadian amateur athletic association and registered journalism organization that fails to file a return for a taxation year as and when required by subsection 149.1(14), (14.1) or (14.2) is liable to a penalty equal to $500.

4 (1) The portion of subsection 188.2(1) of the Act before paragraph (a) is replaced by the following:

Notice of suspension with assessment

188.2 (1) The Minister shall, with an assessment referred to in this subsection, give notice by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to a registered charity, registered Canadian amateur athletic association or registered journalism organization that its authority to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed or sent, if the Minister has assessed the charity, association or organization for a taxation year for

(2) The portion of subsection 188.2(2) of the Act before paragraph (a) is replaced by the following:

Notice of suspension — general

(2) The Minister may give notice by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to a person referred to in any of paragraphs (a) to (c) of the definition *qualified donee* in subsection 149.1(1) that the authority of the person to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended for one year from the day that is seven days after the day on which the notice is mailed or sent

(3) Subsection 188.2(2.1) of the Act is replaced by the following:

Suspension – failure to report

(2.1) If a registered charity, a registered foreign charity, a registered Canadian amateur athletic association or a registered journalism organization fails to report information that is required to be included in a return filed under subsection 149.1(14), (14.1) or (14.2), the Minister may give notice by registered mail, or electronically if authorized in accordance with subsection 244(14.3), to the charity, association or organization that its authority to issue an official receipt referred to in Part XXXV of the *Income Tax Regulations* is suspended from the day that is seven days after the day on which the notice is mailed or sent until such time as the Minister notifies the charity, association or organization that the Minister has received the required information in prescribed form.

(4) Paragraph 188.2(3)(a) of the English version of the Act is replaced by the following:

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

5 Subsection 189(8) of the Act is amended by striking out "and" at the end of paragraph (a) and by replacing paragraph (b) with the following:

(b) the reference in each of subsections 165(2) and 166.1(3) to the expression "Chief of Appeals in a District Office or a Taxation Centre" is to be read as a reference to the expression "Appeals Branch"; and

(c) despite subsections 165(2) and 166.1(3), a person may serve a notice of objection under subsection 165(1) or make an application under subsection 166.1(1) in any manner authorized by the Minister.

6 Section 244 of the Act is amended by adding the following after subsection (14.2):

Electronic notice — qualified donees

(14.3) Despite subsection (14.2), a notice issued under any of subsections 149.1(6.3), (22) or (23), subsection 168(1) or subsections 188.2(1), (2) or (2.1) that is made available in electronic format such that it can be read or perceived by an individual or a computer system or other similar device, and that refers to the business number, trust account number or registration number of a person, is presumed to be sent to the person and received by the person on the date that it is posted by the Minister in the secure electronic account in respect of a business number, trust account number or registration number of the person, if the person has authorized that notices may be made available in that manner and has not at least 30 days before that date revoked that authorization in a manner specified by the Minister.

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

registered foreign charity has the meaning assigned by subsection 149.1(1). (*organisme de bienfaisance étranger enregistré*)

8 (1) Paragraph 3501(1)(d) of the Regulations is repealed.

(2) Paragraph 3501(1)(e.1) of the Regulations is amended by adding "and" at the end of subparagraph (i), by removing "and" at the end of subparagraph (ii) and by repealing subparagraph (iii).

(3) Paragraph 3501(1)(g) of the Regulations is replaced by the following:

(g) the name and address of the donor including, in the case of an individual, the individual's first name;

(4) Paragraph 3501(1)(i) of the Regulations is replaced by the following:

(i) the signature, as provided in subsection (2), (3) or (3.2), of a responsible individual who has been authorized by the organization to acknowledge gifts; and

(5) Paragraph 3501(1)(j) of the Regulations is replaced by the following:

(j) the name and Internet webpage of the Canada Revenue Agency.

(6) Paragraph 3501(1.1)(c) of the Regulations is repealed.

(7) Paragraph 3501(1.1)(e) of the Regulations is amended by adding "and" at the end of subparagraph (i), by removing "and" at the end of subparagraph (ii) and by repealing subparagraph (iii).

(8) Paragraph 3501(1.1)(g) of the Regulations is replaced by the following:

(g) the name and address of the donor including, in the case of an individual, the individual's first name;

(9) Paragraph 3501(1.1)(i) of the Regulations is replaced by the following:

(i) the signature, as provided in subsection (2), (3.1) or (3.2), of a responsible individual who has been authorized by the other recipient of the gift to acknowledge donations; and

(10) Paragraph 3501(1.1)(j) of the Regulations is replaced by the following:

(j) the name and Internet webpage of the Canada Revenue Agency.

(11) Subsection 3501(2) of the Regulations is replaced by the following:

(2) Except as provided in subsection (3), (3.1) or (3.2), every official receipt shall be signed personally by an individual referred to in paragraph (1)(i) or (1.1)(i).

(12) Section 3501 of the Regulations is amended by adding the following after subsection (3.1):

(3.2) Where an official receipt is electronically issued, it may contain a digital signature if

(a) it has a unique serial number; and

(b) it is issued and sent in a secure and non-editable format.

(13) Subsection 3501(5) of the Regulations is replaced by the following:

(5) A spoiled official receipt must be marked "cancelled" or "void" and such receipt must be retained by the registered organization or the other recipient of a gift as part of its records.

Registered Education Savings Plans

1 (1) Subparagraph (a)(v) of the definition *education savings plan* in subsection 146.1(1) of the Act is replaced by the following:

(v) a designated subscriber, and

(2) The definition *subscriber* in subsection 146.1(1) of the Act is amended by adding the following after paragraph (a.1):

(a.2) an individual who is the beneficiary, the *primary caregiver* (as defined in section 2 of the *Canada Education Savings Act*) of the beneficiary or the cohabiting spouse or common-law partner of that caregiver, who has before that time, under a written agreement, acquired a subscriber's rights from the designated subscriber,

(3) Paragraph (d) of the definition *subscriber* in subsection 146.1(1) of the Act is replaced by the following:

(d) a designated subscriber

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

designated subscriber under an education savings plan, means the Minister designated for the purposes of the *Canada Education Savings Act* that enters into the plan with a promoter. (*souscripteur désigné*)

(5) Subsection 146.1(2.3) of the Act is amended by striking out "and" at the end of paragraph (a), by adding "and" at the end of paragraph (b) and by adding the following after paragraph (b):

(c) a designation of the beneficiary under the plan if the subscriber is a designated subscriber.

(6) Section 146.1 of the Act is amended by adding the following after subsection (7.2):

Special rules

(8) If an education savings plan is entered into between a promoter and a designated subscriber, the registration conditions in respect of the plan are modified as follows:

(a) in the case where a subscriber acquires the rights of the designated subscriber under the plan, the Social Insurance Number of the beneficiary must be provided to the promoter before educational assistance payments may be made to or for the beneficiary; and

(b) throughout the period during which the subscriber is a designated subscriber

(i) paragraph (2)(d.1) does not apply to an accumulated income payment to the designated subscriber,

(ii) paragraph (2)(l) does not apply to the plan,

(iii) the plan does not allow contributions on behalf of the beneficiary, and

(iv) the plan does not allow for the payment of educational assistance payments to or for the beneficiary.

2 (1) Subsection 204.94(1) of the Act is replaced by the following:

Definitions

204.94 (1) The definitions in subsection 146.1(1) apply for the purposes of this Part, except that the definition *subscriber* in that subsection shall be read without reference to paragraphs (c) and (d).

(2) The portion of subsection 204.94(2) of the Act before the formula is replaced by the following:

Charging provision

(2) Every person (other than a public primary caregiver that is exempt from tax under Part I or a designated subscriber) shall pay a tax under this Part for each taxation year equal to the amount determined by the formula

3 Paragraph (c) of the definition *controlling individual* in subsection 207.01(1) of the Act is replaced by the following:

(c) a subscriber of a RESP, other than a designated subscriber;

4 Paragraph 200(2)(j) of the Regulations is replaced by the following:

(j) a payment out of a registered education savings plan, other than a refund of payments or a payment to a *designated subscriber* as defined in subsection 146.1(1) of the Act,

Non-Compliance with Information Requests

1 (1) The portion of subsection 231.1(1) of the Act before paragraph (a) is replaced by the following:

Information gathering

231.1 (1) An authorized person may, at all reasonable times, for any purpose related to the administration or enforcement of this Act (including the collection of any amount payable under this Act by any person), of a listed international agreement or, for greater certainty, of a tax treaty with another country,

(2) Subsection 231.1(1) of the Act is amended by striking out "and" at the end of paragraph (d), by adding "and" at the end of paragraph (e) and by adding the following after paragraph (e):

(f) subject to subsection (4), require a taxpayer or any other person to provide and deliver, in a reasonable manner, within a reasonable period of time and without cost to His Majesty in right of Canada,

(i) any information or additional information, including a return of income or a supplementary return, or

(ii) any document.

(3) Section 231.1 of the Act is amended by adding the following after subsection (3):

Not applicable to unnamed persons

(4) An authorized person shall not impose on a taxpayer or any other person a requirement under paragraph (1)(f) to provide information or any document relating to one or more unnamed persons for which an application under subsection 231.2(3) would be required if the information or document was sought under a notice of requirement under section 231.2.

2 (1) The portion of subsection 231.2(1) of the Act before paragraph (a) is replaced by the following:

Requirement to provide documents or information

231.2 (1) Notwithstanding any other provision of this Act, the Minister may, subject to subsection (2), for any purpose related to the administration or enforcement of this Act (including the collection of any amount payable under this Act by any person), of a listed international agreement or, for greater certainty, of a tax treaty with another country, by

notice sent or served in accordance with subsection (1.1), require that any person provide, within such reasonable time and in such reasonable manner as is stipulated in the notice, without cost to His Majesty in right of Canada,

(2) Paragraph 231.2(3)(b) of the Act is replaced by the following:

(b) the requirement is made to verify compliance by the person or persons in the group with any duty or obligation under this Act, a listed international agreement or, for greater certainty, a tax treaty with another country.

3 The Act is amended by adding the following after section 231.4:

Documents and information — oath or affirmation

231.41 A requirement or notice sent or served on a person under section 231.1, 231.2 or 231.6 may require that the person provide any answers to questions, information or documents sought by the Minister under those sections orally, under oath or affirmation, or by affidavit.

4 Section 231.5 of the Act is replaced by the following:

Copies

231.5 If any document is seized, inspected, audited, examined or provided under any of sections 231.1 to 231.4 and 231.6, the person by whom it is seized, inspected, audited or examined or to whom it is provided or any officer of the Canada Revenue Agency may make, or cause to be made, one or more copies thereof and, in the case of an electronic document, make or cause to be made, a print-out of the electronic document, and any document purporting to be certified by the Minister or an authorized person to be a copy of the document, or to be a print-out of an electronic document, made pursuant to this section is evidence of the nature and content of the original document and has the same probative force as the original document would have if it were proven in the ordinary way.

Compliance

231.51 No person shall, physically or otherwise, interfere with, hinder or molest an official (in this section having the meaning assigned by subsection 241(10)) doing anything that the official is authorized to do under this Act or attempt to interfere with, hinder or molest any official doing or prevent or attempt to prevent an official from doing, anything that the official is authorized to do under this Act, and every person shall, unless the person is unable to do so, do everything that the person is required to do by or under sections 231.1 to 231.6.

5 (1) Subsections 231.6(1) and (2) of the Act are replaced by the following:

Definition of *foreign-based information or document*

231.6 (1) For the purposes of this section, ***foreign-based information or document*** means any information or document that is available or located outside Canada and that may be relevant to the administration or enforcement of this Act, of a listed international agreement or, for greater certainty, of a tax treaty with another country, including the collection of any amount payable under this Act by any person.

Requirement to provide foreign-based information

(2) Notwithstanding any other provision of this Act, the Minister may, by notice sent or served in accordance with subsection (3.1), require that a person resident in Canada or a non-resident person carrying on business in Canada provide and deliver, within such reasonable time and in such reasonable manner as is stipulated in the notice, without cost to His Majesty in right of Canada, any foreign-based information or document.

(2) Paragraph 231.6(3)(a) of the Act is replaced by the following:

(a) a reasonable period of time of not less than 90 days after the notice is sent or served for the production of the information or document;

(3) Subsection 231.6(5) of the Act is amended by adding "or" at the end of paragraph (a) and by replacing paragraphs (b) and (c) with the following:

(b) vary or set aside the requirement if the judge determines that the requirement is unreasonable.

(4) Subsection 231.6(7) of the Act is repealed.

(5) Subsection 231.6(8) of the Act is replaced by the following:

Consequence of failure

(8) If a person fails to comply substantially with a notice sent or served under subsection (2) and if the notice is not set aside by a judge pursuant to subsection (5), any court having jurisdiction in a civil proceeding relating to the administration or enforcement of this Act, of a listed international agreement or, for greater certainty, of a tax treaty with another country, shall, on motion of the Minister, prohibit the introduction by that person of any foreign-based information or document covered by that notice.

6 (1) Subsection 231.7(1) of the Act is replaced by the following:

Compliance order

231.7 (1) On summary application by the Minister, a judge may, notwithstanding subsection 238(2), order a person to provide any access, assistance, information or document sought by the Minister under section 231.1, 231.2 or 231.6, and answer all questions either orally or in writing as required by paragraph 231.1(1)(d), if the judge is satisfied that

(a) the person was required under

(i) section 231.1, 231.2 or 231.6 to provide the access, assistance, information or document and did not do so, or

(ii) paragraph 231.1(1)(d) to answer questions orally or in writing and the person did not do so; and

(b) in the case of information, a document or an answer to a question, the information, document or answer is not protected from disclosure by solicitor-client privilege.

(2) Section 231.7 of the Act is amended by adding the following after subsection (5):

Penalties

(6) If an order under subsection (1) is issued in respect of a taxpayer's failure to comply, the taxpayer is, in addition to any penalty otherwise provided, liable to a penalty of 10% of the aggregate amount of tax payable by the taxpayer under this Act for each taxation year of the taxpayer in respect of which the order relates.

Threshold amount of tax

(7) Subsection (6) does not apply if the amount of tax payable by the taxpayer under this Act for each taxation year in respect of which the order under subsection (1) relates is less than $50,000.

Make application at any time

(8) The Minister may apply for a compliance order under subsection (1) before or after sending a notice described under subsection 231.9(1).

Assessment

(9) The Minister may at any time assess any amount payable under subsection (6) by any person and, if the Minister makes such an assessment, the provisions of Divisions I and J apply, with such modifications as the circumstances require, in respect of the assessment as though it had been made under section 152.

7 Section 231.8 of the Act is replaced by the following:

Time period not to count

231.8 (1) The following periods of time shall not be counted in the computation of the period of time within which an assessment may be made for a taxation year of a taxpayer under subsection 152(4):

(a) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a requirement under subsection 231.1(1) in respect of the taxation year of the taxpayer, the period of time between the day on which an application for judicial review in respect of the requirement is made and the day on which the application is finally disposed of;

(b) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a notice of a requirement under subsection 231.2(1) in respect of the taxation year of the taxpayer, the period of time between the day on which an application for judicial review in respect of the requirement is made and the day on which the application is finally disposed of;

(c) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a notice of requirement under subsection 231.6(2) in respect of the taxation year of the taxpayer, the period of time between the day on which the taxpayer or the non-arm's length person applies to a judge for review under subsection 231.6(4) and the day on which the application is finally disposed of;

(d) if an application is commenced by the Minister under subsection 231.7(1) to order the taxpayer, or a person that does not deal at arm's length with the taxpayer, to provide any access, assistance, information or document in respect of the taxation year of the taxpayer, the period of time between the day on which the taxpayer or the non-arm's length person files a notice of appearance, or otherwise opposes the application, and the day on which the application is finally disposed of;

(e) if the taxpayer, or a person that does not deal at arm's length with the taxpayer, is sent or served with a notice of non-compliance under subsection 231.9(1) in respect of the taxation year of the taxpayer, the period of time that the notice of non-compliance is outstanding; and

(f) if, under subsection 231.9(9), a judge has vacated a notice of non-compliance sent to, or served on, the taxpayer, or a person that does not deal at arm's length with the taxpayer in respect of the taxation year of the taxpayer, the period of time between the day on which the taxpayer or the non-arm's length person applies to a judge for review under subsection 231.9(8) and the day on which the application is finally disposed of.

When finally disposed of

(2) For the purposes of subsection (1), an application is finally disposed of when the application is disposed of and the time to appeal the application has expired and, in the case of an appeal, when the appeal and any further appeal is disposed of or the time for filing any further appeal has expired.

Notice of non-compliance

231.9 (1) The Minister may, at any time, send to a person or serve a person with a notice of non-compliance if the Minister determines that the person has not complied in full or in part with

(a) a requirement under paragraph 231.1(1)(d) or (f);

(b) a requirement under paragraph 231.1(1)(e) to provide an authorized person with all reasonable assistance necessary to allow the authorized person to do anything the authorized person is authorized to do under paragraphs 231.1(1)(a) to (c); or

(c) a notice sent or served under subsection 231.2(1) or 231.6(2).

Contents of notice of non-compliance

(2) A notice of non-compliance under subsection (1) shall set out, in respect of each taxation year of the taxpayer under review, the manner in which the person that has been sent or served with the notice of non-compliance has failed to comply with a requirement or notice described in any of paragraphs (1)(a) to (c).

Notice

(3) A notice of non-compliance referred to in subsection (1) may be

(a) served personally;

(b) sent by registered or certified mail; or

(c) sent electronically to a bank or credit union that has provided written consent to receive notices of non-compliance under subsection (1) electronically.

Request for review

(4) A person who is sent or served with a notice of non-compliance under subsection (1) may, within 90 days after the day on which the notice of non-compliance is sent or served, request in writing to the Minister that the notice of non-compliance be reviewed and make a representation or submission to the Minister in that regard.

Minister's review

(5) Within 180 days from the date of receipt by the Minister of a request by a person under subsection (4), the Minister shall

(a) confirm, vary or vacate the notice of non-compliance sent or served under subsection (1); and

(b) notify the person in writing of the Minister's decision.

When required to set aside

(6) A notice of non-compliance shall be vacated under subsection (5) if the Minister determines that it was unreasonable to issue the notice of non-compliance, or that the person had, prior to the issuance of the notice of non-compliance, done everything reasonably necessary to comply with each requirement or notice in respect of which the notice of non-compliance was issued.

Notice deemed vacated

(7) A notice of non-compliance is deemed to be vacated under subsection (5) if the Minister does not comply with the conditions stipulated in subsection (5).

Application for review of decision

(8) A person may, within 90 days after the day on which the person is notified of the Minister's decision under subsection (5), apply to a judge for a review of that decision.

Powers on review

(9) On hearing an application under subsection (8) in respect of a decision by the Minister, a judge may

(a) confirm the decision; or

(b) vary or vacate the notice of non-compliance if the judge determines that the Minister's decision was not reasonable.

When notice vacated

(10) If a notice of non-compliance is vacated under subsection (5) or (9), it is deemed to have never been sent or served.

When notice outstanding

(11) For the purposes of subsection (12) and paragraph 231.8(1)(e), a notice of non-compliance is outstanding from the day that it is sent to, or served on, a person until the day on which the person has, to the satisfaction of the Minister, complied, or demonstrated that they have done everything reasonably necessary to comply, with each requirement or notice in respect of which the notice of non-compliance was issued.

Penalty

(12) A person sent or served a notice of non-compliance under subsection (1) is liable to a penalty of $50 for each day the notice of non-compliance is outstanding, to a maximum of $25,000.

Assessment

(13) The Minister may at any time assess any amount payable under subsection (12) by any person and, if the Minister makes such an assessment, the provisions of Divisions I and J apply, with such modifications as the circumstances require, in respect of the assessment as though it had been made under section 152.

Avoidance of Tax Debts

1 (1) The portion of subsection 160(5) of the Act before paragraph (a) is replaced by the following:

Anti-avoidance rules

(5) For the purposes of this section, if a person (referred to in this section as the "transferor") has transferred property either directly or indirectly, by means of a trust or by any other means whatever to another person (referred to in this section as the "transferee") in a transaction or as part of a series of transactions

(2) Section 160 of the Act is amended by adding the following after subsection (5):

Deemed transfer - conditions

(6) Subsection (7) applies in respect of a transaction or series of transactions if, as part of the transaction or series of transactions,

(a) a person (in this subsection referred to as the "planner") has transferred property, either directly or indirectly, by means of a trust or by any other means whatever, to a person (in this subsection referred to as the "transferee") or a person not dealing at arm's length with the transferee, pursuant to the direction of, or with the concurrence of the transferee;

(b) another person (in this subsection referred to as the "transferor") has transferred a property (in this subsection referred to as the "particular property"), either directly or indirectly, by means of a trust or by any other means whatever, to the planner or any other person; and

(c) it is reasonable to conclude that one of the purposes for undertaking or arranging the transaction or series of transactions is to avoid joint and several, or solidary, liability of the transferee and transferor for an amount payable under this Act.

Deemed transfer

(7) If this subsection applies in respect of a transaction or series of transactions, for the purposes of this section, the transferor (within the meaning of subsection (6)) is deemed to have transferred the particular property to the transferee (within the meaning of subsection (6)) as part of the transaction or series of transactions.

(8) If a transaction or series of transactions is a *section 160 avoidance transaction* (as defined in subsection 160.01(1)), in determining the amount the transferee and transferor are jointly and severally, or solidarily, liable to pay under this section, the fair market value of the consideration given, if any, by the transferee for any transferred property is deemed to be nil if

(a) the transaction or series of transactions is described in paragraph (a) or (c) of the definition *section 160 avoidance transaction* in subsection 160.01(1); or

(b) it is reasonable to conclude that one of the purposes for undertaking or arranging the transaction or series of transactions is to avoid joint or several, or solidary, liability of the transferee and transferor for an amount payable under this Act.

(3) Subsections (1) and (2) apply in respect of a transaction or series of transactions that occurs on or after April 16, 2024.

2 (1) The definition “section 160 avoidance transaction” in subsection 160.01(1) of the Act is amended by striking out “or” at the end of paragraph (a), by adding “or” at the end of paragraph (b) and by adding the following after paragraph (b):

(c) subsection 160(7) deems there to have been a transfer of property from the transferor to the transferee.

(2) The definition *transferee* in subsection 160.01(1) of the Act is replaced by the following:

transferee has the meaning assigned by subsections 160(1), (5) and (7). (*bénéficiaire du transfert*)

(3) The definition *transferor* in subsection 160.01(1) of the Act is replaced by the following:

transferor has the meaning assigned by subsections 160(1), (5) and (7). (*auteur du transfert*)

(4) Subsections (1) to (3) apply in respect of a transaction or series of transactions that occurs on or after April 16, 2024.

Mutual Fund Corporations

1 (1) The portion of subsection 131(8) of the Act before paragraph (a) is replaced by the following:

Meaning of *mutual fund corporation*

(8) Subject to subsections 131(8.1) to (8.3), a corporation is, for the purposes of this section, a mutual fund corporation at any time in a taxation year if, at that time, it was a prescribed labour-sponsored venture capital corporation or

(2) Section 131 of the Act is amended by adding the following after subsection (8.1):

Substantial interest

(8.2) A corporation (other than a prescribed labour-sponsored venture capital corporation) is deemed not to be a mutual fund corporation after a particular time if, at that time,

(a) a person or partnership, or any combination of persons or partnerships that do not deal with each other at arm’s length (in either case, referred to in this subsection and subsection (8.3) as “specified persons”) own, in the aggregate, shares of the capital stock of the corporation having a fair market value of more than 10% of the fair market value of all of the issued and outstanding shares of the capital stock of the corporation; and

(b) the corporation is controlled by or for the benefit of one or more specified persons.

Exception

(8.3) Subsection (8.2) does not apply to a corporation if, at the particular time referred to in subsection (8.2),

(a) the corporation was incorporated not more than two years before the particular time; and

(b) the aggregate fair market value of the shares of the capital stock of the corporation owned by specified persons does not exceed $5,000,000.

(3) Subsections (1) and (2) apply to taxation years that begin after 2024.

Synthetic Equity Arrangements

1 (1) Subsections 112(2.31) to (2.34) of the Act are repealed.

(2) Subsection (1) applies in respect of dividends received after 2024.

2 (1) The definitions *recognized derivatives exchange*, *specified mutual fund trust*, *specified synthetic equity arrangement*, *synthetic equity arrangement chain* and *tax-indifferent investor* in subsection 248(1) of the Act are repealed.

(2) Subclause (b)(i)(B)(I) of the definition *derivative forward agreement* in subsection 248(1) of the Act is replaced by the following:

(I) a *tax-indifferent* (as defined in subsection 18.2(1)), or

(3) The definition *dividend rental arrangement* in subsection 248(1) of the Act is amended by adding "and" at the end of paragraph (b.1), by striking out "and" at the end of paragraph (c) and by repealing paragraph (d).

(4) Subparagraphs (a)(i) and (ii) of the definition *synthetic equity arrangement* in subsection 248(1) of the Act are replaced by the following:

(i) are entered into by the particular person, by a person or partnership that does not deal at arm's length with, or is affiliated with, the particular person (referred to in this definition as a "connected person") or, for greater certainty, by any combination of the particular person and connected persons, with one or more persons or partnerships (referred to in this definition as a "counterparty"),

(ii) have the effect, or would have the effect, if each agreement entered into by a connected person were entered into by the particular person, of eliminating all or substantially all the particular person's risk of loss and opportunity for gain or profit in respect of the DRA share, and, for greater certainty, opportunity for gain or profit includes rights to, benefits from and distributions on a share, and

(5) Subparagraph (b)(i) of the definition *synthetic equity arrangement* in subsection 248(1) of the Act is repealed.

(6) Subsection 248(42) of the Act is replaced by the following:

Synthetic equity arrangements — disaggregation

(42) For the purposes of the definition *synthetic equity arrangement* in subsection (1), paragraph (c) of the definition *dividend rental arrangement* in subsection (1) and subsection 112(10), an arrangement that reflects the fair market value of more than one type of *identical share* (as defined in subsection 112(10)) is considered to be a separate arrangement with respect to each type of identical share the value of which the arrangement reflects.

(7) Subsections (1) to (6) apply in respect of dividends received after 2024.

3 (1) The portion of section 8201 of the Regulations before paragraph (a) is replaced by the following:

8201 For the purposes of subsection 16.1(1), the definition *outstanding debts to specified non-residents* in subsection 18(5), subsections 100(1.3) and 112(2), the definition *qualified Canadian transit organization* in subsection 118.02(1), subsections 125.4(1) and 125.5(1), the definition *taxable supplier* in subsection 127(9), subparagraph 128.1(4)(b)(ii), paragraphs 181.3(5)(a) and 190.14(2)(b), section 233.8, the definition *Canadian banking business* in subsection 248(1) and paragraph 260(5)(a) of the Act, a *permanent establishment* of a person or partnership (either of whom is referred to in this section as the "person") means a fixed place of business of the person, including an office, a branch, a mine, an oil well, a farm, a timberland, a factory, a workshop or a warehouse if the person has a fixed place of business and, where the person does not have any fixed place of business, the principal place at which the person's business is conducted, and

(2) Subsection (1) applies to dividends received after 2024.

Manipulation of Bankrupt Status

1 (1) Paragraph (i) of the description of B of the definition *forgiven amount* in subsection 80(1) of the Act is replaced by the following:

> **(i)** if the debtor is an individual (other than a partnership or trust) who is a bankrupt at that time, the principal amount of the obligation,

(2) Subsection (1) applies in respect of bankruptcy proceedings of corporations that are commenced on or after April 16, 2024.

(3) Subsection (1) applies in respect of bankruptcy proceedings of partnerships and trusts that are commenced on or after Announcement Date.

2 (1) Subsection 128(1) of the Act is amended by adding "and" at the end of subparagraph (e)(ii), by striking out "and" at the end of paragraph (f) and by repealing paragraph (g).

(2) Subsection (1) applies in respect of bankruptcy proceedings that are commenced on or after April 16, 2024.

Accelerated Capital Cost Allowance for Productivity-Enhancing Assets

1 (1) Subparagraph (a)(ii) of the description of A in subsection 1100(2) of the Regulations is replaced by the following:

> **(ii)** nil, for property that became available for use by the taxpayer after 2023 (other than property referred to in any of paragraphs (c.1) to (c.3)),

(2) The description of A in subsection 1100(2) of the Regulations is amended by adding the following after paragraph (c):

> **(c.1)** if the class is Class 44,
>
> **(i)** 3, for property that was acquired and became available for use by the taxpayer after April 15, 2024 and before 2027, and
>
> **(ii)** nil, for property that became available for use by the taxpayer after 2026,
>
> **(c.2)** if the class is Class 46,
>
> **(i)** 2 1/3, for property that was acquired and became available for use by the taxpayer after April 15, 2024 and before 2027, and
>
> **(ii)** nil, for property that became available for use by the taxpayer after 2026,
>
> **(c.3)** if the class is Class 50,
>
> **(i)** 9/11, for property that was acquired and became available for use by the taxpayer after April 15, 2024 and before 2027, and
>
> **(ii)** nil, for property that became available for use by the taxpayer after 2026,

(3) Subsections (1) and (2) apply to property that is acquired and becomes available for use after April 15, 2024.

Accelerated Capital Cost Allowance for Purpose-Built Rental Housing

1 (1) Subsection 1100(1) of the Regulations is amended by adding the following after paragraph (a.3):

> **(a.4)** if a separate class is prescribed by subsection 1101(ac.1) for a property of a taxpayer that is a new purpose-built residential rental throughout the taxation year, such amount as the taxpayer may claim not exceeding six per cent of

the undepreciated capital cost to the taxpayer of the property of that class as of the end of the taxation year (before making any deduction under this subsection for the taxation year);

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

2 (1) Section 1101 of the Regulations is amended by adding the following after subsection (1ac):

Purpose-built residential rental

(1ac.1) For the purposes of this Part, each property of a taxpayer that is a new purpose-built residential rental is prescribed to be a separate class of property.

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

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

new purpose-built residential rental means a purpose-built residential rental that

(a) was

(i) built for use as a purpose-built residential rental if construction began after April 15, 2024 and before 2031, or

(ii) previously a building, or part of a building, used as a commercial property that was substantially renovated for use as a purpose-built residential rental if the renovations began after April 15, 2024 and before 2031, and

(b) becomes available for use before 2036; (*nouvel ensemble résidentiel construit spécialement pour la location*)

purpose-built residential rental means a building or a part of a building situated in Canada

(a) that contains

(i) four or more residential rental units at least four of which contain private kitchen facilities, a private bath and a private living area, or

(ii) 10 or more residential rental units; and

(b) in which all or substantially all the residential rental units are rented or offered for rent for continuous periods of not less than 28 consecutive days. (*ensemble résidentiel construit spécialement pour la location*)

residential rental unit means a housing unit used or intended for use as a rented residential premises that is not provided to the travelling or vacationing public. (*logement locatif*)

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

Interest Deductibility Limits

1 (1) The definition *exempt interest and financing expenses* in subsection 18.2(1) of the Act is replaced by the following:

exempt interest and financing expenses of a taxpayer for a taxation year means the total of all amounts, each of which would, if the description of A in the definition *interest and financing expenses* were read without reference to “exempt interest and financing expenses”, be included in interest and financing expenses of the taxpayer for that year, and that is incurred in respect of a borrowing or other financing (referred to in this definition as the “borrowing”),

(a) if

(i) the taxpayer or a partnership of which the taxpayer is a member entered into an agreement with a public sector authority to design, build and finance — or to design, build, finance, maintain and operate — property that the public sector authority, or another public sector authority, owns or has a leasehold interest in or right to acquire,

(ii) the borrowing was entered into in respect of the agreement,

(iii) it can reasonably be considered that all or substantially all of the amount is directly or indirectly borne by a public sector authority referred to in subparagraph (i), and

(iv) the amount was paid or payable to

(A) a person that deals at arm's length with the taxpayer or the partnership, or

(B) a particular person that does not deal at arm's length with the taxpayer or the partnership if it may reasonably be considered that all or substantially all of the amount paid or payable to the particular person was paid or payable by the particular person to one or more persons that deal at arm's length with the taxpayer or the partnership;

(b) if

(i) the amount is paid or payable before 2036 to

(A) a person that deals at arm's length with the taxpayer or a partnership of which the taxpayer is a member, or

(B) a particular person that does not deal at arm's length with the taxpayer or the partnership if it may reasonably be considered that all or substantially all of the amount paid or payable to the particular person was paid or payable by the particular person to one or more persons that deal at arm's length with the taxpayer or the partnership,

(ii) the amount is reasonably attributable to the portion of the borrowing that is used by the taxpayer or the partnership for the purpose of

(A) acquiring ownership of a property that is a purpose-built residential rental,

(B) building a purpose-built residential rental, or

(C) converting a property of the taxpayer or the partnership into a purpose-built residential rental,

(iii) at the time that the amount was paid or payable, the property referred to in clause (ii)(A), (B) or (C), as the case may be, is owned by the taxpayer or the partnership and is a purpose-built residential rental or is being built or converted to be a purpose-built residential rental, and

(iv) the taxpayer or the partnership elects in respect of the borrowing, on or before the filing-due date of the taxpayer for the year, to have this paragraph apply to the borrowing for the year; or

(c) if

(i) the amount is paid or payable to

(A) a person that deals at arm's length with the taxpayer or a partnership of which the taxpayer is a member, or

(B) a particular person that does not deal at arm's length with the taxpayer or the partnership if it may reasonably be considered that all or substantially all of the amount paid or payable to the particular person was paid or payable by the particular person to one or more persons that deal at arm's length with the taxpayer or the partnership,

(ii) the amount is reasonably attributable to the portion of the borrowing that is used for the purpose of gaining or producing income from a regulated energy utility business carried on by the taxpayer or the partnership,

(iii) all or substantially all of the property of the taxpayer or the partnership is

(A) used or held for the purpose of gaining or producing income from a regulated energy utility business carried on by the taxpayer or the partnership, and

(B) located in Canada, and

(iv) the taxpayer or the partnership elects, on or before the filing-due date of the taxpayer for the year or in any preceding taxation year, to have this paragraph apply to the taxpayer or the partnership. (*dépenses d'intérêts et de financement exonérées*)

(2) Subsection 18.2(1) of the Act is amended by adding the following in alphabetical order:

purpose-built residential rental means a building or a part of a building situated in Canada

(a) that contains

(i) four or more residential rental units at least four of which contain private kitchen facilities, a private bath and a private living area, or

(ii) 10 or more residential rental units; and

(b) in which all or substantially all the residential rental units are rented or offered for rent for continuous periods of not less than 28 consecutive days. (*ensemble résidentiel construit spécialement pour la location*)

regulated energy utility business means a business carried on by a person or partnership in Canada

(a) that is the production, generation, storage, transmission, distribution, sale, delivery or provision of electricity, natural gas or steam, or any other input for the production of light, heat, cold or energy; and

(b) in respect of which the prices of products and services are established or approved by a *government entity* (as defined in subsection 241(10)). (*entreprise réglementée de services publics d'énergie*)

residential rental unit means a housing unit used or intended for use as a rented residential premises that is not provided to the travelling or vacationing public. (*logement locatif*)

(3) Section 18.2 of the Act is amended by adding the following after subsection (19):

Deeming rule

(20) For the purpose of determining a taxpayer's adjusted taxable income for a taxation year, if the taxpayer or a partnership of which the taxpayer is a member has made an election under subparagraph (c)(iv) of the definition *exempt interest and financing expenses* in subsection (1) for the year or in any preceding taxation year, any income or loss of the taxpayer or the partnership for the year from a regulated energy utility business carried on by the taxpayer or the partnership is deemed to be earned in respect of activities funded by a borrowing (within the meaning of the definition *exempt interest and financing expenses* in subsection (1)) that results in exempt interest and financing expenses of the taxpayer or the partnership.

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

2 (1) Subsection 20(3) of the Act is replaced by the following:

Borrowed money

(3) For greater certainty, if a taxpayer uses borrowed money to repay money previously borrowed, or to pay an amount payable for property described in subparagraph (1)(c)(ii) previously acquired (which previously borrowed money or amount payable in respect of previously acquired property is, in this subsection, referred to as the "previous

indebtedness”), subject to subsection 20.1(6), for the purposes of paragraphs (1)(c), (e) and (e.1), subsections 20.1(1) and (2), section 21, subparagraph 95(2)(a)(ii) and paragraph (b) of the definition ***exempt interest and financing expenses*** in subsection 18.2(1), and for the purpose of paragraph 20(1)(k) of the *Income Tax Act*, Chapter 148 of the Revised Statutes of Canada, 1952, the borrowed money is deemed to be used for the purpose for which the previous indebtedness was used or incurred, or was deemed by this subsection to have been used or incurred.

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

Clean Economy Tax Credits

Clean Electricity Investment Tax Credit

1 (1) The Act is amended by adding the following after section 127.49:

Definitions

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

actual emission intensity means the emission intensity of a specified natural gas energy system of a qualifying entity, based on the actual carbon dioxide emissions from the production of electrical energy by the system. (*intensité des émissions réelle*)

average actual emission intensity means, for the compliance period of a qualified natural gas energy system, the number 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 emission intensity of the system for the first operating year of the compliance period;

B is the quantity, in gigawatt hours, of electrical energy produced by the system in the first operating year of the compliance period;

C is the actual emission intensity of the system for the second operating year of the compliance period;

D is the quantity, in gigawatt hours, of electrical energy produced by the system in the second operating year of the compliance period;

E is the actual emission intensity of the system for the third operating year of the compliance period;

F is the quantity, in gigawatt hours, of electrical energy produced by the system in the third operating year of the compliance period;

G is the actual emission intensity of the system for the fourth operating year of the compliance period;

H is the quantity, in gigawatt hours, of electrical energy produced by the system in the fourth operating year of the compliance period;

I is the actual emission intensity of the system for the fifth operating year of the compliance period;

J is the quantity, in gigawatt hours, of electrical energy produced by the system in the fifth operating year of the compliance period; and

K is the total quantity, in gigawatt hours, of electrical energy produced by the system during the compliance period. (*intensité des émissions réelle moyenne*)

clean electricity investment tax credit of a qualifying entity for a taxation year means the total of all amounts

(a) each of which is the specified percentage of the capital cost to the qualifying entity of clean electricity property that is acquired by the entity in the year; and

(b) required by subsection (13) to be added in computing the entity's clean electricity investment tax credit at the end of the year. (*crédit d'impôt à l'investissement pour l'électricité propre*)

clean electricity property means property of a qualifying entity

(a) that is not part of a project the construction of which was started before March 28, 2023 (and for this purpose, construction does not include obtaining permits or regulatory approval, conducting environmental assessments, community consultations or impact assessment studies, or similar activities);

(b) that is situated in

(i) Canada (including property described in subparagraph (d)(v) or (xiv) of Class 43.1 in Schedule II to the *Income Tax Regulations* that is installed in the exclusive economic zone of Canada) and intended for use exclusively in Canada, and

(ii) if the entity is a designated provincial Crown corporation, in a province that has been designated by the Minister of Finance to be an eligible jurisdiction;

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

(d) that, if it is to be leased by a qualifying entity to another person or partnership, is

(i) leased to a qualifying entity or a partnership all the members of which are qualifying entities, and

(ii) leased in the ordinary course of carrying on a business in Canada by the qualifying entity 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

(e) that is

(i) property that would be described in subparagraphs (d)(ii) of Class 43.1 in Schedule II to the *Income Tax Regulations*, if those subparagraphs were read without reference to the 50 megawatt-rated capacity at the hydro-electric installation site,

(ii) described in subparagraphs (d)(v), (vi) or (xiv) of Class 43.1 in Schedule II to the *Income Tax Regulations*, but excluding a test wind turbine (within the meaning assigned by subsection 1219(3) of the *Income Tax Regulations*),

(iii) *concentrated solar energy equipment*, as defined in subsection 127.45(1), that is part of a system used solely for the purpose of generating electrical energy, exclusively from concentrated sunlight,

(iv) nuclear energy equipment,

(v) equipment that

(A) is part of a system that

(I) exports more electrical energy than heat energy on a net basis, as determined on an annual basis, and

(II) does not extract fossil fuels for sale,

(B) is used exclusively for the purpose of generating electrical energy, or a combination of electrical energy and heat energy, solely from geothermal energy, and

(C) is described in subparagraph (d)(vii) of Class 43.1 in Schedule II to the *Income Tax Regulations*,

(vi) *waste biomass electricity generation equipment* as defined in subsection 127.45(1), that is part of a system that exports more electrical energy than heat energy on a net basis, as determined on an annual basis,

(vii) described in subparagraphs (d)(xviii) or (xix) of Class 43.1 in Schedule II to the *Income Tax Regulations*, but excluding equipment that uses any fossil fuel in operation,

(viii) qualified natural gas energy equipment,

(ix) qualified interprovincial transmission equipment, or

(x) for greater certainty, incorporated into another property described in any of subparagraphs (i) to (ix), as part of a refurbishment of the other property provided that on completion of the refurbishment the other property is still described in any of subparagraphs (i) to (ix). (*bien pour l'électricité propre*)

compliance period in respect of a specified natural gas energy system of a taxpayer, means the period beginning on the start-up date of the system and ending on the last day of the fifth operating year of the system. (*période de conformité*)

dedicated geological storage has the same meaning as in subsection 127.44(1). (*stockage géologique dédié*)

designated provincial Crown corporation means a corporation

(a) not less than 90% of the shares (except directors' qualifying shares) or of the capital of which is owned by one or more persons each of which is His Majesty in right of a province;

(b) that is Northwest Territories Power Corporation, Qulliq Energy Corporation or Yukon Energy Corporation; or

(c) all of the shares (except directors' qualifying shares) or of the capital of which is owned by one or more persons each of which is a corporation described in paragraph (a) or (b). (*société d'État provinciale désignée*)

eligible jurisdiction means a jurisdiction designated by the Minister of Finance in accordance with subsection (6). (*juridiction admissible*)

emission intensity in respect of a qualified natural gas energy system, means the tonnes of carbon dioxide emissions released into the atmosphere for each gigawatt hour of electrical energy produced as determined by the formula

$$A \div B$$

where

A is the number determined by the formula

$$C - D - E$$

where

C is the quantity of carbon dioxide emissions, expressed in tonnes, during an operating year, from the combustion of fuel in the system, as determined in a manner that is acceptable to the Minister of Natural Resources,

D is the quantity of carbon dioxide emissions, expressed in tonnes, attributable to the production of useful thermal energy by the system, during the operating year, as determined in a manner that is acceptable to the Minister of Natural Resources, and

E is the quantity of carbon dioxide captured from the system and stored in dedicated geological storage, expressed in tonnes, during the operating year, as determined in a manner that is acceptable to the Minister of Natural Resources; and

B is the quantity of electrical energy produced by the system during the operating year, expressed in gigawatt hours, as determined in a manner that is acceptable to the Minister of Natural Resources. (*intensité des émissions*)

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

ineligible use means

(a) in respect of a particular property other than qualified natural gas energy equipment, use of the particular property at a particular time that would, if the property were acquired at that time, result in the property not being a clean electricity property, determined without reference to paragraph (c) of the definition *clean electricity property*; and

(b) in respect of a property that is qualified natural gas energy equipment

(i) use of the particular property at a particular time that would, if the property were acquired at that time, result in the property not being a clean electricity property determined without reference to subparagraph (a)(vi) of the definition *qualified natural gas energy equipment* and paragraph (c) of the definition *clean electricity property*, and

(ii) any use of the system described in paragraph (a) of the definition *qualified natural gas energy equipment*, if the actual emission intensity of the system in an operating year is greater than 65 tonnes of carbon dioxide per gigawatt hour of electrical energy, for an operating year that begins after the fifth operating year but before the twenty-first operating year of the system. (*utilisation non admissible*)

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

nuclear energy equipment means equipment that is used all or substantially all to generate electrical energy, or a combination of electrical energy and heat energy, from nuclear fission as determined on an annual basis — including reactors, reactor vessels, reactor control rods, moderators, cooling systems, control systems, nuclear fission fuel handling equipment, containment structures, electrical generating equipment and equipment for the distribution of heat energy — that

(a) is part of a system that exports more electrical energy than heat energy on a net basis as determined on an annual basis; and

(b) is not

(i) nuclear fission fuel,

(ii) equipment for nuclear waste disposal and nuclear waste disposal sites,

(iii) transmission equipment,

(iv) distribution equipment,

(v) property included in Class 10 in Schedule II to the *Income Tax Regulations*, or

(vi) property that would be included in Class 17 in Schedule II to the *Income Tax Regulations* if that Class were read without reference to its paragraph (a.1). (*matériel d'énergie nucléaire*)

operating year of a specified natural gas energy system, means each cumulative 365-day period, the first of which begins on the start-up date of a qualifying entity's specified natural gas energy system, disregarding any period during which the system is not operating. (*année d'exploitation*)

preliminary work activity has the same meaning as in subsection 127.45(1). (*travaux préliminaires*)

qualified interprovincial transmission equipment means property that is primarily used to transmit or manage electrical energy that originates in, or is destined for, a province other than the province in which the property is located and

(a) that is

(i) equipment for the transmission of electrical energy, including cables and switches, that is rated for voltages of at least 69 kilovolts,

(ii) electrical transmission structures, including towers and lattices, or

(iii) related equipment used to manage electrical energy, including transformers, electric power conditioning equipment and control equipment, that is directly connected to equipment described in subparagraph (i) or (ii); and

(b) that is not a building or distribution equipment. (*matériel de transmission interprovinciale admissible*)

qualified natural gas energy equipment means property

(a) that is part of a system that meets the following conditions:

(i) the system is fuelled all or substantially all by natural gas as determined on an annual basis and is not fuelled by anything other than gaseous fuels,

(ii) the system is used solely for the purpose of generating electrical energy, or a combination of electrical energy and heat energy, determined without reference to capturing carbon dioxide,

(iii) the system exports more electrical energy than heat energy on a net basis as determined on an annual basis,

(iv) the system is physically and functionally integrated with equipment that captures and prepares or compresses carbon dioxide for transportation,

(v) less than 50% of the gross electrical energy generated by the system is used to power the equipment referred to in subparagraph (iv), as determined on an annual basis,

(vi) the system is not expected to exceed an emission intensity of 65 tonnes of carbon dioxide per gigawatt hour of gross electrical energy generated, and

(vii) a system evaluation has been issued for the system by the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources;

(b) that is

(i) electrical generating equipment,

(ii) heat generating equipment used primarily for the purpose of producing heat energy to operate the electrical generating equipment described in subparagraph (i),

(iii) equipment that generates both electrical and heat energy,

(iv) equipment that is to be used solely

(A) for capturing carbon dioxide that is generated by the system, or

(B) to prepare or compress for transportation carbon dioxide captured from the system,

(v) heat recovery equipment used primarily for the purpose of conserving energy, or reducing the requirement to acquire energy, by extracting for reuse thermal waste that is generated by equipment referred to in any of subparagraphs (i) to (iv) or (vi), or

(vi) equipment that is physically and functionally integrated with equipment described in any of subparagraphs (i) to (v) and that is ancillary equipment used solely to support the functioning of equipment described in any of those subparagraphs;

(c) in the case of equipment that is acquired before the start-up date of the system referred to in paragraph (a), is verified by the Minister of Natural Resources as being equipment described in paragraph (b); and

(d) is not

(i) a building or other structure,

(ii) heat rejection equipment (such as a condenser and cooling water systems),

(iii) transmission equipment,

(iv) distribution equipment,

(v) equipment used to export heat energy from the system, other than equipment described in subparagraph (b)(vi), or

(vi) fuel storage or fuel handling equipment. (*matériel d'énergie alimenté au gaz naturel admissible*)

qualified natural gas energy system means a system that is described in paragraph (a) of the definition *qualified natural gas energy equipment*. (*système énergétique alimenté au gaz naturel admissible*)

qualified verification firm means, in respect of a specified natural gas energy system of a taxpayer, an individual or firm that

(a) is an engineer or an engineering firm that 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 system 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) at all times, is independent of, deals at arm's length with and is not an employee of the taxpayer;

(d) meets the requirements described in guidelines published by the Minister of Natural Resources; and

(e) has expertise in auditing continuous emissions monitoring systems to demonstrate compliance with the *Regulations Limiting Carbon Dioxide Emissions from Natural Gas-fired Generation of Electricity*. (*firme admissible de vérification*)

qualifying corporation means

(a) a taxable Canadian corporation;

(b) a designated provincial Crown corporation;

(c) a corporation described in paragraph 149(1)(d.5) of which not less than 90% of the shares, or the capital, are owned by one or more entities each of which is

(i) a municipality in Canada, or

(ii) an *Aboriginal government* (as defined in subsection 241(10)) — or similar Indigenous governing bodies — described in paragraph 149(1)(c);

(d) a corporation described in paragraph 149(1)(d.6) of which all of the shares (except directors' qualifying shares), or the capital, are owned by one or more of

(i) a municipality in Canada, or

(ii) an *Aboriginal government* (as defined in subsection 241(10)) — or similar Indigenous governing bodies — described in paragraph 149(1)(c);

(e) a corporation of which all of the shares (except directors' qualifying shares), or of the capital, are owned by one or more persons described in paragraphs (b) to (d); or

(f) a corporation to which paragraph 149(1)(o.2) applies. (*société admissible*)

qualifying entity means a qualifying corporation or a qualifying trust. (*entité admissible*)

qualifying trust means, at all relevant times, a trust

(a) each beneficiary of which is a corporation described in paragraph 149(1)(o.2);

(b) that is a limited partner of a partnership; and

(c) the sole undertaking of which is the holding of its interest in the partnership. (*fiducie admissible*)

refurbishment means significant alterations, renovations, improvements or additions to a property to substantially

(a) extend its useful life;

(b) increase its capacity; or

(c) improve its efficiency. (*remise en état*)

specified natural gas energy system means a system that is, or was at any time, a qualified natural gas energy system. (*système alimenté au gaz naturel déterminé*)

specified percentage means

(a) subject to paragraph (b), in respect of a clean electricity property of a qualifying entity that is acquired

(i) before April 16, 2024, determined without reference to subsection (8), nil,

(ii) subject to subparagraph (i), on or after April 16, 2024 and before January 1, 2035, 15%, and

(iii) after December 31, 2034, nil; or

(b) in respect of a clean electricity property of a designated provincial Crown corporation where that property is located in a jurisdiction that was not an eligible jurisdiction on or before March 31, 2025, that is acquired

(i) before the date on which the jurisdiction becomes an eligible jurisdiction, determined without reference to subsection (8), nil,

(ii) subject to subparagraph (i), on or after the date on which the jurisdiction becomes an eligible jurisdiction and before January 1, 2035, 15%, and

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

start-up date of a specified natural gas energy system means the first day on which the system generates electrical energy for sale. (*jour du début du projet*)

system plan means a plan for a qualified natural gas energy system of a qualifying entity that

(a) has been prepared by a qualified verification firm;

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

(c) sets out

(i) an expected emission intensity of the electrical energy to be produced by the system that is below 65 tonnes carbon dioxide per gigawatt hour,

(ii) an expected ratio of net electrical energy to net heat energy exported that is above 2, and

(iii) an expected ratio of electrical energy used to power equipment that captures and prepares or compresses carbon dioxide to gross electrical energy produced that is below 0.5;

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

(e) is filed by the entity with the Minister of Natural Resources, in the form and manner determined by the Minister of Natural Resources. (*plan du système*)

Clean electricity investment tax credit

(2) If a qualifying entity files a prescribed form containing prescribed information with the Minister on or before its filing-due date,

(a) in the case of an entity that is a taxable Canadian corporation or a qualifying trust, the entity is deemed to have paid on its balance-due day for the year an amount on account of the entity's tax payable under this Part for the year equal to the entity's clean electricity investment tax credit for the year;

(b) subject to subsection (3), in the case of an entity that is described in any of paragraphs (c) to (f) of the definition *qualifying corporation*, the Minister shall, with all due dispatch, pay to the entity an amount equal to its clean electricity investment tax credit for the period; and

(c) subject to subsection (4), in the case of an entity that is described in paragraph (b) of the definition *qualifying corporation*, the Minister shall, with all due dispatch, pay to the entity an amount equal to its clean electricity investment tax credit for the period.

Section 149 entities

(3) Subsection (2) does not apply to an entity that is a *qualifying corporation* described in any of paragraphs (c) to (f) of that definition, unless the entity agrees in writing with the Minister to be subject to the provisions of this Act in respect of their entitlement to the clean electricity investment tax credit, including for greater certainty, this section, subsection 150(2) and (3), sections 152, 158 to 167, Division J of Part I , and Part XV of this Act, with any modifications that the circumstances require.

Written agreement - designated provincial Crown corporations

(4) Subsection (2) does not apply to a designated provincial Crown corporation unless the corporation enters into a written agreement with His Majesty in right of Canada and in that agreement agrees to be subject to the provisions of this Act in respect of their entitlement to the clean electricity investment tax credit, including for greater certainty this section, subsection 150(2) and (3), sections 152, 158 to 167, Division J of Part I, and Part XV of this Act, with any modifications that the circumstances require.

Amount payable

(5) Any amount payable by a qualifying entity under this section is deemed to be payable as a tax or as a payment in lieu of tax, as the case may be.

Eligible jurisdiction

(6) For the purposes of this section, if the Minister of Finance determines that a province of Canada meets the conditions published on a website maintained by the Government of Canada,

(a) the Minister of Finance may designate the province as an eligible jurisdiction for the purposes of this section;

(b) the designation of a province as an eligible jurisdiction under paragraph (a) shall specify the time at and after which it is in effect, which time may, for greater certainty, precede the time at which the designation is made; and

(c) the Minister of Finance is to publish the designation referred to in paragraph (a) on a website maintained by the Government of Canada.

Time limit for application

(7) If the qualifying entity files with the Minister a prescribed form containing prescribed information referred to in subsection (2) after its filing-due date for the year but on or before the day that is one year after that date, subsection (2) applies to the entity except that no payment is deemed to arise under that subsection until the prescribed form containing prescribed information has been filed with the Minister.

Time of acquisition

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

Qualified natural gas energy system evaluation

(9) The Minister of Natural Resources may request from a qualifying entity all documentation and information necessary for the Minister of Natural Resources to complete a qualified natural gas energy system evaluation, including a system plan, and may refuse to complete the evaluation if such documentation or information is not provided by the entity.

Special rules — adjustments

(10) For the purpose of the definition *clean electricity investment tax credit*, the capital cost of a clean electricity property to a qualifying entity shall

(a) not include any amount

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

(ii) in respect of which any other *clean economy tax credit* (as defined in subsection 127.47(1)) was deducted by any person,

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

(iv) in respect of a qualified natural gas energy system, if a *CCUS tax credit* (as defined in subsection 127.44(1)) was deducted by any person in respect of any property that is part of the system,

(v) in respect of an expenditure incurred for a preliminary work activity, or

(vi) 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 in respect of any part of the capital cost of the property by any person;

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

(c) be reduced by the total of all amounts, each of which can reasonably be considered to be in respect of the property and is

(i) an amount of any government assistance or non-government assistance received by the qualifying entity in or before the taxation year in which the property was acquired, or

(ii) an amount not described in subparagraph (i) that, in the taxation year, the qualifying entity is entitled to or can reasonably be expected to receive and that would be government assistance or non-government assistance if it were received by the entity; and

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

(i) the reference in subsection 127(11.6) to subsection 127(11.5) is to be read as a reference to section 127.491,

(ii) the reference in subsection 127(11.6) to subsection 127(26) is to be read as a reference to subsection 127.491(15), and

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

Deemed deduction

(11) 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), subsection 53(2) and sections 127.44, 127.45, 127.48, 127.49, and 129, the amount determined under subsection (2) for a qualifying entity for a taxation year is deemed to have been deducted from its tax otherwise payable under this Part for the year.

Repayment of assistance

(12) Where a qualifying entity 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 a particular 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 capital cost to the entity of a separate clean electricity property that is deemed to be acquired in the particular year for the purposes of this section, provided that a transaction or event described in paragraph (20)(c) has not occurred in respect of the particular property.

Partnerships

(13) Subject to section 127.47, where, in a particular taxation year of a qualifying entity 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 qualifying entity's share thereof shall be added in computing the clean electricity investment tax credit of the qualifying entity at the end of the particular year.

Trust — assistance received by beneficiary

(14) For the purposes of computing a clean electricity investment tax credit, where at a particular time a qualifying corporation described in paragraph (a) of the definition *qualifying trust* is a beneficiary of a qualifying trust, and the beneficiary or the trust has received, is entitled to receive or can reasonably be expected to receive government assistance or non-government assistance, the amount of that assistance that may reasonably be considered to be in respect of a clean electricity property for which a clean electricity investment tax credit is allocated by a partnership to the trust shall be deemed to have been received by the partnership as government assistance or non-government assistance, as the case may be, in respect of the property.

Unpaid amounts

(15) For the purposes of this section, where any part of the capital cost of a qualifying entity's particular clean electricity 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 electricity investment tax credit would otherwise be available in respect of the particular property, such amount is deemed to be

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

(b) added to the capital cost of a separate clean electricity property that is deemed to be acquired by the qualifying entity at the time the amount is paid provided that a transaction or event described in paragraph (17)(c) has not occurred in respect of the particular property.

Tax shelter investment

(16) Subsection (2) does not apply if a clean electricity 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

(17) Subsection (18) applies in a taxation year of a taxpayer if

(a) the taxpayer acquired a particular property that is

(i) clean electricity property, other than qualified natural gas energy equipment, in the year or any of the preceding 10 calendar years, or

(ii) a clean electricity property that is qualified natural gas energy equipment, in the year or any of the preceding 20 calendar years;

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

(c) in the year, the particular property (or another property that incorporates the particular property) is converted to an ineligible use, is exported from Canada or is disposed of without having been previously exported or converted to an ineligible use.

Recapture

(18) If this subsection applies for a taxation year of a taxpayer in respect of a particular property, the taxpayer is liable to pay an amount for the year, on or before its balance-due day for the year, determined by the formula

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

where

A is the amount of the taxpayer's clean electricity investment tax credit in respect of the particular 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 (19) in respect of the property;

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

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

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

D is the capital cost of the particular property on which the clean electricity investment tax credit was deducted.

Recovery — qualified natural gas energy systems

(19) In the taxation year of a taxpayer in which the compliance period of the taxpayer's specified natural gas energy system ends, if the average actual emission intensity of the electrical energy produced is greater than 65 tonnes of carbon dioxide per gigawatt hour of electrical energy, there shall be added to the taxpayer's tax otherwise payable under this Part for the year an amount determined by the formula

$$A - B$$

where

A is the total amount of clean electricity investment tax credits received in respect of qualified natural gas energy equipment that was part of the system; and

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 in respect of the equipment described in A because of subsection (18).

Compliance — emission intensity

(20) If a clean electricity investment tax credit was deducted by a taxpayer in respect of a qualified natural gas energy system, the taxpayer shall file with the Minister and the Minister of Natural Resources, within 180 days after the end of each of the first 20 operating years, a compliance report in prescribed form and manner including the following information:

(a) the actual emission intensity of the electrical energy produced by the system during the year;

(b) the quantity, in gigawatt hours, of electrical energy produced by the system during the year;

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

(d) for the compliance report in respect of the fifth operating year, a report that verifies the actual emission intensity of the electrical energy that is produced during each operating year of the compliance period, prepared by a qualified verification firm in respect of the system; and

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

Minister's determination

(21) For the purpose of subsection (19), the Minister of Natural Resources shall review each of the compliance reports of a qualifying entity described in subsection (20) and the Minister may, in consultation with the Minister of Natural Resources, make a determination or redetermination of the actual emission intensity of the electrical energy produced by an entity's qualified natural gas energy system for any operating year during the compliance period of the system.

Failure to report

(22) Each taxpayer that fails to file a compliance report as required by subsection (20) is liable to a penalty, for each such failure, in an amount, not exceeding the total of all clean electricity investment tax credits deducted by the taxpayer in respect of the system, 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 electricity investment tax credit in respect of the system deducted by the taxpayer for a taxation year that ended before the applicable date in subsection (20); and

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

De minimis exception

(23) Paragraph (b) of the definition *ineligible use* and subsection (19) do not apply to a qualifying entity if the average actual emission intensity of the entity's qualified natural gas energy system over the compliance period is 68.5 tonnes of carbon dioxide per gigawatt hour of electrical energy or less.

Certain related party transfers

(24) Subsections (17) and (18) do not apply to a qualifying entity (in this subsection referred to as the "transferor") that disposes of a property to another qualifying entity (in this subsection referred to as the "purchaser") that is related to the transferor if the purchaser acquired the property in circumstances where the property would be *clean electricity property* to the purchaser but for paragraph (c) of that definition.

Certain related party transfers — recapture deferred

(25) If subsection (24) applies, subsection 127(34) applies with such modifications as the circumstances require, including that the reference to subsection 127(33) be read as a reference to subsection 127.491(24).

Recapture event reporting requirement

(26) If subsection (17) or (24) applies to a qualifying entity for a particular year, the entity shall notify the Minister in prescribed form and manner on or before the entity's filing-due date for the year.

Information return — partnerships

(27) If subsections (28) and (29) apply with respect to the property of a partnership for a particular 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.

Recapture and recovery — partnerships

(28) Subject to section 127.47, if subsection (13) has at any time applied to add an amount in computing the clean electricity investment tax credit of a current or former member of a partnership, then for the purposes of this Part, subsections (17) to (19) and (23) to (24) shall apply to determine amounts in respect of the partnership as if the partnership were a taxable Canadian corporation, its fiscal period were its taxation year and it had deducted all of the clean electricity investment tax credits that were previously added in computing the clean electricity investment tax credit of any member of the partnership under subsection (2) because of the application of subsection (13) in respect of its partnership interest.

Member's share of tax

(29) Unless subsection (30) 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 (28) in respect of the partnership for its fiscal period ending in the taxation year shall be added to the taxpayer's tax otherwise payable under this Part for the taxation year.

Election by member to pay tax

(30) 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 (28) in respect of the partnership.

Joint and several, or solidary, liability

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

(a) of a qualifying entity under subsection (29), other than a qualifying entity that is exempt from tax under this Part and has not agreed, under subsection (3) or (4) to be subject to tax under this Part; or

(b) of a taxable Canadian corporation because of subsection (30) and paid by the corporation by its filing-due date for the year.

Former member liability

(32) If a particular taxpayer was, at the time that an amount is determined because of subsection (28) in respect of the partnership for a taxation year, no longer a member of the partnership, the particular taxpayer's liability for tax because of subsection (31) is limited to the total of all amounts each of which is an amount determined for the particular taxpayer under subsection (2) because of its membership in the partnership.

Interest on recovery tax

(33) For the purpose of applying subsection 161(1) to an amount of tax payable because of subsection (19), the balance-due day of a qualifying entity is deemed to be the balance-due day of the taxation year for the related clean electricity investment tax credit under subsection (2).

Environmental compliance

(34) A property that would otherwise be clean electricity property of a qualifying entity is deemed not to be a clean electricity property of the entity if, at the time the property becomes available for use by the entity, there is substantial non-compliance by the entity with the requirements of any environmental law, by-law or regulation of Canada, a province, a municipality, or a municipal or public body performing a function of government in Canada that is applicable in respect of the property.

Compliance — reasonable efforts

(35) The following rules apply in respect of a qualifying entity's property described in subparagraphs (e)(vi) or (viii) of the definition *clean electricity property*:

(a) where the property is temporarily operated in a manner that is an ineligible use solely because of a deficiency, failing or shutdown of the system of which it is a part, and that deficiency, failing or shutdown is beyond the control of the entity, the property is deemed, for the purposes of subsections (17) and (18), not to be operated in a manner that is an ineligible use during the period of the deficiency, failing or shutdown, if the entity makes all reasonable efforts to rectify the circumstances within a reasonable time; and

(b) for the purpose of paragraph (a) the system referred to in that paragraph may include property of another person or partnership if

(i) the property would reasonably be considered to be part of the system if the property were owned by the entity,

(ii) the property utilizes electrical energy or heat energy obtained from the system, or transports or stores carbon dioxide obtained from the system,

(iii) the operation of the property is necessary for the system to avoid operation in a manner that is an ineligible use, and

(iv) at the time the system first became operational, the deficiency, failing or shutdown in the operation of the property could not reasonably have been anticipated to occur within five calendar years after that time.

Project

(36) If a major project is undertaken in discrete phases for bona fide business or engineering reasons, the Minister may determine that each phase is a separate project for the purposes of applying paragraph (a) of the definition *clean electricity property*.

Authority of the Minister of Natural Resources

(37) For the purpose of determining whether a property is a clean electricity 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.

Clean electricity investment tax credit — purpose

(38) The purpose of this section is to encourage the investment of capital in the deployment of clean electricity property in Canada.

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

Clean Technology Investment Tax Credit

1 (1) Paragraphs (b) to (d) of the definition *specified percentage* in subsection 127.45(1) of the Act are replaced by the following:

(b) subject to paragraph (a),

(i) on or after March 28, 2023 and before January 1, 2034, 30%, and

(ii) after December 31, 2033 and before January 1, 2035, 15%; and

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

(2) Subparagraphs (d)(i) to (d)(iv) of the definition *clean technology property* in subsection 127.45(1) of the Act are replaced by the following:

(i) described in subparagraph (d)(ii), (iii.1), (v), (vi) or (xiv) of Class 43.1 in Schedule II to the *Income Tax Regulations*, but excluding a test wind turbine (within the meaning assigned by subsection 1219(3) of the *Income Tax Regulations*),

(ii) described in subparagraph (d)(xviii) or (xix) of Class 43.1 in Schedule II to the *Income Tax Regulations*, but excluding equipment that uses any fossil fuel in operation,

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

(iv) described in Class 56 in Schedule II to the *Income Tax Regulations* and equipment described in subparagraph (d)(xxi) of Class 43.1 in Schedule II to the *Income Tax Regulations* or subparagraph (b)(ii) of Class 43.2 in Schedule II to the *Income Tax Regulations* that in each case is used primarily for property described in Class 56 in Schedule II to the *Income Tax Regulations*,

(3) The definition *clean technology property* in subsection 127.45(1) of the Act is amended by striking out "or" at the end of subparagraph (d)(vi), by adding "or" at the end of subparagraph (vii) and by adding the following after subparagraph (d)(vii):

(viii) waste biomass electricity generation equipment or waste biomass heat generation equipment that is acquired after November 20, 2023, determined without reference to subsection (4). (*bien de technologie propre)*)

(4) The definition *non-clean technology use* in subsection 127.45(1) of the Act is replaced by the following:

non-clean technology 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 not being a clean technology property, determined without reference to paragraph (b) of the definition clean technology property in this subsection. (*utilisation non concernée par la technologie propre*)

(5) Subsection 127.45(1) of the *Income Tax Act* is amended by adding the following in alphabetical order:

preliminary work activity means an activity that is preliminary to the acquisition, construction, fabrication or installation by or on behalf of a taxpayer of property including, but not limited to, a preliminary activity that is

(a) obtaining a right of access to a project site or obtaining permits or regulatory approvals (including conducting environmental assessments);

(b) performing front-end design or engineering work, including front-end engineering design studies, or process engineering work for the project, including

(i) collecting and analyzing of site data,

(ii) calculating energy, mass, water or air balances,

(iii) simulating and analyzing the performance and cost of process design options,

(iv) selecting the optimum process design, and

(v) conducting feasibility studies or pre-feasibility studies;

(c) clearing or excavating land;

(d) constructing a temporary access road to the project site; or

(e) drilling of a well. (*travaux préliminaires*)

(6) Subsection 127.45(1) of the Act is amended by adding the following in alphabetical order:

eligible bioenergy fuel means fuel that is combusted in the operation of a system described in paragraph (a) of the definition *waste biomass electricity generation equipment* and that is

(a) specified waste material; or

(b) fuel that has been produced using equipment that is

(i) part of the system, and

(ii) described in subparagraph (b)(v) or (vi) of the definition *waste biomass electricity generation equipment*. (*carburants admissibles pour la bioénergie*)

gaseous biofuel has the same meaning as in subsection 1104(13) of the *Income Tax Regulations*. (*biocarburants gazeux*)

liquid biofuel has the same meaning as in subsection 1104(13) of the *Income Tax Regulations*. (*biocarburants liquides*)

solid biofuel has the same meaning as in subsection 1104(13) of the *Income Tax Regulations*. (*biocarburants solides*)

specified waste material has the same meaning as in subsection 1104(13) of the *Income Tax Regulations*. (*déchets déterminés*)

spent pulping liquor has the same meaning as in subsection 1104(13) of the *Income Tax Regulations*. (*liqueur résiduaire*)

waste biomass electricity generation equipment means property that

(a) is part of a system that meets the following conditions:

(i) the system is used solely for the purpose of generating electrical energy, or a combination of electrical energy and heat energy,

(ii) the system consumes material all or substantially all of the energy content (expressed as the higher heating value of the material) of which is specified waste material, as determined on an annual basis,

(iii) the system is on a single site, or on contiguous sites or adjacent sites that function as a single integrated site, at which the activities described in subparagraphs (i) and (ii) are carried out, and

(iv) the system meets the following heat rate on an annual basis:

$$A \geq (2 \times B + C) \div (D + E \div F)$$

where

A is 11,000 BTU per kilowatt-hour,

B is the energy content of fossil fuel (expressed as the higher heating value of the fuel) consumed by the system in BTU,

C is the energy content of eligible bioenergy fuel or any other fuel other than fossil fuel (expressed as the higher heating value of the fuel) consumed by the system in BTU,

D is the net electrical energy exported from the system in kilowatt-hours,

E is the net heat energy exported from the system to a thermal host in BTU, and

F is 3,412 BTU per kilowatt-hour;

(b) is

(i) electrical generating equipment,

(ii) heat generating equipment used primarily for the purpose of producing heat energy to operate equipment described in subparagraph (i),

(iii) equipment that generates both electrical and heat energy,

(iv) heat recovery equipment used primarily for the purpose of conserving energy, or reducing the requirement to acquire energy, by extracting for reuse thermal waste that is generated by equipment described in this paragraph,

(v) equipment that

(A) is used to produce solid biofuel, liquid biofuel or gaseous biofuel used solely to operate equipment described in any of subparagraphs (i) to (iii) or (vi), from material all or substantially all of the energy content (expressed as the higher heating value of the material) of which is specified waste material, as determined on an annual basis, and

(B) is described in any of subparagraphs (d)(xi), (xiii), (xvi) or (xx) of Class 43.1 in Schedule II to the *Income Tax Regulations*,

(vi) equipment that is used to upgrade the combustibility of specified waste material used solely to operate equipment described in this subparagraph or in any of subparagraphs (i) to (iii) or (v), or

(vii) equipment that is physically and functionally integrated with equipment described in any of subparagraphs (i) to (vi) and that is ancillary equipment used solely to support the functioning of equipment described in any of subparagraphs (i) to (vi); and

(c) is not

(i) a building or other structure,

(ii) heat rejection equipment (such as a condenser and a cooling water system),

(iii) transmission equipment,

(iv) distribution equipment,

(v) equipment used to export heat energy from the system, other than equipment which is described in subparagraph (b)(vii),

(vi) equipment for the handling or storage of feedstock or fuel, or

(vii) property described in Class 57 or 58 of Schedule II to the *Income Tax Regulations*. (*matériel générateur d’électricité à partir de déchets de biomasse admissible*)

waste biomass heat generation equipment means property that

(a) is part of a system that meets the following conditions:

(i) the system is used solely for the purpose of generating heat energy,

(ii) the system consumes material all or substantially all of the energy content (expressed as the higher heating value of the material) of which is specified waste material, other than spent pulping liquor, as determined on an annual basis, and

(iii) the system is on a single site, or on contiguous sites or adjacent sites that function as a single integrated site, at which the activities described in subparagraphs (i) and (ii) are carried out;

(b) is

(i) heat generating equipment,

(ii) equipment that

(A) is used to produce a solid biofuel, liquid biofuel or gaseous biofuel used solely to operate equipment described in any of subparagraphs (i) or (iii), from material all or substantially all of the energy content (expressed as the higher heating value of the material) of which is specified waste material, other than spent pulping liquor, as determined on an annual basis, and

(B) is described in any of subparagraphs (d)(xi), (xiii), (xvi) or (xx) of Class 43.1 in Schedule II to the *Income Tax Regulations*,

(iii) equipment that is used to upgrade the combustibility of specified waste material, other than spent pulping liquor, used solely to operate equipment described in this subparagraph or in subparagraph (i) or (ii), or

(iv) equipment that is physically and functionally integrated with equipment described in any of subparagraphs (i) to (iii) and that is ancillary equipment used solely to support the functioning of equipment described in subparagraphs (i) to (iii); and

(c) is not

(i) equipment used for the purpose of producing heat energy to operate electrical generating equipment,

(ii) a building or other structure,

(iii) heat rejection equipment (such as condensers and cooling water systems),

(iv) equipment used to export heat energy from the system, other than equipment which is described in subparagraph (b)(iv),

(v) equipment for the handling or storage of feedstock or fuel, or

(vi) property described in any of Class 10, 17, 57 or 58 or Schedule II to the *Income Tax Regulations*. (*matériel générateur de chaleur à partir de déchets de biomasse*)

(7) Paragraph 127.45(5)(a) of the Act is replaced by the following:

(a) not include any amount

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

(ii) in respect of which any other *clean economy tax credit* (as defined in subsection 127.47(1)) was deducted by any person,

(ii.1) 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 in respect of any part of the capital cost of the property by any person,

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

(iv) that is in respect of an expenditure incurred for a preliminary work activity;

(8) Section 127.45 of the Act is amended by adding the following after subsection (5):

Environmental compliance

(5.1) A property that would otherwise be clean technology property of a qualifying taxpayer is deemed not to be a clean technology property of the taxpayer if, at the time the property becomes available for use by the taxpayer, there is substantial non-compliance by the taxpayer with the requirements of any environmental law, by-law or regulation of Canada, a province, a municipality, or a municipal or public body performing a function of government in Canada that is applicable in respect of the property.

Compliance — reasonable efforts

(5.2) The following rules apply in respect of a qualifying taxpayer's property described in subparagraph (d)(viii) of the definition *clean technology property*:

(a) where the property is temporarily operated in a manner that is a non-clean technology use solely because of a deficiency, failing or shutdown of the system of which it is a part, and that deficiency, failing or shutdown is beyond the control of the taxpayer, the property is deemed, for the purposes of subsections (11), (12), (16) and (17), not to be operated in a manner that is a non-clean technology use during the period of the deficiency, failing or shutdown, if the taxpayer makes all reasonable efforts to rectify the circumstances within a reasonable time; and

(b) for the purpose of paragraph (a), the system referred to in that paragraph may include property of another person or partnership if

(i) the property would reasonably be considered to be part of the system if the property were owned by the taxpayer,

(ii) the property utilizes electrical energy or heat energy obtained from the system,

(iii) the operation of the property is necessary for the system to avoid operation in a manner that is a non-clean technology use, and

(iv) at the time the system first became operational, the deficiency, failing or shutdown in the operation of the property could not reasonably have been anticipated to occur within five calendar years after that time.

(9) 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) and subsection 53(2) and sections 127.44, 127.48, 127.49, 127.491 and 129, 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.

(10) Subsection 127.45(7) of the Act is replaced by the following:

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 particular property under paragraph (5)(b.1) 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 separate clean technology property that is deemed to be acquired in the particular year for the purposes of this section, provided that a transaction or event described in paragraph (11)(c) has not occurred in respect of the particular property.

(11) Subsection 127.45(9) of the Act is replaced by the following:

Unpaid amounts

(9) For the purposes of this section, where any part of the capital cost of a taxpayer's particular clean technology 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 technology investment tax credit would otherwise be available in respect of the particular property, such amount is to be

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

(b) added to the capital cost of a separate clean technology property that is deemed to be acquired at the time the amount is paid, provided that a transaction or event described in paragraph (11)(c) has not occurred in respect of the particular property.

(12) Section 127.45 of the Act is amended by adding the following after subsection (18):

Election by member to pay tax

(18.1) A qualifying taxpayer 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 that fiscal period because of subsections (16) and (17) in respect of the partnership.

Joint, several and solidary liability

(18.2) Each current or former member of a partnership is jointly and severally, or solidarily, liable for any portion of the amount of tax — determined because of subsections (16) and (17) in respect of the partnership for a taxation year — that is not added to the tax payable

(a) of a qualifying taxpayer under subsection (17); or

(b) of a qualifying taxpayer because of subsection (18.1) and paid by the corporation by its filing-due date for the year.

Former member liability

(18.3) If a particular taxpayer was, at the time that an amount is determined because of subsections (16) and (17) in respect of a property of the partnership for a taxation year, no longer a member of the partnership, the particular taxpayer's liability for tax because of subsection (18.2) is limited to the total of all amounts each of which is an amount determined for the particular taxpayer under subsection (2) in respect of the property because of its membership in the partnership.

(13) Subsections (1) and (2), (4) and (5), (7) and (10) to (12) are deemed to have come into force on March 28, 2023.

(14) Subsections (3), (6) and (8) are deemed to have come into force on November 21, 2023.

(15) Subsection (9) is deemed to have come into force on April 16, 2024.

Clean Hydrogen Investment Tax Credit

1 (1) The definitions *dual-use hydrogen and ammonia equipment* and *ineligible use* in subsection 127.48(1) of the Act are repealed.

(2) The definitions *Fuel LCA Model* and *non-hydrogen or ammonia use* in subsection 127.48(1) of the Act are replaced by the following:

Fuel LCA Model means the Government of Canada's Fuel Life Cycle Assessment Model that is published by the Minister of the Environment and included in the latest *Clean Hydrogen Investment Tax Credit – Carbon Intensity Modelling Guidance Document*. (*modèle ACV des combustibles*)

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 not being an *eligible clean hydrogen property*, determined without reference to paragraph (b) of that definition. (*utilisation autre que pour l'hydrogène ou l'ammoniac*)

(3) The portion of paragraph (a) of the definition *dual-use electricity and heat equipment* in subsection 127.48(1) of the Act before subparagraph (ii) is replaced by the following:

(a) generates electrical energy, heat energy or a combination of electrical and 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 the project's operations, based on the most recent clean hydrogen project plan, is expected to support one or a combination of

(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, and

(4) Subparagraphs (c)(i) and (ii) of the definition *eligible clean hydrogen property* in subsection 127.48(1) of the Act are replaced by the following:

(i) that is used to produce all or substantially all hydrogen through electrolysis of water, including electrolysers, rectifiers, purification equipment, water treatment and conditioning equipment and equipment used for hydrogen compression and storage,

(ii) that is used to produce all or substantially all hydrogen from eligible hydrocarbons (determined without reference to captured carbon), including pre-reformers, auto-thermal reformers, steam methane reformers, partial oxidation reactors, 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 methanators,

(5) Clause (c)(iii)(C) of the definition *eligible clean hydrogen property* in subsection 127.48(1) of the Act is replaced by the following:

(C) oxygen and nitrogen production equipment, or

(6) Clauses (a)(ii)(A) and (B) of the definition *eligible power purchase agreement* in subsection 127.48(1) of the Act are replaced by the following:

(A) the same province as the clean hydrogen project and is directly connected to the taxpayer's clean hydrogen project or to the electricity grid of that province,

(B) the exclusive economic zone of Canada and is directly connected to the project or to the grid of the province in which the project is located, or

(7) Subsection 127.48(1) of the Act is amended by adding the following in alphabetical order:

oxygen and nitrogen production equipment means equipment that is

(a) part of a clean hydrogen project; and

(b) used for the generation of oxygen or nitrogen to be used all or substantially all in

(i) hydrogen production,

(ii) ammonia production,

(iii) electricity or heat production in support of the project, or

(iv) a CCUS process in support of the project. (*matériel pour la production d'oxygène et d'azote*)

(8) Subsection 127.48(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), variable I of the definition *undepreciated capital cost* in subsection 13(21), subsection 53(2) and sections 127.44, 127.45, 127.49, 127.491 and 129, 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.

(9) Paragraph 127.48(6)(b) of the Act is replaced by the following:

(b) subject to paragraph (j), 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;

(10) Paragraph 127.48(6)(d) of the Act is replaced by the following:

(d) if the taxpayer produces hydrogen from eligible hydrocarbons,

(i) any captured carbon that is subject to an *ineligible use* (as defined in subsection 127.44(1)) is deemed not to be captured, and

(ii) any captured carbon that is subject to an *eligible use* (as defined in subsection 127.44(1)) is deemed to be permanently stored;

(11) The portion of paragraph 127.48(6)(e) of the Act before subparagraph (i) is replaced by the following:

(e) if, in connection with hydrogen production, the taxpayer generates or purchases, or proposes to generate or purchase, electricity that is

(12) Clause 127.48(6)(e)(i)(B) of the Act is replaced by the following:

(B) on-site generation equipment that is used solely to convert any combination of hydrogen, heat described in subparagraph (i)(i) or (ii) or eligible hydrocarbons (with carbon dioxide captured using a CCUS process) into electricity that supports the production of hydrogen from eligible hydrocarbons, the contribution of the electricity to carbon intensity is to be modelled as part of the project,

(13) Subsection 127.48(6) of the Act is amended by striking out "and" at the end of paragraph (h) and by replacing paragraph (i) with the following:

(i) if, in connection with hydrogen production or electricity production in support of hydrogen production, the taxpayer uses heat energy

(i) recovered from hydrogen production, recovered from electricity production by the taxpayer in support of hydrogen production or produced by the taxpayer from the combustion of hydrogen or eligible hydrocarbons (with carbon dioxide captured using a CCUS process), the contribution of the heat to carbon intensity is to be modelled as part of the project,

(ii) recovered from a non-hydrogen production process of the taxpayer, or purchased from a vendor that produced the heat from eligible hydrocarbons or recovered the waste heat from a production process, the contribution of the heat to carbon intensity is to correspond with the input carbon intensity of purchased steam in the Fuel LCA Model, and

(iii) from a source other than as described in subparagraph (i) or (ii), the carbon intensity of the project is deemed to be greater than 4.5;

(j) the contribution to carbon intensity of the following may be disregarded:

(i) delivering, collecting, recovering, treating or recirculating water, and

(ii) energy used to compress hydrogen beyond 30 bar;

(k) emissions related to the production of the following substances or types of energy produced in conjunction with hydrogen shall be attributed to hydrogen production:

(i) off-gas (including tail gas and other fuel gas),

(ii) oxygen,

(iii) nitrogen, if the nitrogen is not used by the taxpayer in another production process or sold for commercial use, and

(iv) heat from hydrogen production;

(l) emissions related to heat produced in conjunction with electricity production by the taxpayer in support of hydrogen production shall be attributed to hydrogen production, if the heat is not used by the taxpayer in another production process or sold for commercial use;

(m) emissions associated with energy used in the purification of hydrogen shall be attributed to hydrogen production; and

(n) the *Clean Hydrogen Investment Tax Credit – Carbon Intensity Modelling Guidance Document* published by the Government of Canada is to apply conclusively with respect to the calculation of carbon intensity, except as otherwise required under this section.

(14) Subsection 127.48(9) of the Act is amended by striking out "and" at the end of paragraph (d) and by replacing paragraph (e) with the following:

(e) 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 and the taxpayer shall provide such documentation or information on or before the later of the day that is

(i) 180 days after the documentation or information was requested, and

(ii) 60 days after the documentation or information becomes available; and

(f) if the taxpayer fails to provide the documentation or information as required under paragraph (e), in addition to any penalties applicable under this Act, the Minister of Natural Resources may refuse to confirm the taxpayer's clean hydrogen project plan or revised clean hydrogen project plan.

(15) The portion of paragraph 127.48(10)(a) of the Act before subparagraph (iii) is replaced by the following:

(a) not include any amount

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

(ii) in respect of which any other *clean economy tax credit* (as defined in subsection 127.47(1)) was deducted by any person, or

(16) The portion of paragraph 127.48(10)(g) of the Act before subparagraph (i) is replaced by the following:

(g) after applying paragraph (f), if the property is oxygen and nitrogen production equipment, dual-use electricity and heat equipment, project support equipment or equipment described in any of subparagraphs (c)(iv) to (vi) of the definition *eligible clean hydrogen property* in subsection (1) and that property is used in the production of hydrogen and ammonia, 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 over the first 20 years of the project's operations, based on the project's most recent clean hydrogen project plan, and

(17) Subsection 127.48(11) of the Act is replaced by the following:

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 a particular 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 separate eligible clean hydrogen property acquired in the particular year for the purposes of this section, provided that a transaction or event described in paragraph (21)(c) has not occurred in respect of the particular property.

(18) Subsection 127.48(13) of the Act is replaced by the following:

Unpaid amounts

(13) For the purposes of this section, where any part of the capital cost of a taxpayer's particular 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 particular property, such amount is to be

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

(b) added to the capital cost of a separate eligible clean hydrogen property that is deemed to be acquired by the taxpayer at the time the amount is paid, provided that a transaction or event described in paragraph (21)(c) has not occurred in respect of the particular property.

Property deemed in respect of qualified project

(13.1) A property is deemed to have been acquired in respect of a qualified clean hydrogen project if

(a) the property was acquired in respect of a clean hydrogen project that was not a qualified clean hydrogen project because the Minister of Natural Resources was not accepting the filing of clean hydrogen project plans during the taxation year in which the property was acquired; and

(b) in a subsequent taxation year, the project becomes a qualified clean hydrogen project.

(19) Subsection 127.48(25) of the Act is replaced by the following:

Recovery and recapture — partnerships

(25) Subject to section 127.47, if subsection (12) has at any time applied to add an amount in computing the clean hydrogen tax credit of a current or former member of a partnership, subsections (18) to (23) 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.

(20) Subsection 127.48(28) of the Act is replaced by the following:

Joint, several and solidary liability

(28) Each current or former member of a partnership is jointly and severally, or 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 qualifying taxpayer 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.

Former member liability

(28.1) If a particular taxpayer was, at the time that an amount is determined because of subsection (25) in respect of the partnership for a taxation year, no longer a member of the partnership, the particular taxpayer's liability for tax because of subsection (28) is limited to the total of all amounts each of which is an amount determined for the particular taxpayer under subsection (2) because of its membership in the partnership.

(21) Subsections (1) to (7) and (9) to (20) are deemed to have come into force on March 28, 2023.

(22) Subsection (8) is deemed to have come into force on April 16, 2024.

Clean Technology Manufacturing Investment Tax Credit

1 (1) The definition *CTM use* in subsection 127.49(1) of the Act is replaced by the following:

CTM use means the use of a property all or substantially all in

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

(b) activities described in paragraph (a) or (b) of the definition *qualifying mineral activity* if the property is used to produce primarily qualifying materials, determined based on the value of all commercial outputs in accordance with subsection (2.2); and

(c) activities described in any of paragraphs (c) to (f) of the definition *qualifying mineral activity* if the property is used to produce all or substantially all qualifying materials, determined based on the value of all commercial outputs in accordance with subsection (2.2). (*utilisation pour la FTP*)

(2) Paragraphs (b) to (e) of the definition *qualifying mineral activity* in subsection 127.49(1) of the Act are replaced by the following:

(b) a specified mineral processing activity that is performed at a mine site or well site;

(c) a specified mineral processing activity that is performed at a location other than a location described in paragraph (b);

(d) a recycling activity that is

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

(ii) a material processing activity substantially similar to a specified mineral processing activity;

(e) a synthetic graphite activity that is

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

(ii) a material processing activity substantially similar to a specified mineral processing activity; or

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

(3) Paragraphs (b) to (f) of the definition *specified percentage* in subsection 127.49(1) of the Act are replaced by the following:

(b) subject to paragraph (a)

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

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

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

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

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

(4) Subsection 127.49(1) of the Act is amended by adding the following in alphabetical order:

independent engineer or geoscientist means an individual who

(a) is a *qualified professional engineer or professional geoscientist* as defined in subsection 127(9); and

(b) is at all times at arm's length with, independent of, and not employed by, each taxpayer claiming a related CTM investment tax credit. (*ingénieur ou géoscientifique indépendant*)

safe harbour price means the five-year historical average spot price of a material, determined

(a) using prices from a recognized commodities exchange; or

(b) if prices referred to in paragraph (a) are not available in respect of the material, in accordance with normal and accepted commercial practices in the industry. (*prix au titre de la règle d'exonération*)

specified mineral processing activity means a mineral processing activity (including crushing, grinding, milling, separation, sieving, screening, froth floatation, leaching, recrystallization, precipitation, drying, evaporation, heating, calcinating, roasting, smelting, casting of ingots, refining, purification, distillation, electrodeposition and surface roughening of electrodeposited foil) that occurs prior to or as part of a process intended to

(a) increase the purity of at least one qualifying material; or

(b) produce a material with non-trace amounts of a single qualifying material, and without non-trace amounts of any elements other than permitted elements. (*specified mineral processing activity*)

(5) Section 127.49 of the Act is amended by adding the following after subsection (2):

Certification requirement

(2.1) Notwithstanding subsection (2), a CTM investment tax credit in respect of property used, or to be used, in any activity described in paragraph (a) or (b) of the definition *qualifying mineral activity* is deemed to be nil unless a taxpayer files with the Minister, together with the form and information described in subsection (2), a certification by an independent engineer or geoscientist in the prescribed form attesting that the property is being used, or is to be used,

(a) at a particular mine site or well site of the taxpayer; and

(b) in accordance with a plan that primarily targets qualifying materials, determined based on the value of all commercial outputs expected to be produced in accordance with subsection (2.2).

Valuation of qualifying mineral activity outputs

(2.2) At the election of the taxpayer made in the prescribed form referred to in subsection (2), the value of all commercial outputs relevant to a CTM investment tax credit of a taxpayer shall be determined based on either

(a) the fair market value of

(i) if in the year the property is used (or becomes available for use) prior to the commencement of commercial production, the expected output from the applicable property, or

(ii) if in the year the property is used following the commencement of commercial production, the actual output from the applicable property; or

(b) the applicable safe harbour price of the output, determined at the end of the taxation year in respect of which the CTM investment tax credit is claimed.

Binding nature of election

(2.3) For greater certainty, for the purpose of determining the value of materials produced from a particular property of a taxpayer for any taxation year following the taxpayer's deduction of a related CTM investment tax credit under subsection (2), the valuation method selected by the taxpayer under subsection (2.2) in respect of that property shall be used.

(6) The portion of paragraph 127.49(5)(a) of the Act before subparagraph (iii) is replaced by the following:

(a) not include any amount

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

(ii) in respect of which any other *clean economy tax credit* (as defined in subsection 127.47(1)) was deducted by any person,

(ii.1) 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 in respect of any part of the capital cost of the property by any person, or

(7) Subsection 127.49(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) and subsection 53(2) and sections 127.44, 127.45, 127.48, 127.491 and 129, 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.

(8) Subsection 127.49(7) of the Act is replaced by the following:

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 particular property under paragraph (5)(b) 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 separate CTM property that is deemed to be acquired in the particular year for the purposes of this section, provided that a transaction or event described in paragraph (11)(c) has not occurred in respect of the particular property.

(9) Subsection 127.49(9) of the Act is replaced by the following:

Unpaid amounts

(9) For the purposes of this section, where any part of the capital cost of a taxpayer's particular 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 particular property, such amount is to be

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

(b) added to the capital cost of a separate CTM property that is deemed to be acquired at the time the amount is paid, provided that a transaction or event described in paragraph (11)(c) has not occurred in respect of the particular property.

(10) Section 127.49 of the Act is amended by adding the following after subsection (18):

Election by member to pay tax

(18.1) A qualifying taxpayer 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 that fiscal period because of subsections (16) and (17) in respect of the partnership.

Joint, several and solidary liability

(18.2) Each current or former member of a partnership is jointly and severally, or solidarily, liable for any portion of the amount of tax — determined because of subsections (16) and (17) in respect of the partnership for a taxation year — that is not added to the tax payable

(a) of a qualifying taxpayer under subsection (17); or

(b) of a qualifying taxpayer because of subsection (18.1) and paid by the corporation by its filing-due date for the year.

Former member liability

(18.3) If a particular taxpayer was, at the time that an amount is determined because of subsections (16) and (17) in respect of a property of the partnership for a taxation year, no longer a member of the partnership, the particular taxpayer's liability for tax because of subsection (18.2) is limited to the total of all amounts each of which is an amount determined for the particular taxpayer under subsection (2) in respect of the property because of its membership in the partnership.

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

(12) Subsection (7) is deemed to have come into force on April 16, 2024.

Proposals relating to various Clean Economy Tax Credits

1 (1) The portion of subparagraph (a)(i) of the definition *dual-use equipment* in subsection 127.44(1) of the Act before clause (B) is replaced by the following:

(i) generates electrical energy, heat energy or a combination of electrical and heat energy, if more than 50% of either the electrical energy or heat energy that is expected to be produced over the total CCUS project review period, based on the most recent project plan, is expected (not including equipment that supports the CCUS project indirectly by way of an electrical utility grid) to directly support one or a combination of

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

(2) Subparagraph (b)(ii) of the description of A in the definition *qualified carbon capture expenditure* in subsection 127.44(1) of the Act is replaced by the following:

(ii) if the equipment is described in subparagraph (a)(ii) of the definition dual-use equipment in this subsection, or is acquired in relation to such equipment, the mass of water expected to be supplied to a qualified CCUS project over the project's total CCUS project review period is of the total mass of water expected to be processed by the equipment in that period, based on the project's most recent project plan,

(3) 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, 127.48, 127.49, 127.491 and 129 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.

(4) 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)), a *clean hydrogen tax credit* (as defined in subsection 127.48(1)), a *CTM investment tax credit* (as defined in subsection 127.49(1)) or a *clean electricity investment tax credit* (as defined in subsection 127.491(1)) is claimed,

(5) Subsections (1) and (2) are deemed to have come into force on March 28, 2023.

(6) Subsections (3) and (4) are deemed to have come into force on April 16, 2024.

2 (1) The definitions *regular tax credit rate* and *specified tax credit* in subsection 127.46(1) of the Act are replaced by the following:

regular tax credit rate means the *specified percentage* (as defined in subsections 127.44(1), 127.45(1), 127.48(1) and 127.491(1), as the case may be). (*taux du crédit d'impôt régulier*)

specified tax credit means the *CCUS tax credit* under subsection 127.44(1), the *clean technology investment tax credit* under subsection 127.45(1), the *clean hydrogen tax credit* under subsection 127.48(1) and the *clean electricity investment tax credit* under subsection 127.491(1). (*crédit d'impôt déterminé*)

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

Reduced or regular rate

(2) Despite sections 127.44, 127.45, 127.48 and 127.491, 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.

(3) Subsection 127.46(15) of the Act is replaced by the following:

Exception

(15) This section does not apply to the preparation or installation of *clean technology property* as defined in subsection 127.45(1) that is described in subparagraph (d)(i) of Class 43.1 in Schedule II to the *Income Tax Regulations* or in Class 56 in Schedule II to the *Income Tax Regulations*

(4) Subsections (1) and (2) are deemed to have come into force on April 16, 2024.

(5) Subsection (3) is deemed to have come into force in respect of specified property prepared or installed on or after November 28, 2023.

3 (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 (c), by adding "or" at the end of paragraph (d) and by adding the following after paragraph (d):

> **(e)** subsection 127.491(13). (*disposition d'allocation pour l'économie propre*)

(2) The definition *clean economy expenditure* 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)** the capital cost of clean electricity property as determined under section 127.491. (*dépense pour l'économie propre*)

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

(g) section 127.491. (*disposition pour l'économie propre*)

(4) 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 (c), by adding "or" at the end of paragraph (d) and by adding the following after paragraph (d):

(e) a *clean electricity investment tax credit* (as defined in subsection 127.491(1)). (*crédit d'impôt pour l'économie propre*)

(5) Section 127.47 of the Act is amended by adding the following after subsection (4):

Multiple tax credits

(4.1) If a particular property is owned by a partnership and the cost of that property is eligible for more than one clean economy tax credit, the partnership may allocate each of those clean economy tax credits to the members of the partnership in accordance with this section and the clean economy allocation provisions, except that no member of the partnership is entitled to more than one clean economy tax credit in respect of that property unless the tax credits are the *CCUS tax credit* (as defined in subsection 127.44(1)) and the *clean hydrogen tax credit* (as defined in subsection 127.48(1)) to the extent provided under sections 127.44 and 127.48.

(6) Subsections (1) to (4) are deemed to have come into force on April 16, 2024.

(7) Subsection (5) is deemed to have come into force on March 28, 2023.

4 (1) Subsection 211.92(12) of the Act is replaced by following:

Partnerships

(12) Subject to section 127.47, if subsection 127.44(11) has at any time applied to add an amount in computing the CCUS tax credit of a current or former member of a partnership, then for the purposes of this Part, subsections (2) to (11) shall apply to determine amounts in respect of the partnership as if the partnership were a taxable Canadian corporation, its fiscal period were its taxation year and it had deducted all of the CCUS tax credits that were previously added in computing the CCUS tax credit of any member of the partnership under subsection 127.44(2) because of the application of subsection 127.44(11) in respect of its partnership interest.

(2) Subsection 211.92(15) of the Act is replaced by the following:

Joint, several and solidary liability

(15) Each current or former member of a partnership is jointly and severally, or solidarily, liable for any portion of the amount of tax — determined because of subsection (12) in respect of the partnership for a taxation year — that is not added to the tax payable

(a) of a qualifying taxpayer under subsection (13); or

(b) of a taxable Canadian corporation because of subsection (14) and paid by the corporation by its filing-due date for the year.

Former member liability

(16) If a particular taxpayer was, at the time that an amount is determined because of subsection (12) in respect of the partnership for a taxation year, no longer a member of the partnership, the particular taxpayer's liability for tax because of subsection (15) is limited to the total of all amounts each of which is an amount determined for the particular taxpayer under subsection 127.44(2) because of its membership in the partnership.

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

5 (1) Subsection 241(3.41) of the Act is amended by striking out “and” at the end of paragraph (b) and by adding the following after paragraph (c):

(d) the amount of the tax credit claimed or received; and

(e) the province in which the property that is eligible for the tax credit is located.

(2) Subparagraph 241(4)(d)(vi.1) of the Act is amended by striking “and” after clause (C), by adding “and” after clause D and by adding the following after clause (D):

(E) a property is a *clean electricity property* (as defined in subsection 127.491(1)) or a *qualified natural gas energy equipment* (as defined in subsection 127.491(1)), or whether a system is a *qualified natural gas energy system* (as defined in subsection 127.491(1)).

(3) Subparagraph 241(4)(d)(vi.2) of the Act is replaced by the following:

(vi.2) to a person employed or engaged in the service of an office or agency of the Government of Canada solely for the purposes of administering or enforcing sections 127.44 to 127.491 and 211.92 to 211.95 or the evaluation or formulation of related policies or guidelines,

(4) Subsections (2) and (3) are deemed to have come into force on April 16, 2024.

6 (1) Paragraph 1104(15)(b) of the *Income Tax Regulations* is replaced by the following:

(b) the property utilizes heat obtained from the taxpayer’s system;

(2) Subsection 1104(17) of the *Income Tax Regulations* is replaced by the following:

Environmental compliance

(17) A property that would otherwise be eligible for inclusion in Class 43.1 or Class 43.2 in Schedule II by a taxpayer is deemed not to be eligible for inclusion in either of those classes if, at the time the property becomes available for use, there is substantial non-compliance by the taxpayer with the requirements of any environmental law, by-law or regulation of Canada, a province, a municipality, or a municipal or public body performing a function of government in Canada that is applicable in respect of the property.

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

Other consequential amendments related to the Clean Electricity Investment Tax Credit

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

Investment tax credit

(t) the amount deducted under subsection 127(5) or (6), 127.44(3), 127.45(6), 127.48(3), 127.49(6) or 127.491(11) 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 (vi.5) 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) Subsection (1) is deemed to have come into force on April 16, 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), 127.48(3), 127.49(6) or 127.491(11) in respect of a depreciable property or received or is entitled to receive assistance from a government, municipality or other public authority in respect of, or for the acquisition of, depreciable property, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance other than

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

(e) where the property was acquired in a taxation year ending before the particular time, all amounts deducted under subsection 127(5) or (6), 127.44(3), 127.45(6), 127.48(3), 127.49(6) or 127.491(11) by the taxpayer for a taxation year ending before the particular time,

(3) 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), 127.48(3), 127.49(6) or 127.491(11) 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,

(4) 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, 127.48, 127.49 and 127.491, the property is deemed

(5) Subsections (1) to (4) are deemed to have come into force on April 16, 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), 127.48(3), 127.49(6) or 127.491(11) 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 (vi.5) or (h)(ii) or for I in the definition *undepreciated capital cost* in subsection 13(21), and

(2) Subsection (1) is deemed to have come into force on April 16, 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), section 127.48, subsection 127.49(17), section 127.491 or section 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) Paragraph 53(2)(c) of the Act is amended by adding the following after subparagraph (vi.4):

(vi.5) an amount equal to that portion of all amounts determined under subsection 127.491(11) 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 electricity investment tax credit* (as defined in subsection 127.491(1)) of the taxpayer because of subsection 127.491(13),

(3) Subsections (1) and (2) are deemed to have come into force on April 16, 2024.

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

(l) the total of all amounts required by subsections 127(8), 127.44(11), 127.45(8), 127.48(12), 127.49(8) and 127.491(13) 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)), the *CTM investment tax credit* (as defined in subsection 127.49(1)) or the *clean electricity investment tax credit* (as defined in subsection 127.491(1)) of the taxpayer in respect of the fiscal period, and

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

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

Certain investment tax credits

(qq.1) for the purposes of sections 127.44, 127.45, 127.48, 127.49 and 127.491 and Part XII.7, the new corporation is deemed to be the same corporation as, and a continuation of, each predecessor corporation;

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

7 (1) Paragraph 88(1)(e.31) of the Act is replaced by the following:

(e.31) for the purposes of sections 127.44, 127.45, 127.48, 127.49 and 127.491 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) 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 (6), 127.44(3), 127.45(6), 127.48(3), 127.49(6) or 127.491(11) 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 (vi.5) 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);”.

(3) Subsections (1) and (2) are deemed to have come into force on April 16, 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), 127.48(12), 127.49(8) or 127.491(13) 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)), the *CTM investment tax credit* (as defined in subsection 127.49(1)) or the *clean electricity investment tax credit* (as defined in subsection 127.491(1)) of the taxpayer for the taxation year,

(2) 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, 127.48, 127.49 and 127.491, 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

(3) 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, 127.48, 127.49 and 127.491, 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,

(4) Subsections (1) to (3) are deemed to have come into force on April 16, 2024.

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

(A) the amount required by subsection 127(8), 127.44(11), 127.45(8), 127.48(12), 127.49(8) or 127.491(13) 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)), the *CTM investment tax credit* (as defined in subsection 127.49(1)) or the *clean electricity investment tax credit* (as defined in subsection 127.491(1)) of the taxpayer for the taxation year,

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

10 (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 an *excluded loan* (as defined in subsection 12(11)), 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), 127.48(2), 127.49(2) or 127.491(2);

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

11 (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), 127.49(2), 127.491(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) Subsection 152(4) of the Act is amended by adding the following before paragraph (c):

(b.95) a prescribed form that is required to be filed by the taxpayer, or a partnership of which the taxpayer is a member, under subsection 127.491(26) or (27) is not filed as and when required, and the assessment, re-assessment or additional assessment is made in relation to transactions or events described in subsections 127.491(17), (18), (24), (25) or (28) to (32) 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, and

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

(3) Paragraph 152(4.01)(b) of the Act is amended by striking out "or" after subparagraph (xiii), by adding "or" after subparagraph (xiv) and by adding the following after subparagraph (xiv):

(xv) the transactions or events referred to in paragraph (4)(b.95);

(4) Subsections (1) to (3) are deemed to have come into force on April 16, 2024.

12 (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), 127.48(2), 127.49(2) or 127.491(2) to have been paid on account of the corporation's tax payable under this Part for the year.

(2) 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), 127.48(2),127.49(2), or 127.491(2) to have been paid on account of the corporation's tax payable under this Part for the taxation year.

(3) Subsections (1) and (2) are deemed to have come into force on April 16, 2024.

13 (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), 127.48(2), 127.49(2) or 127.491(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 pursuant to that subsection

exceeds

(ii) the amount that is deemed by subsection 127.44(2), 127.45(2), 127.48(2), 127.49(2) or 127.491(2), as the case may be, to be paid for the year by the person,

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

14 (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) or paragraph (m) of the definition *investment tax credit* in subsection 127(9), or subsection 127.44(17), 127.45(3), 127.48(4), 127.49(3) or 127.491(7).

(2) Subsection (1) is deemed to have come into force on April 16, 2024.

Withholding for Non-Resident Service Providers

1 (1) Section 153 of the Act is amended by adding the following after subsection (7):

Non-resident service providers

(8) The Minister may

(a) waive the requirement under subsection (1) to deduct or withhold amounts from payments described in paragraph (1)(g) to a non-resident during a period of time specified by the Minister if the Minister is satisfied that

(i) the payments

(A) are income of a treaty-protected business of the non-resident, or

(B) would not be included in computing the income of the non-resident because of paragraph 81(1)(c), and

(ii) the conditions established by the Minster are met; and

(b) revoke a waiver made under paragraph (a) if the Minister is no longer satisfied that the conditions referred to in paragraph (a) are met.

Substantive CCPCs

1 (1) The definition *capital dividend account* in subsection 89(1) of the Act is amended by striking out "and" at the end of paragraph (f), by adding "and" at the end of paragraph (g) and by adding the following after paragraph (g):

(h) the total of all amounts each of which is, if the corporation was a Canadian-controlled private corporation throughout the year or a substantive CCPC at any time in the year,

(i) an amount deductible under paragraph 113(1)(a.1) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under sub-subclause 113(1)(a.1)(ii)(A)(II)1. in respect of the dividend, and

(ii) the total of the amounts deductible under paragraphs 113(1)(b) and (c) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate if no election was made by the corporation for the particular taxation year under subsection 93.4(3) with respect to that amount (or, if an election was made under subsection 93.4(3), to the extent that the amount was determined under paragraph 93.4(3)(b)) (referred to in this subparagraph as the "low RTF amount") less the amount determined under clause 113(1)(c)(i)(A) in respect of the low RTF amount,

(2) Subparagraph (h)(i) of the definition *capital dividend account* in subsection 89(1) of the Act, as enacted by subsection (1), is replaced by the following:

(i) an amount deductible under paragraph 113(1)(a.1) or (1)(a.2) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under sub-subclause 113(1)(a.1)(ii)(A)(II)1. or (a.2)(ii)(A)(II)1., as the case may be, in respect of the dividend,

(3) Paragraph (b) of the description of E of the definition *general rate income pool* in subsection 89(1) of the Act is replaced by the following:

(b) in the case of

(i) a Canadian-controlled private corporation,

(A) an amount deductible under paragraph 113(1)(a) or (d) or subsection 113(2) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of *non-business-income tax* (as defined in subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend, and

(B) if an election was made by the corporation under subsection 93.4(3) for the particular taxation year, the total of the amounts deductible under paragraphs 113(1)(b) and (c) in computing the taxable income of the corporation for the year in respect of a dividend received on a share of the capital stock of a foreign affiliate to the extent that the amount was determined under paragraph 93.4(3)(a) (referred to in this clause as the "high RTF amount") less the amount determined under clause 113(1)(c)(i)(A) in respect of the high RTF amount, and

(ii) a deposit insurance corporation,

(A) an amount deductible under paragraph 113(1)(a) or (d) or subsection 113(2) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of *non-business-income tax* (as defined in subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend,

(B) an amount deductible under paragraph 113(1)(a.1) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under sub-subclause 113(1)(a.1)(ii)(A)(II)1. in respect of the dividend, and

(C) the total of the amounts deductible under paragraphs 113(1)(b) and (c) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under clause 113(1)(c)(i)(A) in respect of the dividend;

(4) Clause (b)(i)(A) of the description of E of the definition *general rate income pool* in subsection 89(1) of the Act, as enacted by subsection (3), is replaced by the following:

(A) an amount deductible under paragraphs 113(1)(a) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of *non-business-income tax* (as defined in subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend, and

(5) Clause (b)(ii)(A) of the description of E of the definition *general rate income pool* in subsection 89(1) of the Act, as enacted by subsection (3), is replaced by the following:

(A) an amount deductible under paragraph 113(1)(a) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount of *non-business-income tax* (as defined in subsection 126(7)) paid by the corporation to the government of a country other than Canada in respect of the dividend,

(6) Clause (b)(ii)(B) of the description of E of the definition *general rate income pool* in subsection 89(1) of the Act, as enacted by subsection (3), is replaced by the following:

(B) an amount deductible under paragraph 113(1)(a.1) or (1)(a.2) in computing the taxable income of the corporation for the particular taxation year in respect of a dividend received on a share of the capital stock of a foreign affiliate less the amount determined under sub-subclause 113(1)(a.1)(ii)(A)(II)1. or (a.2)(ii)(A)(II)1., as the case may be, in respect of the dividend, and

(7) Subsections (1) and (3) apply to taxation years that begin on or after April 7, 2022.

(8) Subsections (2) and (6) apply to dividends received after June 24, 2024.

(9) Subsections (4) and (5) apply to taxation years that begin on or after August 9, 2022.

2 (1) Paragraph 93.1(1.1)(a) of the Act is replaced by the following:

(a) subsections (2), (5), 20(12) and 39(2.1), sections 90, 93, 93.3, 93.4 (other than subsection 93.4(2)) and 113, paragraphs 128.1(1)(c.3) and (d), section 212.3, subsection 219.1(2) and section 233.4;

(2) Subsection (1) applies to taxation years that begin after 2024 except that subsection (1) also applies to preceding taxation years if an election is filed under subsection 93.4(4) or (5) of the Act as enacted by subsection 3(1).

3 (1) The Act is amended by adding the following after section 93.3:

Definitions

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

FABI surplus, of a foreign affiliate (referred to in this definition as the “subject affiliate”) of a corporation, at any time, means the amount that would be the subject affiliate’s *taxable surplus* (as defined in subsection 5907(1) of the *Income Tax Regulations*) at that time, if

(a) the amount included in subparagraph (iii) of the description of A of the definition *taxable surplus* in subsection 5907(1) of the *Income Tax Regulations* in respect of the portion of any dividend received by the subject affiliate that is prescribed to be paid out of the taxable surplus of the foreign affiliate that paid the dividend were equal to the lesser of

(i) that portion, and

(ii) the proportion of the payer affiliate's FABI surplus at the time the dividend was paid that the dividend received is of the whole dividend referred to in paragraph 5900(1)(b) of those Regulations;

(b) the amount included in subparagraph (iv) of the description of B of the definition *taxable surplus* in subsection 5907(1) of the *Income Tax Regulations* in respect of any whole dividend paid by the subject affiliate were equal to the lesser of

(i) the portion of the whole dividend deemed under paragraph 5901(1)(b) of those Regulations to be paid out of the subject affiliate's taxable surplus, and

(ii) the subject affiliate's FABI surplus at that time; and

(c) the only other amounts taken into consideration in determining the subject affiliate's taxable surplus were amounts in respect of

(i) the subject affiliate's foreign accrual property income that can reasonably be considered to be attributable to its foreign accrual business income in respect of which an election has been made under subsection (2), and

(ii) the subject affiliate's *net earnings* and *net loss* (each of which is as defined in subsection 5907(1) of the *Income Tax Regulations*) from an active business carried on by it in a country. (*surplus REATE*)

foreign accrual business income, of a foreign affiliate of a taxpayer, for any taxation year of the affiliate, means the amount that would be its foreign accrual property income for the year if that amount were determined taking into consideration only amounts in respect of

(a) the provision, by the affiliate, of services, or of an undertaking to provide services, that is deemed under subparagraph 95(2)(b)(i) to be a separate business, other than an active business, carried on by the affiliate, to the extent that the amount paid or payable in consideration for those services or for the undertaking to provide services was deductible, or can reasonably be considered to relate to amounts that are deductible, in computing

(i) the income from an active business that is carried on in Canada by a taxpayer resident in Canada that is referred to in subclause 95(2)(b)(i)(A)(I) or (II), or

(ii) the foreign accrual business income of a foreign affiliate of any of the taxpayers referred to in subclause 95(2)(b)(i)(B)(I) or (II); and

(b) the affiliate's income or loss from an investment business (in this paragraph referred to as the "real estate business") that is the development of real property or immovables for sale, or the leasing of real property or immovables, if the real estate business would not be an investment business if clause (c)(ii)(B) of the definition *investment business* in subsection 95(1) were read without reference to the words "outside Canada". (*revenu étranger accumulé, tiré d'une entreprise*)

underlying FABI surplus tax, of a foreign affiliate of a corporation in respect of the corporation, at any time, means the portion of the *underlying foreign tax* (as defined in subsection 5907(1) of the *Income Tax Regulations*) of the affiliate in respect of the corporation at that time that can reasonably be regarded as applicable in respect of the affiliate's FABI surplus. (*montant intrinsèque d'impôt REATE*)

Amounts deductible under subsection 91(4)

(2) If a taxpayer is a Canadian-controlled private corporation or a substantive CCPC at any time in a taxation year, or is a partnership all the members of which (other than non-resident persons) are corporations in the year, and the taxpayer files an election in prescribed form and manner by the taxpayer's filing-due date for the year (or, if the taxpayer is a partnership, on or before the day on which a return is required by section 229 of the *Income Tax Regulations* to be filed in respect of the year or would be required to so be filed if that section applied to the partnership) for the purpose of determining the amount deductible by the taxpayer in computing its income for the year under subsection 91(4) in

respect of an income amount (within the meaning of that subsection) in respect of a share of the capital stock of a controlled foreign affiliate of the taxpayer

(a) the amount deductible under subsection 91(4) in respect of the portion of the income amount that may reasonably be regarded as attributable to the foreign accrual business income of any controlled foreign affiliate (in this subsection referred to as the “FABI amount”) is to be determined separately from the amount deductible under subsection 91(4) in respect of the portion of the income amount other than the FABI amount (in this subsection referred to as the “excess amount”); and

(b) in determining each of the amounts referred to in paragraph (a),

(i) the amount deductible under subsection 91(4) in respect of the FABI amount is to be determined as though

(A) the references in subsection 91(4) to the “income amount” were references to the “FABI amount”, and

(B) paragraph (a) of the definition *relevant tax factor* in subsection 95(1) were read without the references to “(other than a Canadian-controlled private corporation or a corporation that is a substantive CCPC at any time in the year)”, and

(ii) the amount deductible under subsection 91(4) in respect of the excess amount is to be determined as though the references in subsection 91(4) to the "income amount” were references to the “excess amount”.

Dividends from foreign affiliates

(3) If, at any particular time in a taxation year, a corporation that is a Canadian-controlled private corporation or a substantive CCPC at any time in the year (referred to in this subsection as the “recipient corporation”) receives a dividend on a share owned by it of the capital stock of a foreign affiliate of the recipient corporation, any portion of the dividend is prescribed to be paid out of taxable surplus of the affiliate (referred to in this subsection as the “taxable surplus dividend”) and an election is made by the recipient corporation in prescribed form and manner by its filing-due date for the taxation year, paragraphs 113(1)(b) and (c) and any regulations made for the purposes of those provisions are to be applied to the taxable surplus dividend as follows:

(a) the portion of the taxable surplus dividend that is considered to be paid out of the affiliate’s FABI surplus (referred to in this subsection as the “FABI surplus dividend”) is equal to the lesser of

(i) the taxable surplus dividend, and

(ii) the proportion of the foreign affiliate’s FABI surplus at the time of the dividend payment that the dividend is of the whole dividend referred to in subparagraph 5900(1)(b)(ii) of the *Income Tax Regulations*;

(b) the amounts deductible by the recipient corporation under paragraphs 113(1)(b) and (c) in respect of the FABI surplus dividend are determined as though

(i) each reference to “such portion of the dividend as is prescribed to have been paid out of taxable surplus” in subparagraphs 113(1)(b)(i) and (c)(ii) and clause 113(1)(c)(i)(A) and the reference to “that portion of the dividend” in subparagraph 113(1)(b)(ii) were a reference to the “FABI surplus dividend”,

(ii) the reference to the “foreign tax prescribed to be applicable” in paragraph 113(1)(b) were a reference to the amount that would be the *underlying foreign tax applicable* (as defined in subsection 5907(1) of the *Income Tax Regulations*) in respect of the recipient corporation to the whole dividend if that amount consisted solely of the affiliate’s underlying FABI surplus tax at the particular time in respect of the recipient corporation, and

(iii) the definition *relevant tax factor* in subsection 95(1) were read without reference to the words “(other than a Canadian-controlled private corporation or a corporation that is a substantive CCPC at any time in the year)”; and

(c) the amounts deductible under paragraphs 113(1)(b) and (c) in respect of the portion of the taxable surplus dividend other than the FABI surplus dividend are determined as though

(i) each reference to "such portion of the dividend as is prescribed to have been paid out of taxable surplus" in subparagraphs 113(1)(b)(i) and (c)(ii) and clause 113(1)(c)(i)(A) and the reference to "that portion of the dividend" in subparagraph 113(1)(b)(ii) refer to the portion of the taxable surplus dividend other than the FABI surplus dividend, and

(ii) the reference to "the foreign tax prescribed to be applicable to such portion of the dividend" in subparagraph 113(1)(b)(i) refers to the foreign affiliate's *underlying foreign tax applicable* (as defined in subsection 5907(1) of the *Income Tax Regulations*) determined without regard to the affiliate's underlying FABI surplus tax.

Pre-2023 taxation years

(4) An election is deemed to have been timely made by a taxpayer under subsection (2) for each of its taxation years that begin before April 7, 2022, if

(a) an election is made by the taxpayer in prescribed form and manner on or before the filing-due date for the taxpayer's first taxation year that begins after 2024, or

(b) where the taxpayer is a partnership, an election is made, by or on behalf of the partnership, in prescribed form and manner on or before the day on which a return is required by section 229 of the *Income Tax Regulations* to be filed in respect of the first fiscal period that begins after 2024 or would be required to be filed if that section applied to the partnership.

Pre-2025 taxation years

(5) An election is deemed to have been timely made by a taxpayer under subsection (2), and under subsection (3) as applicable, for each of its taxation years that begin after April 6, 2022 and before 2025, if

(a) an election is made by the taxpayer in prescribed form and manner on or before the filing-due date for the taxpayer's first taxation year that begins after 2024, or

(b) where the taxpayer is a partnership, an election is made, by or on behalf of the partnership, in prescribed form and manner on or before the day on which a return is required by section 229 of the *Income Tax Regulations* to be filed in respect of the first fiscal period that begins after 2024 or would be required to be filed if that section applied to the partnership.

(2) Subsection (1) applies to taxation years that begin after 2024. Subsection (1) also applies to preceding taxation years if an election is filed under subsection 93.4(4) or (5) of the Act as enacted by subsection (1).

4 (1) The portion of paragraph (a) before the formula in the definition *relevant tax factor* in subsection 95(1) of the Act is replaced by the following:

(a) in the case of a corporation (other than a Canadian-controlled private corporation or a corporation that is a substantive CCPC at any time in the year), or of a partnership all the members of which, other than non-resident persons, are corporations (other than Canadian-controlled private corporations or corporations that are substantive CCPCs at any time in the year), the quotient obtained by the formula

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

5 (1) Paragraph (b) of the definitions *income* and *loss* in subsection 129(4) of the Act is replaced by the following:

(b) does not include

(i) the income or loss from any property that is incident to or pertains to an active business carried on by it,

(ii) the income or loss from any property that is used or held principally for the purpose of gaining or producing income from an active business carried on by it, or

(iii) for each election made for the year under subsection 93.4(2) by the corporation or by a partnership of which the corporation is a member (or of which the corporation is deemed to be a member under subsection 93.1(3)),

(A) the portion of the FABI amount (within the meaning of subsection 93.4(2)(a)) in respect of the election that is included in computing the corporation's income under subsection 91(1) for the year or, if the election was made by a partnership of which the corporation is a member, the portion of the FABI amount included in the partnership's income under subsection 91(1) that is included in the corporation's income for the year pursuant to subsection 96(1), or

(B) the portion of the amount deducted under subsection 91(4) that is determined under subparagraph 93.4(2)(b)(i) to be in respect of the FABI amount to which the election relates. (*perte* ou *revenu*)

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

6 (1) Paragraph 600(b) of the Regulations is replaced by the following:

(b) subsections 13(4), (7.4) and (29), 20(24), 44(1) and (6), 45(2) and (3), 50(1), 53(2.1), 56.4(13), 70(6.2), (9.01), (9.11), (9.21) and (9.31), 72(2), 73(1), 80.1(1), 82(3), 83(2), 91(1.4), 93.4(2) and (3), 104(14), 107(2.001), 143(2), 146.01(7), 146.02(7), 164(6) and (6.1), 184(3), 251.2(6) and 256(9) of the Act;

(2) Subsection (1) applies to taxation years that begin after 2024.