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

Capital Gains Rollover on Investments

1 (1) The definition *common share* in subsection 44.1(1) of the *Income Tax Act* is repealed.

(2) The portion of the definition *eligible small business corporation share* in subsection 44.1(1) of the Act before paragraph (a) is replaced by the following:

eligible small business corporation share of an individual means a share issued by a corporation to the individual if

(3) Paragraph (b) of the definition *eligible small business corporation share* in subsection 44.1(1) of the Act is replaced by the following:

(b) immediately before and after the share was issued, the total carrying value of the assets of the corporation and corporations related to it did not exceed \$100,000,000. (*action déterminée de petite entreprise*)

(4) Paragraph (b) of the definition *qualifying disposition* in subsection 44.1(1) of the Act is replaced by the following:

(b) throughout the period during which the individual owned the share, a share of an active business corporation; and

(5) Paragraph (a) of the definition *replacement share* in subsection 44.1(1) of the Act is replaced by the following:

(a) acquired by the individual in the year or in the following calendar year; and

(6) Paragraph (b) of the definition *replacement share* in subsection 44.1(1) of the English version of the Act is replaced by the following:

(b) designated by the individual in the individual's return of income for the year to be a replacement share in respect of the qualifying disposition. (*action de remplacement*)

(7) The portion of subsection 44.1(7) of the Act before paragraph (a) is replaced by the following:

Marginal note:Special rule — re active business corporation share exchanges

(7) For the purpose of this section, where an individual receives shares of the capital stock of a particular corporation (in this subsection referred to as the "new shares") as the sole consideration for the disposition by the individual of shares of the particular corporation or of another corporation (in this subsection referred to as the "exchanged shares"), the new shares are deemed to be eligible small business corporation shares of the individual and shares of the capital stock of an active business corporation that were owned by the individual throughout the period that the exchanged shares were owned by the individual, if

(8) The portion of subsection 44.1(9) of the Act before paragraph (a) is replaced by the following:

Marginal note:Special rule — re qualifying disposition

(9) A disposition of a share of an active business corporation (in this subsection referred to as the "subject share") by an individual that, but for this subsection, would be a qualifying disposition of the individual is deemed not to be a qualifying disposition of the individual unless the active business of the corporation referred to in paragraph (a) of the definition *active business corporation* in subsection (1) was carried on primarily in Canada

(9) Subsection (1) is deemed to have come into force on January 1, 2025.

(10) Subsections (2) to (8) apply to dispositions that occur on or after January 1, 2025.

Reporting by Non-profit Organizations

1 (1) Subsection 149(12) of the Act is amended by striking out "or" at the end of paragraph (b), by adding "or" at the end of paragraph (c) and by adding the following after paragraph (c):

(d) the total of all amounts each of which is an amount received in the period by the person, including as or on account of capital, exceeds \$50,000.

(2) Section 149 of the Act is amended by adding the following after subsection (12):

Marginal note:Short-form information returns

(13) Unless subsection (12) applies, every person who, because of paragraph 149(1)(e) or (l), is exempt from tax under this Part on all or part of the person's taxable income must, within six months after the end of each fiscal period of the person and without notice or demand therefor, file with the Minister an information return for the period in prescribed form and containing prescribed information, including

- (a) a description of the person's activities, including whether it conducts activities outside Canada;
- (b) the total assets, total liabilities and total amounts received by the person for the period; and
- (c) the name and address of each director, officer or trustee of the person.

(3) Subsections (1) and (2) apply to fiscal periods that begin on or after January 1, 2026.

Scientific Research and Experimental Development Tax Incentive Program

1 (1) Subsection 37(1) of the Act is amended by adding the following after paragraph (a):

- (b) the total of all amounts each of which is an expenditure of a capital nature that is
 - (i) made by the taxpayer in the year or in a preceding taxation year on scientific research and experimental development carried on in Canada, directly undertaken by or on behalf of the taxpayer, and related to a business of the taxpayer, and
 - (ii) in respect of property acquired that would be depreciable property of the taxpayer if this section were not applicable in respect of the property, other than land or a leasehold interest in land,

(2) Paragraph 37(1)(d) of the Act is replaced by the following:

(d) the total of all amounts each of which is the amount of any *government assistance* or *non-government assistance* (as defined in subsection 127(9)) in respect of an expenditure described in paragraph (a) or (b) that, at the taxpayer's filing-due date for the year, the taxpayer has received, is entitled to receive or can reasonably be expected to receive,

(3) Subsection 37(6) of the Act is replaced by the following:

Marginal note:Expenditures of a capital nature

(6) For the purpose of section 13, an amount claimed under subsection (1) that may reasonably be considered to be in respect of a property described in paragraph (1)(b) is deemed to be an amount allowed to the taxpayer in respect of the property under regulations made under paragraph 20(1)(a), and for that purpose the property is deemed to be of a separate prescribed class.

(4) Clause 37(6.1)(a)(i)(B) of the Act is replaced by the following:

(B) the amount determined immediately before that time in respect of the taxpayer under paragraph (1)(b), or

(5) Clause 37(8)(a)(ii)(A) of the Act is amended by striking out "or" at the end of subclause (I), by replacing "and" with "or" at the end of subclause (II) and by adding the following after that subclause:

(III) an expenditure of a capital nature that, at the time it was incurred, was for the provision of premises, facilities or equipment, where at that time it was intended that it would be used during all or substantially all of its operating time in its expected useful life for — or that all or

substantially all of its value would be consumed in — the prosecution of scientific research and experimental development in Canada, and

(6) Subclause 37(8)(a)(ii)(B)(II) of the Act is replaced by the following:

(I) an expenditure of a current nature for, and all or substantially all of which was attributable to, the lease of premises, facilities or equipment for the prosecution of scientific research and experimental development in Canada, other than an expenditure in respect of general purpose office equipment or furniture,

(II) an expenditure for the prosecution of scientific research and experimental development in Canada directly undertaken on behalf of the taxpayer,

(III) an expenditure described in subclause (A)(III), other than an expenditure in respect of general purpose office equipment or furniture,

(7) Clause 37(8)(a)(ii)(B) of the Act is amended by striking out "or" at the end of subclause (IV), adding "or" at the end of subclause (V) and by adding the following after that subclause:

(VI) 1/2 of any other expenditure of a current nature in respect of the lease of premises, facilities or equipment used primarily for the prosecution of scientific research and experimental development in Canada, other than an expenditure in respect of general purpose office equipment or furniture;

(8) Subsection 37(8) of the Act is amended by striking out "and" at the end of paragraph (c), by adding "and" at the end of paragraph (d) and by adding the following after that paragraph:

(e) notwithstanding paragraph (a), references to expenditures on or in respect of scientific research and experimental development shall not include

(i) any capital expenditure made in respect of the acquisition of a building or a leasehold interest therein, other than a prescribed special-purpose building,

(ii) any outlay or expense made or incurred for the use of, or the right to use, a building other than a prescribed special-purpose building,

(iii) any payment made by a taxpayer to a corporation, or to an approved research institute or an approved association with which the taxpayer does not deal at arm's length, to the extent that the amount of the payment may reasonably be considered to have been made to enable the recipient to acquire a building or a leasehold interest in a building or to pay an amount in respect of the rental expense in respect of a building, and

(iv) any payment made by a taxpayer to an approved university, college or organization, to the extent that the amount of the payment may reasonably be considered to have been made to enable the recipient to acquire a building, or a leasehold interest in a building, in which the taxpayer has, or may reasonably be expected to acquire, an interest.

(9) Subsections 37(14) and (15) of the Act are repealed.

(10) Subsections (1) to (9) apply in respect of property acquired on or after December 16, 2024 and, in the case of lease costs, to expenditures incurred on or after December 16, 2024.

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

Marginal note: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 and 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) and 84.1(2.31) and (2.32), section 110.61,

subsections 127(10.2), (10.31) and (10.32), 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 definition *qualifying business transfer* 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) applies to taxation years that begin on or after December 16, 2024.

3 (1) Paragraph (d) of the definition *qualified expenditure* in subsection 127(9) of the Act is repealed.

(2) Paragraph (b) of the definition *contract payment* in subsection 127(9) of the Act is replaced by the following:

(b) an amount, other than a prescribed amount, payable by a Canadian government or municipality or other Canadian public authority or by a person exempt, because of section 149, from tax under this Part on all or part of the person's taxable income for scientific research and experimental development to be performed for it or on its behalf; (*paiement contractuel*)

(3) The definition *first term shared-use equipment* in subsection 127(9) of the Act is replaced by the following:

first term shared-use-equipment, of a taxpayer, means depreciable property of the taxpayer (other than prescribed depreciable property of a taxpayer) that is used by the taxpayer, during its operating time in the period (in this subsection and subsection (11.5) referred to as the "first period") beginning at the time the property was acquired by the taxpayer and ending at the end of the taxpayer's first taxation year ending at least 12 months after that time, primarily for the prosecution of scientific research and experimental development in Canada, but does not include general purpose office equipment or furniture; (*matériel à vocations multiples de première période*)

(4) The definition *second term shared-use equipment* in subsection 127(9) of the Act is replaced by the following:

second term shared-use-equipment, of a taxpayer, means property of the taxpayer that was first term shared-use-equipment and that is used by the taxpayer, during its operating time in the period (in this subsection and subsection (11.5) referred to as the "second period") beginning at the time the property was acquired by the taxpayer and ending at the end of the taxpayer's first taxation year ending at least 24 months after that time, primarily for the prosecution of scientific research and experimental development in Canada; (*matériel à vocations multiples de seconde période*)

(5) Paragraph (a) of the definition *qualified expenditure* in subsection 127(9) of the Act is amended by striking out "or" at the end of subparagraph (i) and at the end of subparagraph (ii) and by adding the following after that subparagraph (ii):

- (iii) an expenditure for first term shared-use-equipment or second term shared-use-equipment, or
- (iv) an expenditure described in paragraph 37(1)(b),

(6) Subsection 127(9) is amended by adding the following in alphabetical order:

consolidated group means a group of entities in respect of which an ultimate parent entity is required to prepare consolidated financial statements, or would be so required if equity interests in any of the entities were traded on a public securities exchange; (*groupe consolidé*)

consolidated financial statements means financial statements in which the assets, liabilities, income, expenses and cash flows of the members of a group are presented as those of a single economic entity; (*états financiers consolidés*)

eligible subsidiary means a corporation

(a) that is resident in Canada, and

(b) not less than 90% of the issued shares of each class of the capital stock of which is owned, directly or indirectly, by one or more corporations that are *eligible Canadian public corporations* because of paragraph (a) of that definition; (*filiale admissible*)

eligible Canadian public corporation means, at the relevant time in a taxation year,

(a) a corporation that

(i) is resident in Canada,

(ii) is a public corporation, or would be a public corporation if the words "designated stock exchange in Canada" in paragraph (a) of the definition *public corporation* in subsection 89(1) were read as "designated stock exchange",

(iii) is not controlled, directly or indirectly in any manner whatever, by one or more non-resident persons, and

(iv) would not, if each share of its capital stock that is owned by a non-resident person (as determined, absent actual knowledge, based on publicly available information, including information filed pursuant to applicable securities laws before the year) were owned by a particular person, be controlled by the particular person, or

(b) an eligible subsidiary; (*société publique canadienne admissible*)

entity means

(a) a corporation, partnership or trust, or

(b) any other arrangement, association, organization or body whether registered or unregistered for which separate financial accounts are prepared; (*entité*)

financial statements means financial statements prepared in accordance with *acceptable accounting standards*, as defined in subsection 18.21(1); (*états financiers*)

fiscal year means an annual accounting period in respect of which a corporation prepares its financial statements; (*année financière*)

ultimate parent entity in respect of a group of entities is the member of the group that would be the *ultimate parent entity*, as defined in subsection 233.8(1), of the group if the group were a *multinational enterprise group* as defined in subsection 233.8(1). (*entité mère ultime*)

(7) The portion of subsection 127(10.1) before paragraph (a) is replaced by the following:

Marginal note: Additions to investment tax credit

(10.1) For the purposes of paragraph (e) of the definition *investment tax credit* in subsection (9), if a corporation was throughout a taxation year a Canadian-controlled private corporation or an eligible Canadian public corporation, there shall be added in computing the corporation's investment tax credit at the end of the year the amount that is 20% of the least of

(8) Subsection 127(10.2) is replaced by the following:

Marginal note: Expenditure limit — CCPC

(10.2) For the purpose of subsection (10.1), a particular Canadian-controlled private corporation's expenditure limit for a particular taxation year is the amount determined by the formula

$$\$4.5 \text{ million} \times [(\$60 \text{ million} - A)/\$60 \text{ million}]$$

where

A is

(a) nil, if the following amount is less than or equal to \$15 million:

(i) if the particular corporation is not associated with any other corporation in the particular taxation year, the amount that is its taxable capital employed in Canada (within the meaning assigned by section 181.2 or 181.3) for its immediately preceding taxation year, and

(ii) if the particular corporation is associated with one or more other corporations in the particular taxation year, the amount that is the total of all amounts, each of which is the taxable capital employed in Canada (within the meaning assigned by section 181.2 or 181.3) of the particular corporation for its, or of one of the other corporations for its, last taxation year that ended in the last calendar year that ended before the end of the particular taxation year, and

(b) in any other case, the lesser of \$60 million and the amount by which the amount determined under subparagraph (a)(i) or (ii), as the case may be, exceeds \$15 million.

(9) Subsection 127(10.3) of the Act is replaced by the following:

Marginal note:Shared limit — associated CCPCs

(10.3) If all of the Canadian-controlled private corporations that are associated with each other in a taxation year file with the Minister in prescribed form an agreement under which, for the purpose of subsection 127(10.1), they allocate an amount to one or more of them for the year, the expenditure limit for the year of each of the corporations is the amount so allocated if the total of the amounts so allocated does not exceed

(a) unless subsection (10.32) applies, the amount determined for the year by the formula in subsection 127(10.2); or

(b) if subsection (10.32) applies, the amount determined for the year under that subsection.

Marginal note:Revenue election for single CCPC

(10.31) Notwithstanding subsection (10.2), for the purpose of subsection (10.1), if throughout a taxation year a particular Canadian-controlled private corporation is not associated with another corporation and the particular corporation files with the Minister in the prescribed form and manner, the particular corporation may elect that its expenditure limit for the year be determined under subsection (10.6) as if the particular corporation were an eligible Canadian public corporation that is not a member of a consolidated group.

Marginal note:Revenue election for CCPC having associated corporations

(10.32) Notwithstanding subsection (10.2), and subject to subsections (10.21) to (10.4), for the purpose of subsection (10.1), if at any time in a taxation year one or more particular Canadian-controlled private corporations are members of a group of associated corporations and all those particular corporations file with the Minister a prescribed form, those particular corporations may elect that the expenditure limit for the particular corporations be determined for the year under subsection (10.6), calculated as if

(a) each Canadian-controlled private corporation in the group were an eligible Canadian public corporation;

(b) the group were a consolidated group;

(c) the amount determined under subparagraph (a)(ii) of the description of A in the formula in subsection (10.6) were the total of all amounts, each of which is the average, over the period of three fiscal years immediately preceding and ending in the last calendar year that ended before the end of the particular

taxation year, of annual revenue reflected in the financial statements of each corporation that is a member of the group; and

(d) the annual revenue described in paragraph (c)

(i) must include each corporation's reasonable share of annual revenue reflected in the financial statements of any partnership or trust in which the corporation held an interest, and

(ii) may include reasonable adjustments to reflect the annual revenue of the group as that of a single economic entity.

(10) Section 127 of the Act is amended by renumbering subsection 127(10.6) as subsection 127(10.5) and by adding the following after subsection 127(10.5):

Marginal note:Expenditure limit — ECPC

(10.6) For the purpose of subsection (10.1), a particular eligible Canadian public corporation's expenditure limit for a particular taxation year is the amount determined by the formula

$$\text{\$4.5 million} \times [(\text{\$60 million} - A)/\text{\$60 million}]$$

where

A is

(a) nil, if the following amount is less than or equal to \$15 million:

(i) if the particular corporation is not a member of a consolidated group in the particular taxation year, the amount that is the average, over the period of three fiscal years immediately preceding and ending before the particular taxation year, of its annual revenue based on the amounts reflected in the financial statements of the corporation, and

(ii) if the particular corporation is a member of a consolidated group in the particular taxation year, the amount that is the average, over the period of three fiscal years immediately preceding and ending before the particular taxation year, of the annual revenue reflected in the consolidated financial statements of the group, and

(b) in any other case, the lesser of \$60 million and the amount by which the amount determined under subparagraph (a)(i) or (ii), as the case may be, exceeds \$15 million.

Marginal note:Expenditure limits — consolidated ECPCs

(10.61) Notwithstanding subsection (10.6), the expenditure limit for a taxation year of an eligible Canadian public corporation that is, at any time in the year, a member of a consolidated group is, except as otherwise provided in this section, nil.

Marginal note:Consolidated ECPCs

(10.62) If all of the eligible Canadian public corporations that are members of a consolidated group file with the Minister in prescribed form an agreement under which, for the purpose of subsection (10.1), they allocate an amount to one or more of them for the year and the amount so allocated or the total of the amounts so allocated, as the case may be, does not exceed the amount determined for the year by the formula in subsection (10.6), the expenditure limit for the year of each of the corporations is the amount so allocated to it.

Marginal note:Failure to file agreement

(10.63) If any of the eligible Canadian public corporations that are members of a consolidated group fails to file with the Minister an agreement as contemplated by subsection (10.62) within 30 days after notice in writing by

the Minister is forwarded to any of them that such an agreement is required for the purposes of this Part, the Minister shall, for the purpose of subsection (10.1), allocate an amount to one or more of them for the year, which amount or the total of which amounts, as the case may be, shall equal the amount determined for the year by the formula in subsection (10.6), and in any such case the expenditure limit for the year of each of the corporations is the amount so allocated to it.

Marginal note:Determinations in certain cases

(10.64) Notwithstanding any other provision of this section,

(a) where an eligible Canadian public corporation (in this paragraph referred to as the "first corporation") has more than one taxation year ending in the same calendar year and in two or more of those taxation years it is a member of a consolidated group in which another eligible Canadian public corporation has a taxation year ending in that calendar year, the expenditure limit of the first corporation for each taxation year in which it is in the same group as the other corporation ending in that calendar year is, subject to the application of paragraph (b), an amount equal to its expenditure limit for the first such taxation year determined without reference to paragraph (b);

(b) where an eligible Canadian public corporation has a taxation year that is less than 51 weeks, its expenditure limit for the year is that proportion of its expenditure limit for the year determined without reference to this paragraph that the number of days in the year is of 365;

(c) for the purpose of subparagraph (a)(i) of the description of A in subsection (10.6), where one or more of the fiscal years of an eligible Canadian public corporation is less than 51 weeks, the revenue reflected in the financial statements for each of those fiscal years shall be determined by multiplying that amount by the ratio that 365 is of the number of days in that year;

(d) for the purpose of subparagraph (a)(ii) of the description of A in subsection (10.6), where one or more of the fiscal years of the ultimate parent entity of a consolidated group is less than 51 weeks, the revenue reflected in the consolidated financial statements of the entity for each of those fiscal years shall be determined by multiplying that amount by the ratio that 365 is of the number of days in that year; and

(e) for the purpose of subparagraphs (a)(i) and (ii) of the description of A in the formula in subsection (10.6),

(i) the average annual revenue referred to in each subparagraph is to be calculated over the actual number of fiscal years if there are less than three fiscal periods immediately preceding and ending before the particular taxation year, and

(ii) if paragraph (10.32)(c) applies, the average annual revenue referred to in that paragraph is to be calculated over the actual number of fiscal years if there are less than three fiscal years immediately preceding and ending in the calendar year referred to in that paragraph.

(11) Paragraph 127(11.1)(c.1) of the Act is repealed.

(12) Subsection 127(11.2) of the Act is replaced by the following:

Marginal note:Time of acquisition

(11.2) In applying subsections (5), (7) and (8), paragraphs (a) and (a.1) of the definition *investment tax credit* in subsection (9) and section 127.1, qualified property and first term shared-use equipment are deemed not to have been acquired by a taxpayer — and expenditures incurred to acquire property described in paragraph 37(1)(b) are deemed not to have been incurred — before the property is considered to have become available for use by the taxpayer, determined without reference to paragraphs 13(27)(c) and (28)(d).

(13) Subsection 127(11.5) of the Act is replaced by the following:

Marginal note:Adjustments to qualified expenditures

(11.5) For the purposes of the definition *qualified expenditure* in subsection (9),

(a) the amount of an expenditure (other than a prescribed proxy amount) incurred by a taxpayer in a taxation year is deemed to be the amount of the expenditure determined without reference to subsections 13(7.1) and 13(7.4) and after the application of subsection (11.6); and

(b) the amount of an expenditure incurred by a taxpayer in the taxation year that ends coincidentally with the end of the first period (within the meaning assigned in the definition *first term shared-use-equipment* in subsection (9)) or the second period (within the meaning assigned in the definition *second term shared-use-equipment* in subsection (9)) in respect of first term shared-use-equipment or second term shared-use-equipment, respectively, of the taxpayer is deemed to be 1/4 of the capital cost of the equipment determined after the application of subsection (11.6) in accordance with the following rules:

(i) the capital cost to the taxpayer shall be computed as if no amount were added because of section 21, and

(ii) the capital cost to the taxpayer is determined without reference to subsections 13(7.1) and 13(7.4).

(14) The portion of subsection 127(11.6) of the Act after paragraph (b) and before paragraph (c) is replaced by the following:

the amount of the expenditure incurred by the taxpayer for the service or property and the capital cost to the taxpayer of the property are deemed to be

(15) Subparagraph 127(11.6)(d)(i) of the Act is replaced by the following:

(i) the capital cost to the taxpayer of the property otherwise determined, and

(16) Subsection 127(11.8) 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 that paragraph:

(c) the leasing of a property is deemed to be the rendering of a service.

(17) Subsection 127(33) of the Act is replaced by the following:

Marginal note:Certain non-arm's length transfers

(33) Subsections (27) to (29), (34) and (35) do not apply to a taxpayer or partnership (in this subsection referred to as the "transferor") that disposes of a property to a person or partnership (in this subsection and subsections (34) and (35) referred to as the "purchaser"), that does not deal at arm's length with the transferor, if the purchaser acquired the property in circumstances where the cost of the property to the purchaser would have been an expenditure of the purchaser described in subclause 37(8)(a)(ii)(A)(III) or (B)(III) but for subparagraph 2902(b)(iii) of the *Income Tax Regulations*.

(18) Subsections (1) to (5) and (11) to (17) apply in respect of property acquired on or after December 16, 2024 and, in the case of lease costs, to expenditures incurred on or after December 16, 2024.

(19) Subsections (6) to (10) apply to taxation years that begin on or after December 16, 2024.

4 (1) The formula and its description in the definition *qualifying income limit* in subsection 127.1(2) of the Act is replaced by the following:

$$\$500,000 \times [(\$60 \text{ million} - A)/\$60 \text{ million}]$$

where

A is

(a) nil, if \$15 million is greater than or equal to the amount (in paragraph (b) referred to as the "taxable capital amount") that is the total of the corporation's taxable capital employed in Canada (within the meaning assigned by section 181.2 or 181.3) for its immediately preceding taxation year and the taxable capital employed in Canada (within the meaning assigned by section 181.2 or 181.3) of each associated

corporation for the associated corporation's last taxation year that ended in the last calendar year that ended before the end of the particular taxation year, and

(b) in any other case, the lesser of \$60 million and the amount by which the taxable capital amount exceeds \$15 million; (*plafond de revenu admissible*)

(2) Subparagraph (f)(i) of the definition *refundable investment tax credit* in subsection 127.1(2) of the Act is replaced by the following:

(i) the portion of the amount required by subsection 127(10.1) to be added in computing the taxpayer's investment tax credit at the end of the year that is in respect of qualified expenditures (other than expenditures of a capital nature) incurred by the taxpayer in the year, and

(3) Subsection 127.1(2.01) of the Act is replaced by the following:

Marginal note: Addition to refundable investment tax credit

(2.01) In the case of a taxpayer that is a Canadian-controlled private corporation or an eligible Canadian public corporation, and is not a qualifying corporation or an excluded corporation, the refundable investment tax credit of the taxpayer for a taxation year is the amount determined by the formula

$$(40\% \times (A - B)) + (C - D)$$

where

A is the total of

(a) the portion of the amount required by subsection 127(10.1) to be added in computing the taxpayer's investment tax credit at the end of the year that is in respect of qualified expenditures (other than expenditures of a current nature) incurred by the taxpayer in the year, and

(b) is all amounts determined under paragraph (a.1) of the definition **investment tax credit** in subsection 127(9) in respect of expenditures for which an amount is included in paragraph (a),

B the total of

(a) the portion of the total of all amounts deducted by the taxpayer under subsection 127(5) for the year or a preceding taxation year (other than an amount deemed by subsection 127.1(3) to have been so deducted for the year) that can reasonably be considered to be in respect of the total determined under the description of A, and

(b) the portion of the total of all amounts required by subsection 127(6) to be deducted in computing the taxpayer's investment tax credit at the end of the year that can reasonably be considered to be in respect of the total determined under the description of A,

C is the total of

(a) the portion of the amount required by subsection 127(10.1) to be added in computing the taxpayer's investment tax credit at the end of the year that is in respect of qualified expenditures (other than expenditures of a capital nature) incurred by the taxpayer in the year, and

(b) all amounts determined under paragraph (a.1) of the definition **investment tax credit** in subsection 127(9) in respect of expenditures for which an amount is included in paragraph (a),

D is the total of

(a) the portion of the total of all amounts deducted by the taxpayer under subsection 127(5) for the year or a preceding taxation year (other than an amount deemed by subsection (3) to have been so deducted for the year) that can reasonably be considered to be in respect of the total determined under the description of C, and

(b) the portion of the total of all amounts required by subsection 127(6) to be deducted in computing the taxpayer's investment tax credit at the end of the year that can reasonably be considered to be in respect of the total determined under the description of C.

(4) Subsection (1) applies to taxation years that begin on or after December 16, 2024.

(5) Subsections (2) and (3) apply in respect of property acquired on or after December 16, 2024 and, in the case of lease costs, to expenditures incurred on or after December 16, 2024.

5 (1) Paragraph 2902(b) of the *Income Tax Regulations* is replaced by the following:

(b) an expenditure of a capital nature incurred by a taxpayer in respect of

(i) the acquisition of property, except any such expenditure that at the time it was incurred

(A) was for *first term shared-use-equipment* or *second term shared-use-equipment* (in each case as defined in subsection 127(9) of the Act), or

(B) was for the provision of premises, facilities or equipment if, at the time of the acquisition of the premises, facilities or equipment, it was intended

(I) that the premises, facilities or equipment would be used during all or substantially all of the operating time of the premises, facilities or equipment in the expected useful life of the premises, facilities or equipment for the prosecution of scientific research and experimental development in Canada, or

(II) that all or substantially all of the value of the premises, facilities or equipment would be consumed in the prosecution of scientific research and experimental development in Canada,

(ii) the acquisition of property that is *qualified property* as defined in subsection 127(9) of the Act, or

(iii) the acquisition of property that has been used, or acquired for use or lease, for any purpose whatever before it was acquired by the taxpayer;

(2) The Regulations are amended by adding the following after section 2902:

Marginal note:Special-Purpose Buildings

2903 For the purposes of this Part and paragraph 37(8)(e) of the Act, a special-purpose building is a building the working areas of which are designed and constructed to have a displacement in any direction of not more than .02 micrometre and to have, per .028 cubic metre of interior airspace,

(a) not more than 350 airborne particles of a size less than or equal to .1 micrometre in diameter and no airborne particles of a size greater than .1 micrometre in diameter,

(b) not more than 75 airborne particles of a size less than or equal to .2 micrometre in diameter and no airborne particles of a size greater than .2 micrometre in diameter,

(c) not more than 30 airborne particles of a size less than or equal to .3 micrometre in diameter and no airborne particles of a size greater than .3 micrometre in diameter, or

(d) not more than 10 airborne particles of a size less than or equal to .5 micrometre in diameter and no airborne particles of a size greater than .5 micrometre in diameter.

(3) Subsections (1) and (2) apply in respect of property acquired on or after December 16, 2024 and, in the case of lease costs, to amounts that first become payable on or after December 16, 2024.

Crypto-Asset Reporting Framework and the Common Reporting Standard

1 (1) Subsection 270(1) of the Act is amended by adding the following in alphabetical order:

2012 FATF recommendations means the *Financial Action Task Force Recommendations — International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation*, adopted in February 2012 and as amended from time to time. (*recommandations de 2012 du GAFI*)

central bank digital currency means a digital fiat currency issued by a central bank. (*monnaie numérique de banque centrale*)

crypto-asset has the same meaning as in subsection 296(1). (*crypto-actif*)

exchange transaction has the same meaning as in subsection 296(1). (*transaction d'échange*)

fiat currency means

(a) the official currency of a jurisdiction, issued by a jurisdiction or by a jurisdiction's designated central bank or monetary authority, as represented by physical bank notes or coins or by money in digital forms, including bank reserves and central bank digital currencies; or

(b) commercial bank money and electronic money products, including specified electronic money products. (*monnaie fiduciaire*)

relevant crypto-asset has the same meaning as in subsection 296(1). (*crypto-actif concerné*)

specified electronic money product means a product (not including a product created for the sole purpose of facilitating the transfer of funds from a customer to another person pursuant to instructions of the customer) that is:

(a) a digital representation of a single fiat currency;

(b) issued on receipt of funds for the purpose of making payment transactions;

(c) represented by a claim on the issuer denominated in the fiat currency described at paragraph (a);

(d) accepted in payment by a person other than the issuer; and

(e) by virtue of regulatory requirements to which the issuer is subject, redeemable at any time and at par value for the same fiat currency upon request of the holder of the product. (*produit de monnaie électronique spécifique*)

(2) The definition *procédures de connaissance de la clientèle et de lutte contre le blanchiment d'argent* or *procédures AML/KYC* in subsection 270(1) of the French version of the Act is replaced by the following:

procédures de connaissance de la clientèle et de lutte contre le blanchiment d'argent ou *procédures AML/KYC*
Obligations de tenue de documents, de vérification d'identités, de déclaration des opérations douteuses et d'inscription qu'une institution financière déclarante est tenue d'observer en vertu de la *Loi sur le recyclage des produits de la criminalité et le financement des activités terroristes*. (*anti-money laundering and know your customer procedures* or *AML/KYC procedures*)

(3) The portion of the definition *controlling persons* in subsection 270(1) of the Act before paragraph (a) is replaced by the following:

controlling persons, in respect of an entity, means the natural persons who exercise control over the entity (interpreted in a manner consistent with the 2012 FATF recommendations) and includes

(4) The definition *depository account* in subsection 270(1) of the Act is replaced by the following:

depository account includes

- (a) a commercial, chequing, savings, time or thrift account, or an account that is evidenced by a certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness or other similar instrument maintained by a depository institution;
- (b) an amount held by an insurance company under a guaranteed investment contract or similar agreement to pay or credit interest on the contract;
- (c) an account or notional account that represents all specified electronic money products held for the benefit of a customer; and
- (d) an account that holds one or more central bank digital currencies for the benefit of a customer. (*compte de dépôt*)

(5) The definition *depository institution* in subsection 270(1) of the Act is replaced by the following:

depository institution means an entity that

- (a) accepts deposits in the ordinary course of a banking or similar business; or
- (b) holds specified electronic money products or central bank digital currencies for the benefit of customers. (*établissement de dépôt*)

(6) The portion of the definition *excluded account* before paragraph (a) in subsection 270(1) of the Act is replaced by the following:

excluded account means, at any time,

(7) The definition *excluded account* in subsection 270(1) of the Act is amended by striking out "or" at the end of subparagraph (e)(iii), by adding "or" at the end of subparagraph (e)(iv) and by adding the following after subparagraph (e)(iv):

(v) a contribution of capital to or incorporation of a corporation, if the account meets the following conditions:

- (A) the account is used exclusively to deposit amounts that are to be used for the purpose of the incorporation of or the making of contributions of capital to a corporation, in accordance with applicable law,
- (B) any amounts held in the account are blocked until the reporting financial institution obtains an independent confirmation regarding the incorporation or contribution of capital,
- (C) the account is closed or transformed into an account in the name of the corporation after the incorporation or contribution of capital,
- (D) any repayments resulting from the failed incorporation or contribution of capital, net of service provider and similar fees, are made solely to the persons who contributed the amounts, and
- (E) the account was not established more than 12 months ago;

(e.1) a depository account that only includes all specified electronic money products held for the benefit of a customer, if the rolling average 90 day end-of-day aggregate account balance or value during any period of 90 consecutive days did not exceed 10,000 USD on any day during the calendar year;

(8) Subparagraph (a)(vi) of the definition *financial asset* in subsection 270(1) of the Act is replaced by the following:

(vi) any interest (including a futures or forward contract or option) in a security, relevant crypto-asset, partnership interest, commodity, swap, insurance contract or annuity contract; and

(9) Subparagraph (a)(iii) of the definition *investment entity* in subsection 270(1) of the Act is replaced by the following:

(iii) otherwise investing, administering or managing financial assets, money, or relevant crypto-assets on behalf of other persons, excluding through the provision of services effectuating exchange transactions for or on behalf of customers; or

(10) Subparagraph (a)(i) of the definition *investment entity* in subsection 270(1) of the English version of the Act is replaced by the following:

(i) trading in money market instruments (such as cheques, bills, certificates of deposit and derivatives), foreign exchange, transferable securities, commodity futures or exchange, interest rate and index instruments,

(11) Paragraph (b) of the definition *investment entity* in subsection 270(1) of the Act is replaced by the following:

(b) the gross income of which is primarily attributable to investing, reinvesting or trading in financial assets or relevant crypto-assets, if the entity is managed by another entity that is a depository institution, a custodial institution, a specified insurance company or an investment entity described in paragraph (a). (*entité d'investissement*)

(12) The definition *lower value account* in subsection 270(1) of the Act is replaced by the following:

lower value account means a preexisting individual account with an aggregate balance or value that does not exceed 1 million USD as of June 30, 2017 or, if the account is treated as a financial account solely by virtue of the amendments to this Part that came into force in 2025, as of December 31, 2025. (*compte de faible valeur*)

(13) The definition *new account* in subsection 270(1) of the Act is replaced by the following:

new account means a financial account maintained by a reporting financial institution opened after June 2017 or after 2025 if the account is treated as a financial account solely by virtue of the amendments to this Part that came into force in 2025. (*nouveau compte*)

(14) Paragraph (b) of the definition *non-reporting financial institution* in subsection 270(1) of the Act is replaced by the following:

(b) a governmental entity or international organization, other than

(i) with respect to a payment that is derived from an obligation held in connection with a commercial financial activity of a type engaged in by a specified insurance company, custodial institution or depository institution, or

(ii) with respect to the activity of maintaining central bank digital currencies for account holders which are not financial institutions, governmental entities, international organizations or central banks;

(15) Paragraph (a) of the definition *preexisting account* in subsection 270(1) of the Act is replaced by the following:

(a) a financial account maintained by a reporting financial institution on June 30, 2017 or, if the account is treated as a financial account solely by virtue of the amendments to this Part that came into force in 2025, on December 31, 2025; and

(16) Paragraphs (a) and (b) of the definition *reportable person* in subsection 270(1) of the Act are replaced by the following:

(a) an entity the stock of which is regularly traded on one or more established securities markets;

(b) an entity that is a related entity of an entity described in paragraph (a);

(17) Subsection 270(2) of the Act is replaced by the following:

Marginal note: Interpretation

(2) This Part relates to the implementation of the *Common Reporting Standard* set out in the *Standard for Automatic Exchange of Financial Account Information in Tax Matters* approved by the Council of the Organisation for Economic Co-operation and Development and, unless the context otherwise requires, the provisions in this Part are to be interpreted consistently with the *Common Reporting Standard* and the official commentary thereon, as amended from time to time.

(18) The portion of subsection 270(3) of the Act before paragraph (a) is replaced by the following:

Marginal note: Interpretation — investment entity

(3) For the purposes of the definition *investment entity* in subsection (1), an entity is considered to be primarily carrying on as a business one or more of the activities described in paragraph (a) of that definition, or an entity's gross income is primarily attributable to investing, reinvesting or trading in financial assets or relevant crypto-assets for the purposes of paragraph (b) of that definition, if the entity's gross income attributable to the relevant activities equals or exceeds 50% of the entity's gross income during the shorter of

(19) Section 270 of the Act is amended by adding the following after subsection (4):

Marginal note: Interpretation — specified electronic money product

(5) For the purposes of the definition *specified electronic money product* in subsection (1), a product is not created for the sole purpose of facilitating the transfer of funds if, in the ordinary course of business of the transferring entity, either the funds connected with such product are held longer than 60 days after receipt of instructions to facilitate the transfer, or, if no instructions are received, the funds connected with such product are held longer than 60 days after receipt of the funds.

(20) Subsections (1) to (19) apply to the 2026 and subsequent calendar years.

2 (1) The portion of subsection 271(1) of the Act before paragraph (b) is replaced by the following:

Marginal note: General reporting requirements

271 (1) Subject to subsections (3) to (6), each reporting financial institution must report the following information to the Minister with respect to each of its reportable accounts:

(a) the name, address, jurisdiction of residence, TIN and date of birth (in the case of a natural person) of each reportable person that is an account holder of the account and whether the account holder has provided a valid self-certification;

(2) Paragraph 271(1)(b) of the Act is amended by striking out "and" at the end of subparagraph (i) and by adding the following after subparagraph (ii):

(iii) the role by virtue of which each reportable person is a controlling person of the entity and whether a valid self-certification has been provided for each reportable person;

(3) Paragraph 271(1)(c) of the Act is replaced by the following:

(c) the account number (or functional equivalent in the absence of an account number) of the account, the type of account and whether the account is a preexisting account or a new account;

(4) Subsection 271(1) of the Act is amended by striking out "and" at the end of paragraph (g) and by adding the following after paragraph (h):

- (i) whether the account is a joint account and, if so, the number of joint account holders; and
- (j) in the case of any equity interest held in an investment entity that is a legal arrangement, the role by virtue of which the reportable person is an equity interest holder.

(5) Paragraph 271(3)(b) of the Act is replaced by the following:

(b) a reporting financial institution is required to use reasonable efforts to obtain the TIN and the date of birth with respect to a preexisting account by the end of the second calendar year following the year in which the preexisting account is identified as a reportable account and whenever it is required to update the information relating to the preexisting account pursuant to AML/KYC procedures.

(6) Section 271 of the Act is amended by adding the following after subsection (4):

Marginal note:Exception — Part XXI

(5) Despite subparagraph (1)(f)(ii), and unless the reporting financial institution elects otherwise with respect to any clearly identified group of accounts, the gross proceeds from the sale or redemption of a financial asset are not required to be reported to the extent that the gross proceeds are reported by the reporting financial institution under Part XXI.

Marginal note:Transitional rule

(6) With respect to each reportable account that is maintained by a reporting financial institution as of January 1, 2026 and for reporting periods ending before 2028, each reporting financial institution must only report information under any of subparagraph (1)(b)(iii) and paragraph (1)(j) if such information is available in the electronically searchable data maintained by the reporting financial institution.

(7) Subsections (1) to (6) apply to the 2026 and subsequent calendar years.

3 (1) Subparagraph 276(b)(ii) of the Act is replaced by the following:

(ii) determining the controlling persons of an account holder, a reporting financial institution may rely on information collected and maintained in accordance with AML/KYC procedures, provided that such procedures are consistent with the 2012 FATF recommendations, and, if the reporting financial institution is not legally required to apply AML/KYC procedures that are consistent with the 2012 FATF recommendations, it must apply substantially similar procedures for the purpose of determining the controlling persons, and

(2) Subsection (1) applies to the 2026 and subsequent calendar years.

4 (1) Section 277 of the Act is amended by adding the following after subsection (1):

Marginal note:Special due diligence rules — new account

(1.1) In exceptional circumstances where a self-certification cannot be obtained by a reporting financial institution in respect of a new account in time to meet its due diligence and reporting obligations with respect to the reporting period during which the account was opened, the reporting financial institution must apply the due diligence procedures for preexisting accounts, until such self-certification is obtained and validated.

(2) Subsection (1) applies to the 2026 and subsequent calendar years.

5 (1) Section 280 of the Act is replaced by the following:

Marginal note:Anti-avoidance

280 If an individual or an entity enters into an arrangement or engages in a practice, the primary purpose of which can reasonably be considered to be to avoid an obligation under this Part, this Part shall apply as if the individual or entity had not entered into the arrangement or engaged in the practice.

(2) Subsection (1) applies to the 2026 and subsequent calendar years.

6 (1) The Act is amended by adding the following after Part XX:

PART XXI

Crypto-Asset Reporting Framework

Marginal note:Definitions

296 (1) The following definitions apply in this Part.

active entity means, at any time, an entity that meets any of the following criteria:

(a) less than 50% of the entity's gross income for the preceding calendar year is passive income and less than 50% of the assets held by the entity during the preceding calendar year are assets that produce or are held for the production of passive income;

(b) both

(i) all or substantially all of the activities of the entity consist of holding (in whole or in part) the outstanding stock of, or providing financing and services to, one or more subsidiaries that engage in trades or businesses other than the business of a financial institution, and

(ii) the entity does not function as, and is not represented or promoted to the public as, an investment fund, including:

(A) a private equity fund,

(B) a venture capital fund,

(C) a leveraged buyout fund, and

(D) an investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes;

(c) the entity:

(i) is not yet operating a business,

(ii) has no prior operating history,

(iii) is investing capital into assets with the intent to operate a business other than that of a financial institution, and

(iv) was initially organized no more than 24 months prior to that time;

(d) the entity has not been a financial institution in any of the last five calendar years and is in the process of liquidating its assets or is reorganizing with the intent to continue or recommence operations in a business other than that of a financial institution;

(e) the entity primarily engages in financing and hedging transactions with, or for, related entities that are not financial institutions, and does not provide financing or hedging services to any entity that is not a related entity, provided that the group of those related entities is primarily engaged in a business other than that of a financial institution; and

(f) the entity meets all of the following requirements:

(i) it

(A) is established and operated in its jurisdiction of residence exclusively for religious, charitable, scientific, artistic, cultural, athletic or educational purposes, or

(B) is established and operated in its jurisdiction of residence and it is a professional organization, business league, chamber of commerce, labour organization, agricultural or horticultural organization, civic league or an organization operated exclusively for the promotion of social welfare,

(ii) it is exempt from income tax in its jurisdiction of residence,

(iii) it has no shareholders or members who have a proprietary or beneficial interest in its income or assets,

(iv) the applicable laws of the entity's jurisdiction of residence or the entity's formation documents do not permit any income or assets of the entity to be distributed to, or applied for the benefit of, a private person or non-charitable entity other than pursuant to the conduct of the entity's charitable activities, or as payment of reasonable compensation for services rendered, or as payment representing the fair market value of property which the entity has purchased, and

(v) the applicable laws of the entity's jurisdiction of residence or the entity's formation documents require that, upon the entity's liquidation or dissolution, all of its assets be distributed to a governmental entity or other non-profit organization, or escheat to the government of the entity's jurisdiction of residence or any of its political subdivision. (*entité active*)

anti-money laundering and know your customer procedures or **AML/KYC procedures** means the record keeping, verification of identity, reporting of suspicious transactions and registration requirements required of a reporting crypto-asset service provider under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. (*procédures de connaissance de la clientèle et de lutte contre le blanchiment d'argent ou procédures AML/KYC*)

branch means a unit, business or office of a reporting crypto-asset service provider that is treated as a branch under the regulatory regime of a jurisdiction or that is otherwise regulated under the laws of a jurisdiction as separate from other offices, units or branches of the reporting crypto-asset service provider. (*succursale*)

controlling persons has the same meaning as in subsection 270(1). (*personnes détenant le contrôle*)

crypto-asset means a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions. (*crypto-actif*)

crypto-asset user means

(a) an individual or entity that is a customer of a reporting crypto-asset service provider for the purpose of carrying out relevant transactions, other than an individual or entity that

(i) is not a financial institution or a reporting crypto-asset service provider, and

(ii) is acting as a customer of a reporting crypto-asset service provider for the purpose of carrying out relevant transactions for the benefit of, or on behalf of, another individual or entity as agent, custodian, nominee, signatory, investment advisor or intermediary;

(b) the individual or entity referred to in subparagraph (a)(ii) for whose benefit, or on whose behalf, relevant transactions are carried out; or

(c) with respect to a reportable retail payment transaction, the customer that is the counterparty to the merchant for the transaction, if

(i) a reporting crypto-asset service provider provides a service effectuating reportable retail payment transactions for or on behalf of the merchant, and

(ii) the reporting crypto-asset service provider is required to verify the identity of the customer under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*. (*utilisateur de crypto-actifs*)

custodial institution has the same meaning as in subsection 270(1). (*établissement de garde de valeurs*)

depository institution has the same meaning as in subsection 270(1). (*établissement de dépôt*)

entity has the same meaning as in subsection 270(1). (*entité*)

entity crypto-asset user means a crypto-asset user that is an entity. (*entité utilisatrice de crypto-actifs*)

exchange transaction means an exchange between relevant crypto-assets and fiat currencies or an exchange between one or more forms of relevant crypto-assets. (*transaction d'échange*)

excluded person means

- (a) an entity, the stock of which is regularly traded on one or more established securities market (as defined in subsection 270(1));
- (b) an entity that is a related entity of an entity described in paragraph (a);
- (c) a governmental entity;
- (d) an *international organization* (as defined in subsection 270(1));
- (e) a *central bank* (as defined in subsection 270(1)); or
- (f) a financial institution, other than an investment entity described in paragraph (b) of the definition *investment entity* in this subsection. (*personne exclue*)

fiat currency has the same meaning as in subsection 270(1). (*monnaie fiduciaire*)

financial asset has the same meaning as in subsection 270(1). (*actif financier*)

financial institution means a custodial institution, a depository institution, an investment entity or a specified insurance company. (*institution financière*)

governmental entity has the same meaning as in subsection 270(1). (*entité gouvernementale*)

individual crypto-asset user means a crypto-asset user that is an individual (other than a trust). (*utilisateur individuel de crypto-actifs*)

investment entity means an entity, other than an entity that is an active entity because of any of paragraphs (b) to (e) of that definition,

- (a) that primarily carries on as a business one or more of the following activities or operations for or on behalf of a customer:
 - (i) trading in money market instruments (such as cheques, bills, certificates of deposit and derivatives), foreign exchange, transferable securities, commodity futures or exchange, interest rate and index instruments,
 - (ii) individual and collective portfolio management, or
 - (iii) otherwise investing, administering or managing financial assets or money on behalf of other persons, excluding through the provision of services effectuating exchange transactions for or on behalf of customers; or

(b) the gross income of which is primarily attributable to investing, reinvesting or trading in financial assets, if the entity is managed by another entity that is a depository institution, a custodial institution, a specified insurance company or an entity described in paragraph (a). (*entité d'investissement*)

partner jurisdiction means each jurisdiction identified as a partner jurisdiction by the Minister on the Internet webpage of the Canada Revenue Agency or by any other means that the Minister considers appropriate. (*juridiction partenaire*)

preexisting crypto-asset user means a crypto-asset user that has established a relationship with the reporting crypto-asset service provider as of December 31, 2025. (*utilisateur de crypto-actifs préexistant*)

related entity in respect of an entity, means an entity if either entity controls the other entity or the two entities are controlled by the same entity or individual, and, for this purpose, control includes direct or indirect ownership of

(a) in the case of a corporation, shares of the capital stock of a corporation that

(i) give their holders more than 50% of the votes that could be cast at the annual meeting of the shareholders of the corporation, and

(ii) have a fair market value of more than 50% of the fair market value of all the issued and outstanding shares of the capital stock of the corporation;

(b) in the case of a partnership, an interest as a member of the partnership that entitles the member to more than 50% of

(i) the income or loss of the partnership, or

(ii) the assets (net of liabilities) of the partnership if it were to cease to exist; and

(c) in the case of a trust, an interest as a beneficiary under the trust with a fair market value that is greater than 50% of the fair market value of all interests as a beneficiary under the trust. (*entité liée*)

relevant crypto-asset means any crypto-asset that is not a *central bank digital currency* (as defined in subsection 270(1)), a *specified electronic money product* (as defined in subsection 270(1)) or any crypto-asset for which the reporting crypto-asset service provider has adequately determined that it cannot be used for payment or investment purposes or a crypto-asset that meets prescribed conditions. (*crypto-actif concerné*)

relevant transaction means an exchange transaction or a transfer of a relevant crypto-asset. (*transaction concernée*)

reportable jurisdiction means any jurisdiction, including Canada. (*juridiction soumise à déclaration*)

reportable person means a natural person (as defined in subsection 270(1)) or an entity, other than an excluded person, that is resident in a reportable jurisdiction under the tax laws of that jurisdiction, or an estate of an individual who was a resident of a reportable jurisdiction under the tax laws of that jurisdiction immediately before death, and, for this purpose, an entity that has no residence for tax purposes is deemed to be resident in the jurisdiction in which its place of effective management is situated. (*personne devant faire l'objet d'une déclaration*)

reportable retail payment transaction means a transfer of a relevant crypto-asset in consideration for goods or services for a value exceeding 50,000 USD. (*opération de paiement au détail déclarable*)

reportable user means a crypto-asset user that is a reportable person. (*utilisateur soumis à déclaration*)

reporting crypto-asset service provider means any individual or entity that, as a business, provides a service effectuating exchange transactions for or on behalf of customers, including by acting as a counterparty or as an

intermediary to the exchange transactions, or by making available a trading platform. (*prestataire de services sur crypto-actifs déclarant*)

specified insurance company has the meaning assigned by subsection 270(1). (*compagnie d'assurance particulière*)

TIN has the meaning assigned by subsection 270(1). (*NIF*)

transfer means a transaction that moves a relevant crypto-asset from or to the crypto-asset address or account of one crypto-asset user, other than one maintained by the reporting crypto-asset service provider on behalf of the same crypto-asset user, where, based on the knowledge available to the reporting crypto-asset service provider at the time of transaction, the reporting crypto-asset service provider cannot determine that the transaction is an exchange transaction. (*transfert*)

USD means dollars of the United States of America. (*USD*)

Marginal note: Interpretation

(2) This Part relates to the implementation of the *Crypto-Asset Reporting Framework* set out in the *International Standards for Automatic Exchange of Information in Tax Matters* approved by the Council of the Organisation for Economic Co-operation and Development and, unless the context otherwise requires, the provisions in this Part are to be interpreted consistently with the *Crypto-Asset Reporting Framework* and its official commentary, as amended from time to time.

Marginal note: Interpretation — investment entity

(3) For the purposes of the definition *investment entity* in subsection (1), an entity is considered to be primarily carrying on as a business one or more of the activities described in paragraph (a) of that definition, or an entity's gross income is primarily attributable to investing, reinvesting or trading in financial assets for the purposes of paragraph (b) of that definition, if the entity's gross income attributable to the relevant activities equals or exceeds 50% of the entity's gross income during the shorter of

- (a) the three-year period that ends at the end of the entity's last taxation year; and
- (b) the period during which the entity has been in existence.

Marginal note: Interpretation — branch

(4) For the purposes of the definition *branch* in subsection (1), all units, businesses and offices of a reporting crypto-asset service provider in a single jurisdiction shall be treated as a single branch.

Marginal note: Application of sections 298 and 299

297 (1) Subject to subsections (3) to (7), sections 298 and 299 apply to a reporting crypto-asset service provider for a calendar year if it is:

- (a) an entity or individual resident in Canada;
- (b) an entity that
 - (i) is organized under the laws of Canada or a province, and
 - (ii) has an obligation to file tax returns or tax information returns in Canada;
- (c) a partnership managed from Canada; or
- (d) an entity or individual that carries on a business in Canada.

Marginal note: Application — branch

(2) Sections 298 and 299 apply to a reporting crypto-asset service provider for a calendar year with respect to relevant transactions effectuated through a branch in Canada.

Marginal note:Exception — jurisdiction of residence

(3) A reporting crypto-asset service provider is not required to complete the reporting and due diligence requirements in sections 298 and 299 because of paragraphs (1)(b) to (d), if equivalent requirements are completed by the reporting crypto-asset service provider in a partner jurisdiction by virtue of it being resident in the partner jurisdiction.

Marginal note:Exception — jurisdiction of incorporation or organization

(4) A reporting crypto-asset service provider that is an entity is not required to complete the reporting and due diligence requirements in sections 298 and 299 because of any of paragraphs (1)(c) to (d), if equivalent requirements are completed by the reporting crypto-asset service provider in a partner jurisdiction by virtue of it being an entity that

(a) is incorporated or organized under the laws of the partner jurisdiction; and

(b) either has legal personality in the partner jurisdiction or has an obligation to file tax returns or tax information returns to the tax authorities in the partner jurisdiction with respect to the income of the entity.

Marginal note:Exception — jurisdiction of management

(5) A reporting crypto-asset service provider that is an entity is not required to complete the reporting and due diligence requirements in sections 298 and 299 because of paragraph (1)(d), if equivalent requirements are completed by the reporting crypto-asset service provider in a partner jurisdiction by virtue of it being managed from the partner jurisdiction.

Marginal note:Exception — branch jurisdiction

(6) A reporting crypto-asset service provider is not required to complete the reporting and due diligence requirements in sections 298 and 299 with respect to relevant transactions it effectuates through a branch in a partner jurisdiction, if equivalent requirements are completed by the branch in the partner jurisdiction.

Marginal note:Exception — substantially similar nexus

(7) A reporting crypto-asset service provider is not required to complete the reporting and due diligence requirements in sections 298 and 299 because of subsection (1), if it has notified the Minister, in the manner specified by the Minister, that the reporting crypto-asset service provider completed equivalent requirements under the rules of a partner jurisdiction because of a nexus that is substantially similar to one of those described in paragraphs (1)(a) to (d) to which the reporting crypto-asset service provider is subject to in Canada.

Marginal note:Reporting requirements

298 (1) Subject to subsections (2) and (3) and section 299, if this section applies in respect of a reporting crypto-asset service provider, for each calendar year, the reporting crypto-asset service provider must report the following information with respect to its crypto-asset users that are reportable users or that have controlling persons that are reportable persons at any time during the year:

(a) the name, address, jurisdiction of residence, TIN and date of birth of each reportable user;

(b) in the case of any entity that has one or more controlling persons that is a reportable person

(i) the name, address, jurisdiction of residence and TIN of the entity,

(ii) the name, address, jurisdiction of residence, TIN and date of birth of each reportable person, and

(iii) the role by virtue of which each reportable person is a controlling person of the entity;

- (c) the name, address and TIN or other identifying number of the reporting crypto-asset service provider;
- (d) for each crypto-asset user and for each type of relevant crypto-asset with respect to which it has effectuated relevant transactions during the calendar year:
 - (i) the full name of the type of relevant crypto-asset,
 - (ii) the aggregate gross amount paid, the aggregate number of units and the number of relevant transactions in respect of acquisitions against fiat currency,
 - (iii) the aggregate gross amount received, the aggregate number of units and the number of relevant transactions in respect of dispositions against fiat currency,
 - (iv) the aggregate fair market value, the aggregate number of units and the number of relevant transactions in respect of acquisitions against other relevant crypto-assets,
 - (v) the aggregate fair market value, the aggregate number of units and the number of relevant transactions in respect of dispositions against other relevant crypto-assets,
 - (vi) the aggregate fair market value, the aggregate number of units and the number of reportable retail payment transactions,
 - (vii) the aggregate fair market value, the aggregate number of units and the number of relevant transactions, and subdivided by transfer type where known by the reporting crypto-asset service provider, in respect of transfers to the reportable user not covered by subparagraphs (ii) and (iv),
 - (viii) the aggregate fair market value, the aggregate number of units and the number of relevant transactions, and subdivided by transfer type, where known, by the reporting crypto-asset service provider, in respect of transfers by the reportable user not covered by subparagraphs (iii), (v) and (vi), and
 - (ix) the aggregate fair market value, as well as the aggregate number of units in respect of transfers by the reportable crypto-asset user effectuated by the reporting crypto-asset service provider to wallet addresses not known by the reporting crypto-asset service provider to be associated with a virtual asset service provider or financial institution.

Marginal note:Exception — TIN

- (2) Despite subsection (1), the TIN is not required to be reported if
 - (a) a TIN is not issued by the relevant reportable jurisdiction; or
 - (b) the domestic law of the relevant reportable jurisdiction does not require the collection of the TIN issued by the jurisdiction.

Marginal note:Currency — amount paid or received

- (3) For the purposes of subparagraphs (1)(d)(ii) and (iii), the amount paid or received must be reported in the fiat currency in which it was paid or received, except that if the amount was paid or received in multiple fiat currencies, the amount must be reported in Canadian dollars, converted at the time of each relevant transaction in a manner that is consistently applied by the reporting crypto-asset service provider.

Marginal note:Currency — fair market value

- (4) For the purposes of subparagraphs (1)(d)(iv) to (ix), fair market value must be determined and reported in Canadian dollars, valued at the time of each relevant transaction in a manner that is consistently applied by the reporting crypto-asset service provider.

Marginal note:Due diligence procedures

299 (1) A crypto-asset user is a reportable user beginning as of the date it is identified, or should have been identified, within the time specified in subsection (6), as a reportable user under the due diligence procedures set out in this section.

Marginal note:Due diligence procedures — individual crypto-asset users

(2) A reporting crypto-asset service provider must apply the following due diligence procedures to determine whether an individual crypto-asset user is a reportable user:

- (a)** obtain a valid self-certification that allows it to determine the individual crypto-asset user's residence for tax purposes, and
- (b)** confirm the reasonableness of such self-certification based on the information obtained by the reporting crypto-asset service provider, including any documentation collected pursuant to AML/KYC procedures.

Marginal note:Due diligence procedures — entity crypto-asset users

(3) A reporting crypto-asset service provider must apply the following due diligence procedures to determine whether an entity crypto-asset user is a reportable user or is an entity, other than an excluded person or an active entity, with one or more controlling persons who are reportable persons:

- (a)** obtain a valid self-certification that allows it to determine the entity crypto-asset user's residence for tax purposes and whether it is an active entity;
- (b)** confirm the reasonableness of such self-certification based on the information obtained by the reporting crypto-asset service provider, including any documentation collected pursuant to AML/KYC procedures;
- (c)** if the entity crypto-asset user certifies that it has no residence for tax purposes, rely on the place of effective management or on the address of the principal office to determine the residence of the entity crypto-asset user; and
- (d)** if the self-certification indicates that the entity crypto-asset user is resident in a reportable jurisdiction, treat the entity crypto-asset user as a reportable user, unless it reasonably determines based on the self-certification or on information in its possession or that is publicly available, that the entity crypto-asset user is an excluded person.

Marginal note:Due diligence procedures — controlling person

(4) A reporting crypto-asset service provider must apply the following due diligence procedures with respect to an entity crypto-asset user, other than an excluded person or an active entity, to determine whether it has one or more controlling persons who are reportable persons:

- (a)** rely on a valid self-certification from the entity crypto-asset user or such controlling person that allows the reporting crypto-asset service provider to determine the controlling person's residence for tax purposes; and
- (b)** confirm the reasonableness of the self-certification based on the information obtained by the reporting crypto-asset service provider, including any documentation collected pursuant to AML/KYC procedures.

Marginal note:AML/KYC procedures — controlling person

(5) For the purposes of determining a controlling person of the entity crypto-asset user, as required under subsection (4), a reporting crypto-asset provider may rely on information collected and maintained pursuant to AML/KYC procedures, provided that such procedures are consistent with the *2012 FATF recommendations* (as defined in subsection 270(1)) or, if it is not legally required to apply such procedures, substantially similar procedures.

Marginal note:Timing of review

(6) A reporting crypto-asset service provider must complete the due diligence procedures set out in this section when establishing a relationship with a crypto-asset user or, with respect to preexisting crypto-asset users, before 2027.

Marginal note:Change of circumstances

(7) If at any point there is a change of circumstances of a crypto-asset user or its controlling person that causes the reporting crypto-asset service provider to know, or have reason to know, that the original self-certification is incorrect or unreliable, the reporting crypto-asset service provider cannot rely on the original self-certification and must obtain a valid self-certification, or a reasonable explanation and documentation supporting the validity of the original self-certification.

Marginal note:Self-certification — individual crypto-asset user

(8) A self-certification provided by an individual crypto-asset user or controlling person is valid only if it is signed or positively affirmed by the individual crypto-asset user or controlling person, it is dated on the latest at the date of receipt by the reporting crypto-asset service provider and it contains the following information with respect to the individual crypto-asset user or controlling person:

- (a) first and last name;
- (b) address of residence;
- (c) jurisdiction of residence for tax purposes;
- (d) the TIN with respect to each reportable jurisdiction; and
- (e) date of birth.

Marginal note:Self-certification — entity crypto-asset user

(9) A self-certification provided by an entity crypto-asset user is valid only if it is signed or positively affirmed by the crypto-asset user, it is dated on the latest at the date of receipt by the reporting crypto-asset service provider and it contains the following information with respect to the entity crypto-asset user:

- (a) legal name;
- (b) address;
- (c) jurisdiction of residence for tax purposes;
- (d) the TIN with respect to each reportable jurisdiction;
- (e) in case of an entity crypto-asset user, other than an active entity or an excluded person, the information described in subsection (7) with respect to each controlling person of the entity crypto-asset user, unless such controlling person has provided a self-certification pursuant to subsection (7), as well as the role by virtue of which each reportable person is a controlling person of the entity, if not already determined on the basis of AML/KYC procedures; and
- (f) if applicable, information as to the criteria it meets to be treated as an active entity or excluded person.

Marginal note:Exception — TIN

(10) Despite subsections (7) and (8), a TIN of a reportable person is not required to be collected if

- (a) the jurisdiction of residence of the reportable person does not issue a TIN to the reportable person; or
- (b) the domestic law of the relevant reportable jurisdiction does not require the collection of the TIN issued by the reportable jurisdiction.

Marginal note:Exception — Part XIX

(11) A reporting crypto-asset service provider that is also a *financial institution* (as defined in subsection 270(1)) may rely on the due diligence procedures completed under sections 274 and 276 for the purposes of the due diligence procedures in this section.

Marginal note:Exception — self-certification

(12) A reporting crypto-asset service provider may rely on a self-certification already collected for other tax purposes for the purposes of the due diligence procedures in this section, provided the self-certification meets the requirements of subsection (7) or (8).

Marginal note:Delegation

(13) A reporting crypto-asset service provider may rely on a third party to fulfil the due diligence obligations set out in this section, but such obligations remain the responsibility of the reporting crypto-asset service provider.

Marginal note:Reporting

300 (1) Every reporting crypto-asset service provider to which sections 298 and 299 apply shall file with the Minister, before May 2 of each calendar year, an information return in prescribed form containing the information that is required to be reported in respect of the preceding calendar year under this Part.

Marginal note:Electronic filing

(2) The information return required under subsection (1) shall be filed by way of electronic filing.

Marginal note:Record keeping

301 (1) Every reporting crypto-asset service provider shall keep, at the service provider's place of business or at such other place as may be designated by the Minister, records that the service provider obtains or creates for the purpose of complying with this Part, including self-certifications and records of documentary evidence.

Marginal note:Form of records

(2) Every reporting crypto-asset service provider required by this Part to keep records that does so electronically shall retain them in an electronically readable format for the retention period referred to in subsection (3).

Marginal note:Retention of records

(3) Every reporting crypto-asset service provider that is required to keep, obtain or create records under this Part shall retain those records for a period of at least six years following the end of the last calendar year in respect of which the record is relevant.

Marginal note:Anti-avoidance

302 If an individual or an entity enters into an arrangement or engages in a practice, the primary purpose of which can reasonably be considered to be to avoid an obligation under this Part, this Part shall apply as if the individual or entity had not entered into the arrangement or engaged in the practice.

Marginal note:Production of TIN

303 (1) Every reportable person and every crypto-asset user that has a controlling person that is a reportable person shall provide their TIN and the TIN of each of their controlling persons, if applicable, at the request of a reporting crypto-asset service provider that is required under this Part to make an information return requiring the TIN.

Marginal note:Confidentiality of TIN

(2) A person required to make an information return referred to in subsection (1) shall not knowingly use, communicate or allow to be communicated, other than as required or authorized under this Act or a regulation,

the TIN without the written consent of the person to whom the TIN relates.

Marginal note:Penalty

(3) Every reportable person and every crypto-asset user that has a controlling person that is a reportable person who fails to provide on request their TIN to a reporting crypto-asset service provider that is required under this Part to make an information return requiring the TIN is liable to a penalty of \$500 for each such failure, unless

(a) an application for the assignment of the TIN is made to the relevant reportable jurisdiction not later than 90 days after the request was made and the TIN is provided to the reporting crypto-asset service provider that requested it within 15 days after the person to whom the TIN relates received it; or

(b) the reportable person or the crypto-asset user that has a controlling person that is a reportable person is not eligible to obtain a TIN from the relevant reportable jurisdiction (including because the relevant reportable jurisdiction does not issue TINs).

Marginal note:Assessment

(4) The Minister may at any time assess any amount payable under subsection (3) by any person and, if the Minister sends a notice of assessment to the person, sections 150 to 163, subsections 164(1) and (1.4) to (7), sections 165 to 167 and Division J of Part I apply with such modifications as the circumstances require.

(2) Subsection (1) applies to the 2026 and subsequent calendar years.

7 (1) Paragraph 9005(a) of the Regulations is repealed.

(2) Section 9006 of the Regulations is amended by striking out "and" after paragraph (k), by adding "and" after paragraph (l) and by adding the following after paragraph (l):

(m) a non-registered account held in a prescribed labour-sponsored venture capital corporation as set out in section 6701 if the total value of contributions to the account made in any calendar year does not exceed 50,000 USD.

(3) Subsections (1) and (2) apply to the 2026 and subsequent calendar years.

Employee Ownership Trust Tax Exemption

1 (1) Paragraph 110.61(1)(a) of the Act is replaced by the following:

(a) no individual has prior to the disposition time sought a deduction under this section or section 110.62 in respect of a disposition of shares that, at the time of that disposition, derived their value directly or indirectly, 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 business transfer* in subsection 248(1);

(2) Subparagraphs 110.61(1)(b)(i) and (ii) of the Act are replaced by the following:

(i) the subject shares were not owned by anyone other than the individual or a person or partnership related to the individual, except that if, at any time in the 24-month period immediately preceding the disposition time, the subject shares were substituted for other shares (in this paragraph referred to as the "substituted shares"), the subject shares shall be considered to have met the requirements of this subparagraph only where the substituted shares were not owned by any person or partnership other than a person or partnership described in this subparagraph throughout the period beginning 24 months before the disposition time and ending at the time of substitution, and

(ii) more than 50% of the fair market value of the subject shares and the substituted shares, if any, was derived, directly or indirectly, from assets which were used principally in an active business;

(3) Subparagraph 110.61(1)(d)(ii) of the Act is replaced by the following:

(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, continuous and substantial basis (including within the meaning of paragraph 120.4(1.1)(a)) 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 business transfer* in subsection 248(1), and

(4) Paragraphs 110.61(2)(a) and (b) of the Act are replaced by the following:

(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 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 same meaning as in subsection 110.6(1), except that the reference to "amount determined in respect of the individual for the year under paragraph (a) of the description of B in the definition **annual gains limit**" in paragraph (f) of that definition is to be read as "total of all amounts determined in respect of the individual for the year under subparagraph (iii) of the description of H in subsection 110.61(2) (to the extent that amount reduces the amount otherwise deductible under that subsection)", and

(B) **investment income** of an individual for a year, has the same meaning as in subsection 110.6(1), except that the reference to "amount determined in respect of the individual for the year for A in the definition **annual gains limit**" in paragraph (f) of that definition is to be read as "total of all amounts determined in respect of the individual for the year for the description of G in subsection 110.61(2) (except any amount that previously reduced the amount otherwise deductible by the individual in the year under 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.

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

Marginal note:Order of Application

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

(6) Paragraph 110.61(3)(b) of the Act is replaced by the following:

(b) the time that is the beginning of the taxation year of a qualifying business of the trust in which less than 50% of the fair market value of the shares of the qualifying business is derived, directly or indirectly, from assets used principally in an active business carried on by one or more qualifying businesses controlled by the trust at both that time and at the beginning of the preceding taxation year of the qualifying business (unless the active business has ceased to be carried on at that time due to the disposition of all the assets that were used to carry on the business in order to satisfy debts owed to creditors of the trust or of the qualifying business).

(7) Paragraph 110.61(4)(b) of the Act is replaced by the following:

(b) within 8 years of the day that is 24 months after the disposition time for the qualifying business transfer, in computing the income of the trust that participated in the qualifying business transfer, the trust 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.

(8) The Act is amended by adding the following after paragraph 110.61(11)(b):

(b.1) a spouse or common-law partner of a particular individual includes another individual who was a spouse or common-law partner of the particular individual immediately before the death of the other individual;

(9) Subsections (1) to (3) and (6) to (8) are deemed to have come into force on January 1, 2024.

(10) Subsections (4) and (5) are deemed to have come into force on August 12, 2024.

2 (1) Paragraph (j) of the definition *employee ownership trust* in subsection 248(1) of the Act is replaced by the following:

(j) all or substantially all the fair market value of the property of the trust is derived, directly or indirectly, from shares of the capital stock or indebtedness of one or more qualifying businesses that the trust controls and that carry on an active business;

(2) Paragraph (c) of the definition *qualifying business* in subsection 248(1) of the Act is replaced by the following:

(c) that deals at arm's length and is not affiliated with any person (other than a subject corporation referred to in paragraph (a) of the definition "qualifying business transfer" that controlled and wholly-owned the corporation immediately before the time the trust acquired control of the corporation) 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 trust acquired control of the corporation;

(3) Paragraph (a) of the definition *qualifying business transfer* in subsection 248(1) of the Act is replaced by the following:

(a) immediately before the disposition, all or substantially all the fair market value of the assets of the subject corporation is derived, directly or indirectly, from 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,

(4) Subparagraph (b)(iv) of the definition *fiducie collective des employés* in subsection 248(1) of the French version of the Act is replaced by the following:

(iv) immédiatement avant le moment d'un transfert admissible d'entreprise à la fiducie, ne détenait pas, directement ou indirectement, seule ou avec une personne ou société de personnes liée ou affiliée, des actions du capital-actions ou des dettes de l'entreprise admissible, dont la valeur est égale ou supérieure à 50 % de la juste valeur marchande des actions du capital-actions et des dettes de l'entreprise admissible,

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

Workers Cooperatives

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

Marginal note: 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 or section 110.61 in respect of a disposition of shares that, at the time of that disposition, derived their value directly or indirectly, 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, except that if, at any time in the 24-month period immediately preceding the disposition time, the subject shares were substituted for other shares (in this paragraph referred to as the "substituted shares"), the subject shares shall be considered to have met the requirements of this subparagraph only where the substituted shares were not owned by any person or partnership other than a person or partnership described in this subparagraph throughout the period beginning 24 months before the disposition time and ending at the time of substitution, and
 - (ii) more than 50% of the fair market value of the subject shares and the substituted shares, if any, was derived directly or indirectly 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, continuous and substantial basis (including within the meaning of paragraph 120.4(1.1)(a)) 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.

Marginal note:Capital gains deduction — qualifying cooperative conversions

(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 cooperative conversion,

(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.

Marginal note: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 derived, directly or indirectly, from 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 (unless the active business has ceased to be carried on at that time due to the disposition of all the assets that were used to carry on the business in order to satisfy debts owed to creditors of the worker cooperative or of the qualifying cooperative business).

Marginal note:Consequences of a disqualifying event

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

(a) within 24 months after 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) within 8 years of 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.

Marginal note: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).

Marginal note: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.

Marginal note: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).

Marginal note: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.

Marginal note: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.

Marginal note: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.

Marginal note: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 spouse or common-law partner of a particular individual includes another individual who was a spouse or common-law partner of the particular individual immediately before the death of the other individual;

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

(e) 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;

(f) 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

(g) 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 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 same meaning as in subsection 110.6(1) except that, the reference to "amount determined in respect of the individual for the year under paragraph (a) of the description of B in the definition **annual gains limit**" in paragraph (f) of that definition is to be read as "total of all amounts determined in respect of the individual for the year under subparagraph (iii) of the description of H in subsection 110.61(2) and subparagraph (iii) of the description of H in subsection 110.62(2) (to the extent that amount reduces the amount otherwise deductible under that subsection)", and

(B) **investment income** of an individual for a year, has the same meaning as in subsection 110.6(1) except that, the reference to "amount determined in respect of the individual for the year for A in the definition **annual gains limit**" in paragraph (f) of that definition is to be read as "total of all amounts determined in respect of the individual for the year for the description of G in subsection 110.61(2) and the description of G in subsection 110.62(2) (except any amount that previously reduced the amount otherwise deductible by the individual in the year under subsection 110.61(2) or 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, as enacted by subsection (1), is amended by adding the following after subsection (2):

Marginal note:Order of Application

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

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

(5) Subsections (2) and (3) are deemed to have come into force on August 12, 2024.

2 (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) of which not more than 40% of the directors 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 (other than a subject corporation referred to in paragraph (a) of the definition "qualifying cooperative conversion" that controlled and wholly-owned the corporation immediately before the time the worker cooperative acquired control of the corporation) 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 derived, directly or indirectly, from assets (other than an interest in a partnership) that are used principally in an active 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; (*travailleur admissible de coopérative*)

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 have come into force on January 1, 2024.

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:

Marginal note: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,
 - (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):

Marginal note: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:

Marginal note: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,

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

Marginal note: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.

Marginal note: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 under 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.

Marginal note: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.

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

Marginal note: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.

Marginal note: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, 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:

Marginal note: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 under 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.

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

Marginal note: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):

Marginal note:Penalties

(6) If an order under subsection (1) is issued in respect of a taxpayer's failure to comply with a requirement under section 231.1, 231.2 or 231.6 in respect of a taxation year of the taxpayer, the taxpayer is, in addition to any penalty otherwise provided, liable to a penalty of up to 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.

Marginal note:Penalty does not apply

(7) Subsection (6) does not apply

(a) to an order issued in respect of a taxpayer's failure to comply with a requirement to provide information, documents or to answer questions, if one of the reasons for not complying with the requirement was the

taxpayer's reasonable belief that the information, documents or answers were protected from disclosure by solicitor-client privilege; or

(b) 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.

Marginal note: 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).

Marginal note: 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.

Marginal note: Requirement to vacate or vary assessment

(10) If a taxpayer objects to an assessment of a penalty made under subsection (9), the Minister shall vacate or vary the assessment if the Minister determines that the penalty is, in the circumstances, disproportionate or unfair and may reduce the amount of the penalty or provide any other relief the Minister deems appropriate.

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

Marginal note: 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.

Marginal note: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.

Marginal note: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).

Marginal note: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).

Marginal note: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.

Marginal note: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.

Marginal note: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.

Marginal note: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.

Marginal note: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).

Marginal note: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.

Marginal note: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.

Marginal note: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.

Marginal note:When notice outstanding

(11) For the purposes of subsection (12) and paragraph 231.8(1)(e), a notice of non-compliance is outstanding beginning on the day on which 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.

Marginal note: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.

Marginal note:Reasonable belief that privileged

(13) Subsection (12) does not apply to a notice of non-compliance sent or served in respect of a person's non-compliance with a requirement to provide information or documents or to answer questions, if one of the reasons for the person not complying with the requirement was the person's reasonable belief that the information, documents or answers were protected from disclosure by solicitor-client privilege.

Marginal note:Assessment

(14) 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.

Excessive Interest and Financing Expenses Limitation Rules

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") of the taxpayer or a partnership of which the taxpayer is a member (referred to in this definition as the "borrower"),

(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 borrower, or
 - (B)** a particular person that does not deal at arm's length with the borrower 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 borrower;

(b) if

- (i)** the amount was paid or payable before 2036 to
 - (A)** a person that deals at arm's length with the borrower, or
 - (B)** a particular person that does not deal at arm's length with the borrower 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 borrower,
- (ii)** the amount is reasonably attributable to the portion of the borrowing that is used directly by the borrower for the purpose of
 - (A)** acquiring a property that is a purpose-built residential rental,
 - (B)** building a purpose-built residential rental, or
 - (C)** converting a property of the borrower 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 borrower and is a purpose-built residential rental or is being built or converted to be a purpose-built residential rental, and
- (iv)** the taxpayer elects, 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 was paid or payable to
 - (A)** a person that deals at arm's length with the borrower, or
 - (B)** a particular person that does not deal at arm's length with the borrower 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 borrower,
- (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 Canadian regulated energy utility business carried on directly by the borrower,
- (iii)** all or substantially all of the property (other than the property acquired using borrowed money the interest from which is excluded interest) of the borrower is

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

(B) located in Canada, and

(iv) the taxpayer 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. (*dépenses d'intérêts et de financement exonérées*)

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

Canadian 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) if that definition were read without reference to its paragraph (d)). (*entreprise canadienne réglementée de services publics d'énergie*)

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*)

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

Marginal note:Deeming rule

(20) For the purpose of determining a taxpayer's adjusted taxable income for a taxation year, if the taxpayer 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 for the year from a Canadian regulated energy utility business of the taxpayer or a partnership of which the taxpayer is a member 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.

Marginal note:Deeming rule

(21) For the purposes of paragraphs (b) and (c) of the definition *exempt interest and financing expenses* in subsection (1), if a taxpayer is a member of a partnership, the taxpayer will not, solely because it is a member of the partnership, be considered to carry on any business or other activity of the partnership.

(4) Subsections (1) to (3) apply in respect of taxation years of a taxpayer that begin on or after October 1, 2023, except that for purposes of subparagraphs (b)(iv) and (c)(iv) of the definition *exempt interest and financing expenses*, as enacted by subsection (1), the filing-due date of the taxpayer for a taxation year is deemed to be the later of the filing-due date of the taxpayer for the taxation year otherwise determined and the day that is 90 days after royal assent of the enacting legislation.

2 (1) Section 18.21 of the Act is amended by adding the following after subsection (8):

Marginal note:Deeming rule

(9) For the purpose of the description of N in the definition *group adjusted net book income*, of a consolidated group in a relevant period, in subsection (1), if a taxpayer that is a member of the consolidated group has made an election under subparagraph (c)(iv) of the definition *exempt interest and financing expenses* in subsection 18.2(1) for a taxation year ending in the relevant period, or for any preceding taxation year, any net income of the taxpayer reported in the consolidated financial statements of the consolidated group from a Canadian regulated energy utility business of the taxpayer or a partnership of which the taxpayer is a member is deemed to be earned by the taxpayer in respect of a borrowing (within the meaning of the definition *exempt interest and financing expenses* in subsection 18.2(1)) that results in exempt interest and financing expenses of the taxpayer.

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

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

Marginal note: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), the definition *exempt interest and financing expenses* in subsection 18.2(1), subsections 20.1(1) and (2), section 21 and subparagraph 95(2)(a)(ii) 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.

Substantive CCPCs

1 (1) Paragraph 55(5)(c) of the Act is replaced by the following:

(c) the income earned or realized by a corporation for a period throughout which it was a private corporation is deemed to be its income for the period otherwise determined on the assumption that

(i) no amounts were deductible by the corporation under section 37.1 of this Act, as that section applies for taxation years that ended before 1995, or paragraph 20(1)(gg) of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, and

(ii) any amount deductible under section 113 and included in the corporation's *capital dividend account* (as defined in subsection 89(1)) under paragraph (h) of that definition was not included in the corporation's income;

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

2 (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) Paragraph (b) of the description of E in 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)(b) (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;

(3) Clause (b)(i)(A) of the description of E in the definition *general rate income pool* in subsection 89(1) of the Act, as enacted by subsection (7), 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, and

(4) Clause (b)(ii)(A) of the description of E in the definition *general rate income pool* in subsection 89(1) of the Act, as enacted by subsection (7), 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,

(5) Subsections (1) and (2) apply to taxation years that begin on or after April 7, 2022.

(6) Subsections (3) and (4) apply to taxation years that begin on or after August 9, 2022.

3 (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 2025. Subsection (1) also applies to preceding taxation years if an election is filed under subsection 93.4(4) or (5) of the Act.

4 (1) The Act is amended by adding the following after section 93.3:

Marginal note: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 in 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 in 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 that are included in computing the subject affiliate's *net earnings* or *net loss* (as defined in subsection 5907(1) of the *Income Tax Regulations*)

(i) in respect of 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), or

(ii) 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 that

(a) would not be included in the computation of the affiliate's *aggregate investment income* (as defined in subsection 129(4)) if

(i) the affiliate were, at all times, a Canadian-controlled private corporation, and

(ii) all amounts that were included in the computation of the affiliate's foreign accrual property income for the taxation year were from a source in Canada; and

(b) are not derived from an amount paid or payable, directly or indirectly, by a person or partnership (in this definition referred to as the "payer") to the affiliate or to a partnership of which the affiliate was a member where

(i) the payer is

(A) a Canadian-controlled private corporation or a substantive CCPC,

(B) a corporation carrying on a personal services business,

(C) an individual resident in Canada,

(D) a foreign affiliate (in this definition referred to as the "payer affiliate") of

(I) any taxpayer of whom the affiliate is a foreign affiliate, or

(II) another taxpayer who does not deal at arm's length with

1 the affiliate, or

2 any taxpayer of whom the affiliate is a foreign affiliate, or

(E) a partnership, if any person that is a member of the partnership, directly or indirectly through one or more partnerships, is described in any of clauses (A) to (D) (each of which is referred to in this definition as a "relevant member"),

(ii) if the payer – or where clause (i)(E) applies, a relevant member – is a person described in any of clauses (i)(A) to (C), the payer or relevant member

(A) is a taxpayer of whom the affiliate is a foreign affiliate, or

(B) does not deal at arm's length with

(I) the affiliate, or

(II) any taxpayer of whom the affiliate is a foreign affiliate, and

(iii) the amount paid or payable

(A) if the payer or a relevant member is a person described in clause (i)(A), is deductible in computing the aggregate investment income or reduces the tax otherwise payable under section 123.3 for a taxation year of the payer or the relevant member, as the case may be,

(B) if the payer or a relevant member is a person described in clause (i)(B) or (C), is deductible in computing the income for a taxation year of the payer or the relevant member, as the case may be, and

(C) if the payer or a relevant member is a person described in clause (i)(D), is deductible in computing the foreign accrual property income, other than foreign accrual business income, for a taxation year of the payer affiliate or the relevant member, as the case may be. (*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*)

Marginal note: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".

Marginal note: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.

Marginal note: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 2025, 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 2025 or would be required to be filed if that section applied to the partnership.

Marginal note:Pre-2026 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 2026, 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 2025, 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 2025 or would be required to be filed if that section applied to the partnership.

Marginal note:Tax-free surplus balance computation

(6) If a taxpayer has made an election under this section in respect of any taxation year, the *tax-free surplus balance* (as defined in subsection 5905(5.5) of the *Income Tax Regulations*) of a foreign affiliate of the taxpayer (or, if the taxpayer is a partnership, a foreign affiliate of a member of the partnership) at any time in the taxation

year and any subsequent taxation year is to be determined as if subparagraph 5905(5.5)(b)(i) of the *Income Tax Regulations* were read as follows:

(i) the amount, if any, determined by the formula

$$A + B$$

where

A is the lesser of

(A) the amount, if any, determined by the formula

$$C \times D$$

where

C is the affiliate's **underlying FABI surplus tax** (as defined in subsection 93.4(1) of the Act) in respect of the corporation at that time, and

D is the amount by which the amount that would be the corporation's **relevant tax factor** (as defined in subsection 95(1) of the Act) for the corporation's taxation year that includes that time if it were determined under paragraph (a) of that definition, exceeds one, and

(B) the affiliate's **FABI surplus** (as defined in subsection 93.4(1) of the Act) in respect of the corporation at that time, and

B is the lesser of

(A) the amount, if any, determined by the formula

$$E \times F$$

where

E is the affiliate's underlying foreign tax other than its **underlying FABI surplus tax** (as defined in subsection 93.4(1) of the Act) in respect of the corporation at that time, and

F is the amount by which the corporation's **relevant tax factor** (as defined in subsection 95(1) of the Act) for the corporation's taxation year that includes that time, exceeds one, and

(B) the affiliate's taxable surplus other than its **FABI surplus** (as defined in subsection 93.4(1) of the Act) in respect of the corporation at that time, and

(2) Subsection (1) applies to taxation years that begin after 2025. Subsection (1) also applies to preceding taxation years if an election is filed under subsection 93.4(4) or (5) of the Act.

5 (1) The portion of paragraph (a) of the definition *relevant tax factor* in subsection 95(1) of the Act before the formula 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.

6 (1) The definitions *perte et revenu* in the French version of subsection 129(4) of the Act are repealed.

(2) Paragraph (b) of the definition *income* or *loss* in subsection 129(4) of the English version 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 in accordance with 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. (*revenu* ou *perte*)

(3) Subsection 129(4) of the French version of the Act is amended by adding the following in alphabetical order:

revenu ou *perte* le revenu ou la perte d'une société pour une année d'imposition provenant d'une source qui est un bien :

a) comprend le revenu ou la perte provenant d'une entreprise de placement déterminée qu'elle exploite au Canada, sauf celui ou celle provenant d'une source à l'étranger;

b) ne comprend pas, selon le cas :

(i) le revenu ou la perte provenant d'un bien qui se rapporte directement ou accessoirement à une entreprise qu'elle exploite activement,

(ii) le revenu ou la perte provenant d'un bien qui est utilisé ou détenu principalement pour tirer un revenu d'une entreprise qu'elle exploite activement,

(iii) pour chaque choix exercé pour l'année en application du paragraphe 93.4(2) par la société ou par une société de personnes dont la société est un associé (ou dont la société est réputée être un associé en vertu du paragraphe 93.1(3)), selon le cas :

(A) la fraction du montant REATE (au sens de l'alinéa 93.4(2)a)) relativement au choix qui est incluse dans le calcul du revenu de la société en application du paragraphe 91(1) pour l'année ou, si le choix a été exercé par une société de personnes dont la société est un associé, la fraction du montant REATE incluse au revenu de la société de personnes en vertu du paragraphe 91(1) qui est incluse dans le revenu de la société pour l'année conformément au paragraphe 96(1),

(B) la fraction du montant déduit en vertu du paragraphe 91(4) qui est déterminée en application du sous-alinéa 93.4(2)b)(i) relativement au montant REATE auquel le choix se rapporte. (*income* or *loss*)

(4) Subsections (1) to (3) apply to taxation years that begin on or after April 7, 2022.

7 (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) to (5), 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 2025. Subsection (1) also applies to preceding taxation years if an election is filed under subsection 93.4(4) or (5) of the Act.

Date modified:

2025-08-13

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