1975

c 17 The Corporations Tax Amendment Act, 1975

Ontario
CHAPTER 17

An Act to amend
The Corporations Tax Act, 1972

Assented to May 2nd, 1975

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

1. — (1) Paragraph 6 of subsection 1 of section 1 of The Corporations Tax Act, 1972, being chapter 143, is repealed and the following substituted therefor:

6. "bank" means a bank to which the Bank Act (Canada) or the Quebec Savings Banks Act (Canada) applies.

R.S.C. 1970, c. B-1

R.S.C. 1970, c. B-1

(2) Subsection 1 of the said section 1, as amended by the Statutes of Ontario, 1973, chapter 157, section 1, and 1974, chapter 75, section 1, is further amended by adding thereto the following paragraph:

9a. "Canadian resource property" has the meaning given to that expression by section 63.

(3) Subsection 1 of the said section 1 is further amended by adding thereto the following paragraph:

17a. "credit union" has the meaning given to that expression by subsection 5 of section 114.

(4) Subsection 1 of the said section 1 is further amended by adding thereto the following paragraphs:

33a. "foreign affiliate", at any time, of a corporation has the meaning given to that expression under paragraph d of subsection 1 of section 95 of the Income Tax Act (Canada);

38a. "international traffic" means in respect of a non-resident corporation carrying on the business of
transporting passengers or goods, any voyage made in the course of that business where the principal purpose of the voyage is to transport passengers or goods,

i. from Canada to a place outside Canada,

ii. from a place outside Canada to Canada, or

iii. from a place outside Canada to another place outside Canada.

(5) Subsection 1 of the said section 1 is further amended by adding thereto the following paragraph:

50a. “paid-up capital” has the meaning given to that expression by subsection 1 of section 83 but such meaning does not apply for the purposes of section 106a or Part III of this Act.

(6) Paragraph 66 of subsection 1 of the said section 1 is repealed and the following substituted therefor:

66. “resident in Canada” means “resident in Canada” as that term is defined in the Income Tax Act (Canada).

(7) Paragraph 68 of subsection 1 of the said section 1 is repealed and the following substituted therefor:

68. “share” means a share or fraction thereof of the capital stock of a corporation.

(8) Paragraph 76 of subsection 1 of the said section 1 is repealed and the following substituted therefor:

76. “taxable Canadian property” has the meaning given to that expression by subsection 1 of section 115 of the Income Tax Act (Canada) except that, for the purposes of section 2 the expression “taxable Canadian property” includes,

i. a Canadian resource property, within the meaning given to that expression by subsection 12 of section 63, or any property that would have been a Canadian resource property, within the meaning given to that expression by subsection 12 of section 63, if it had been acquired after 1971,

ii. a timber resource property,
iii. an income interest in a trust resident in Canada, and

iv. a right to a share of income or loss under an agreement referred to in clause a of subsection 1a of section 85.

(9) Subsection 1 of the said section 1 is further amended by s. 1(1), adding thereto the following paragraphs:

83a. "timber resource property" has the meaning given to that expression by clause da of subsection 17 of section 17;

83b. "timber royalty" includes any consideration for a right under or pursuant to which a right to cut or take timber from a timber limit in Canada is obtained or derived, to the extent that such consideration is dependent upon, or computed by reference to, the amount of timber cut or taken.

2.—(1) Clause b of subsection 2 of section 2 of the said Act is repealed and the following substituted therefor:

(b) owned real property, timber resource property or a timber limit in Ontario the income from which arose from the sale or rental thereof or is a royalty or timber royalty; or

(2) Clause b of subsection 3 of the said section 2 is repealed and the following substituted therefor:

(b) owned real property, timber resource property or a timber limit in Ontario the income from which arose from the sale or rental thereof or is a royalty or a timber royalty and the corporation has elected to file a return of income under Part 1 of the Income Tax Act (Canada) pursuant to section 216 of that Act; or

3. Section 3 of the said Act is repealed and the following substituted therefor:

3. For the purposes of subsection 2 or 3 of section 2, a corporation “owned real property, timber resource property or a timber limit” if it had a legal, equitable or beneficial interest in the real property, timber resource property or timber limit.
Clause 4.—(1) Clause b of subsection 1 of section 16 of the said Act is repealed and the following substituted therefor:

(b) any amount receivable by the corporation in respect of property sold or services rendered in the course of a business in the year, notwithstanding that the amount or any part thereof is not due until a subsequent year, unless the method adopted by the corporation for computing income from the business and accepted for the purpose of this Part does not require it to include any amount receivable in computing its income for a fiscal year unless it has been received in the year.

(2) Subsection 1 of the said section 16, as amended by the Statutes of Ontario, 1973, chapter 157, section 2, is further amended by striking out “and” at the end of clause m, by adding “and” at the end of clause n and by adding thereto the following clause:

(o) any amount (other than an amount, referred to in clause n of subsection 1 of section 22, paid or payable by the corporation) receivable in the year or the fair market value of any property receivable (other than an amount of property receivable by Her Majesty in right of Canada for the use and benefit of a band or bands as defined in the Indian Act (Canada)) in the year by,

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

(ii) an agent of Her Majesty in right of Canada or a province, or

(iii) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by Her Majesty in right of Canada or a province or by an agent of Her Majesty in right of Canada or a province, as a royalty or an equivalent amount, tax (other than a tax or portion thereof that may reasonably be considered to be a municipal or school tax levied for the purpose of providing services in the immediate area of the property of the corporation), rental, bonus, levy or otherwise or as an amount, however described, that may reasonably be regarded as being in lieu of a royalty or an equivalent amount, tax, rental, bonus, levy or other amount, whether such royalty or equivalent amount, tax, rental,
bonus, levy or other amount is receivable pursuant to any other Act or a contract, that may reasonably be regarded as being in relation to,

(iv) the acquisition, development or ownership by a corporation of a Canadian resource property or a property that would have been a Canadian resource property if it had been acquired after 1971, or

(v) the production in Canada of,

(A) petroleum, natural gas or related hydrocarbons, or

(B) metal or industrial minerals to any stage that is not beyond the prime metal stage or its equivalent,

from an oil or gas well or mineral resource situated on property in Canada from which the corporation had, at the time of such production, a right to take or remove petroleum, natural gas or related hydrocarbons or a right to take or remove metal or industrial minerals.

(3) The said section 16 is amended by adding thereto the following subsections:

(3) Notwithstanding clause c of subsection 1 where the corporation is a bank, a credit union, a life insurance corporation, a trust company or any other corporation, other than a mutual fund corporation or a mortgage investment corporation, that borrows money from the public in the course of carrying on a business the principal purpose of which is the making of loans or whose principal business is the making of loans, there shall be included in computing its income from the business for a fiscal year interest accrued in respect of the year and interest receivable in the year to the extent that such interest was not included in computing the corporation's income for a previous fiscal year.

(4) For the purposes of subsection 3, “trust company” means a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee.

5. The said Act is amended by adding thereto the following section:

16a. Notwithstanding any other provision of this Act, where in a fiscal year a corporation receives any amount from Savings Bond...
the Government of Canada in respect of a Canada Savings Bond as a cash bonus that the Government of Canada has undertaken to pay, other than any amount of interest, bonus or principal agreed at the time of the issue of the bond to be paid under the terms of the bond, the corporation shall, in computing its income for the year, include,

(a) the amount, or such portion thereof, if any, as the corporation may report as interest; and

(b) an amount equal to one-half of the amount, if any, by which,

(i) the amount received as a cash bonus,

exceeds

(ii) the portion of the amount reported as interest under clause (a),

as a taxable capital gain for the year from the disposition of a property.

s.17. amended

6.—(1) Section 17 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 42, section 3, is further amended by adding thereto the following subsection:

(1a) Notwithstanding subsection 1, where in a fiscal year a timber resource property of a corporation has been disposed of, there shall be included in computing its income for the year the amount, if any, by which,

(a) the proceeds of disposition thereof,

exceeds

(b) the undepreciated capital cost to it, immediately before the disposition, of depreciable property of a prescribed class in which the timber resource property was included.

s.17.(2). Amended

(2) Subsection 2 of the said section 17 is amended:

(a) by striking out "subsection 1" in the first, ninth, nineteenth, twenty-seventh and thirty-eighth lines, and inserting in lieu thereof in each instance "subsection 1 or 1a"; and

(b) by striking out "subsection 1" in the sixth line and inserting in lieu thereof "subsections 1 and 1a".
(3) Subsection 3 of the said section 17 is repealed and the following substituted therefor:

(3) Where an amount that would otherwise be included in computing the income of a corporation for a fiscal year, hereinafter referred to as the "initial year", by virtue of this section is,

(a) an amount receivable, in respect of loss or destruction of property of a prescribed class,

(i) under a policy of insurance, or

(ii) otherwise as compensation for the property so lost or destroyed; or

(b) an amount receivable as compensation for property of a prescribed class taken under statutory authority or as the sale price of property sold to a person by whom notice of an intention to take it under statutory authority was given,

the following rule applies,

(c) the amount shall, to the extent that it has been used by a corporation,

(i) before the end of the time certified by the Minister to be a reasonable time following the initial year, if the property so lost, destroyed, taken or sold was a vessel, or

(ii) before the end of the second fiscal year following the initial year if the property is not property referred to in subclause i,

to acquire, as a replacement for the property referred to in clause a or b, a property, in this section referred to as "replacement property", of a prescribed class that has not been disposed of by the corporation before the time the property referred to in clause a or b was disposed of,

(iii) subject to subclause iv, not be included in computing the income of the corporation for the initial year, and

(iv) be deemed to be proceeds of disposition of a depreciable property of the corporation, that had a capital cost equal to the amount of those
proceeds and that was property of the same class as the replacement property, from a disposition made on the later of,

(A) the time the replacement property was acquired, or

(B) the time immediately after the time the property referred to in clause a or b was disposed of.

(4) Paragraph 5 of subsection 6 of the said section 17 is repealed and the following substituted therefor:

5. Where a corporation has received or is entitled to receive a grant, subsidy, forgivable loan, investment allowance or other assistance from a government, municipality or other public authority in respect of or for the acquisition of property, other than an amount,

i. authorized to be paid under an Appropriation Act (Canada) and on terms and conditions approved by the Minister in respect of scientific research expenditures incurred for the purpose of advancing and sustaining the technological capability of Canadian manufacturing or other industry, or

ii. authorized to be paid under the Industrial Research and Development Incentives Act (Canada) or the Area Development Incentives Act (Canada) and approved by the Minister,

the capital cost of the property to the corporation shall be deemed to be the amount by which the aggregate of,

iii. the capital cost thereof to the corporation, otherwise determined, and

iv. such part, if any, of the assistance as has been repaid by the corporation pursuant to an obligation to repay all or any part of that assistance,

exceeds

v. the amount of the assistance.

(5) Subsection 6 of the said section 17 is amended by adding thereto the following paragraph:
6. Notwithstanding clause $f$ of subsection 17,

i. the undepreciated capital cost referred to in subclause ii of clause $c$ of subsection 1 of section 46 shall be determined after giving effect to the disposition of the former property referred to in subsection 1 of section 46, and

ii. the undepreciated capital cost, immediately before the time determined under sub-subclause B of subclause iv of clause $c$ of subsection 3, of the class of property to which the replacement property referred to in clause $c$ of subsection 3 belongs shall be determined after giving effect to,

(A) the disposition of the former property referred to in subsection 1 of section 46, and

(B) the reduction, referred to in clause $b$ of subsection 1 of section 46, in the capital cost of that replacement property.

(6) Clause $a$ of subsection 11 of the said section 17 is amended by inserting after "before" in the fifth line "May" and by striking out "1974" in the twenty-eighth line and inserting in lieu thereof "1975".

(7) Subsection 14 of the said section 17 is amended by striking out "expended" in the third line and inserting in lieu thereof "used", by striking out "subclause iii of" in the third and fourth lines and by striking out "1974" in the seventh line and inserting in lieu thereof "1975".

(8) Subsection 15 of the said section 17 is amended by striking out "1974" in the sixth line and inserting in lieu thereof "1975" and by striking out "1974" in the twentieth line and inserting in lieu thereof "the 1st day of July, 1975".

(9) Subsection 16 of the said section 17 is amended by striking out "1974" in the fifth line and in the twenty-fourth line and inserting in lieu thereof in each instance "1975".

(10) Subsection 17 of the said section 17 is amended by adding thereto the following clause:

(da) "timber resource property" of a corporation means,
(i) a right or licence to cut or remove timber from a limit or area in Canada, in this clause referred to as an "original right", if,

(A) that original right was acquired by the corporation, other than in the manner referred to in subclause ii, after May 6, 1974, and

(B) at the time of the acquisition of the original right,

1. the corporation may reasonably be regarded as having acquired, directly or indirectly, the right to extend or renew that original right or to acquire another such right or licence in substitution therefor, or

2. in the ordinary course of events, the corporation may reasonably expect to be able to extend or renew that original right or to acquire another such right or licence in substitution therefor, or

(ii) any right or licence owned by the corporation to cut or remove timber from a limit or area in Canada if that right or licence may reasonably be regarded,

(A) as an extension or renewal of or as one of a series of extensions or renewals of an original right of the corporation, or

(B) as having been acquired in substitution for or as one of a series of substitutions for an original right of the corporation or any renewal or extension thereof.

(11) Clause f of subsection 17 of the said section 17 is amended by,

(a) inserting after "property" in the first and second lines of subclause ii "other than a timber resource property"; and

(b) adding thereto the following subclause:
(iiia) for each disposition before that time of a timber resource property of the corporation of that class, the lesser of,

(A) the proceeds of disposition of the property, and

(B) the undepreciated capital cost to it of property of that class immediately before the disposition.

7.-(1) Clause n of subsection 1 of section 22 of the said Act, as enacted by the Statutes of Ontario, 1974, chapter 75, section 2, is repealed and the following substituted therefor:

(n) any amount paid or payable in the year or the fair market value of any property paid or payable in the year (other than an amount or property paid or payable to Her Majesty in right of Canada for the use and benefit of a band or bands as defined in the Indian Act (Canada) ) to,

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

(ii) an agent of Her Majesty in right of Canada or a province, or

(iii) a corporation, commission, or association that is controlled, directly or indirectly in any manner however, by Her Majesty in right of Canada or a province or by an agent of Her Majesty in right of Canada or a province, as a royalty or an equivalent amount, tax (other than a tax or portion thereof that may reasonably be considered to be a municipal or school tax levied for the purpose of providing services in the immediate area of the property of the corporation), rental, bonus, levy or otherwise or as an amount, however described, that may reasonably be regarded as being in lieu of a royalty or an equivalent amount, tax, rental, bonus, levy or other amount (whether such royalty or equivalent amount, tax, rental, bonus, levy or other amount is paid or payable pursuant to any other Act or a contract) that may reasonably be regarded as being in relation to,

(iv) the acquisition, development or ownership of a Canadian resource property, or a property
that would have been a Canadian resource property if it had been acquired after 1971, or

(v) the production in Canada of,

(A) petroleum, natural gas or related hydro-carbons, or

(B) metal or industrial minerals, to any stage that is not beyond the prime metal stage or its equivalent,

from an oil or gas well or mineral resource situated on property in Canada from which the corporation had, at the time of such production, a right to take or remove petroleum, natural gas or related hydro-carbons or a right to take or remove metal or industrial minerals.

(2) Subsection 3 of the said section 22 is repealed and the following substituted therefor:

(3) In subsection 2,

(a) "interest on borrowed money used to acquire land" includes,

(i) interest paid or payable in a year in respect of borrowed money that cannot be identified with particular land but that may nonetheless reasonably be considered, having regard to all the circumstances, as interest on borrowed money used in respect of or for the acquisition of land, and

(ii) interest paid or payable in the year by a corporation in respect of borrowed money that may reasonably be considered, having regard to all the circumstances, to have been used to assist, directly or indirectly, another person with whom the corporation does not deal at arm's length to acquire land to be used or held by that person, otherwise than as described in clause c or d or subsection 2, except where the assistance is in the form of a loan to that person and a reasonable rate of interest thereon is charged by the corporation; and
(b) "land" does not, except to the extent that it is used for the provision of parking facilities for a fee or charge, include,

(i) any property that is a building or other structure affixed to land,

(ii) the land subjacent to any property described in subclause i, or

(iii) such land immediately contiguous to the land described in subclause ii that is a parking area, driveway, yard, garden or similar land that is necessary for the use of any property described in subclause i.

(3) Subsection 5 of the said section 22, as amended by the Statutes of Ontario, 1973, chapter 157, section 4, is repealed and the following substituted therefor:

(5) In subsection 4, "outstanding debts to specified non-residents" of a corporation at any particular time in a fiscal year means,

(a) the aggregate of amounts each of which is an amount outstanding at that time as or on account of a debt or other obligation to pay an amount,

(i) that was payable by the corporation to a person who was, at any time in the year,

(A) a shareholder of the corporation, who, either alone or together with persons with whom the shareholder was not dealing at arm's length, owned 25 per cent or more of the issued shares of any class of the corporation and who was,

1. a person not resident in Canada, or

2. a non-resident-owned investment corporation, or

(B) a person described in paragraph 1 or 2 of sub-subclause A who was not dealing at arm's length, with a shareholder of the corporation, if the shareholder, either alone or together with persons with whom he was not dealing
at arm's length, owned 25 per cent or more of the issued shares of any class of the corporation, and

(ii) on which any amount in respect of interest paid or payable by the corporation is or would be, but for subsection 4, deductible in computing the corporation's income for the year,

but does not include,

(b) where the corporation is a subsidiary of a non-resident life insurance corporation, the aggregate of amounts each of which is an amount outstanding at that time as or on account of a debt or other obligation to pay an amount to the life insurance corporation and such debt or other obligation has, by virtue of an election made under subsection 9 of section 138 of the Income Tax Act (Canada), been included by the life insurance corporation in its fiscal year that included the particular time as property held by it in the year in the course of carrying on an insurance business in Canada and the life insurance corporation has included the revenue therefrom in computing its income for the year from carrying on an insurance business in Canada.

8.—(1) Clause p of subsection 1 of section 24 of the said Act is amended by striking out "receivable" in the fifth line and inserting in lieu thereof "due".

(2) Clause dd of subsection 1 of the said section 24 is repealed and the following substituted therefor:

(dd) an amount other than a commission paid by the corporation in the fiscal year to a person,

(i) for advice as to the advisability of purchasing or selling a specific share or security of the corporation, or

(ii) for services in respect of the administration or management of shares or securities of the corporation,

if that person's principal business,

(iii) is advising others as to the advisability of purchasing or selling specific shares or securities, or
(iv) includes the provision of services in respect of the administration or management of shares or securities.

(3) Subsection 5 of the said section 24 is amended by inserting after "property" in the second line "other than a timber resource property".

(4) The said section 24, as amended by the Statutes of Ontario, 1973, chapter 42, section 5, 1973, chapter 157, section 5 and 1974, chapter 75, section 3, is further amended by adding thereto the following subsection:

(5a) Where an amount that is owing to a corporation as or on account of the proceeds of disposition of a timber resource property of the corporation is established by it to have become a bad debt in a fiscal year, the amount so owing to the corporation may be deducted in computing its income for the fiscal year.

(5) Subsection 6 of the said section 24 is amended by inserting after "property" in the first line "other than a timber resource property".

(6) The said section 24 is further amended by adding thereto the following subsection:

(6a) Where a timber resource property of a corporation has, in a fiscal year, been disposed of to a person with whom the corporation was dealing at arm's length, and the proceeds of disposition include an agreement for sale of or mortgage or hypothec on land that the corporation has, in a subsequent fiscal year, sold to a person with whom it was dealing at arm's length, there may be deducted in computing the income of the corporation for the subsequent fiscal year the amount, if any, by which the principal amount of the agreement for sale, mortgage or hypothec outstanding at the time of the sale exceeds the consideration paid by the purchaser to the corporation for the agreement for sale, mortgage or hypothec.

(7) Subsection 9 of the said section 24 is repealed and the following substituted therefor:

(9) Clause (v) of subsection 1 does not apply to allow a deduction in computing the income of a corporation for a fiscal year from a business in respect of a property sold in the course of the business if the corporation, at the end of the fiscal year or at any time in the immediately following fiscal year,
(a) was exempt from tax under any provision of this Part; or

(b) ceased to have a permanent establishment in Canada.

(8) Subsection 10 of the said section 24 is amended by inserting after “the” in the sixth line “nine”.

(9) The said section 24 is further amended by adding thereto the following subsection:

(10a) Notwithstanding clause b of subsection 1 of section 22, there may be deducted in computing the income of a corporation for a fiscal year from a business an amount paid by the corporation in the fiscal year as or on account of expenses incurred by an employee or officer of the corporation in attending, in connection with the business, not more than two conventions held during the year by a business or professional organization at a location that may reasonably be regarded as consistent with the territorial scope of that organization.

(10) Subsection 2 of section 25 of the said Act is amended by inserting after “development” in the second and third lines and in the fourth line “or the acquisition of property” and by striking out “and” in the fourth line and inserting in lieu thereof “or”.

(2) Clause a of subsection 2 of the said section 25 is amended by striking out “and” in the twelfth line and inserting in lieu thereof “or”.

(3) Clause b of subsection 2 of the said section 25 is amended by striking out “exploration, prospecting and development expenses” in the third line and inserting in lieu thereof “Canadian exploration and development expenses as defined in section 63”.

(10) Subsection 2 of section 26 of the said Act is amended by inserting after “shall”, in the fourth line “subject to subsection 1 of section 66”.

(10) Subsection 2 of section 27 of the said Act is repealed.

(12) (1) Clause a of subsection 1 of section 35 of the said Act is repealed and the following substituted therefor:

(a) the aggregate of,

(i) 1½ per cent of the lesser of,
(A) the aggregate of,

1. each amount outstanding at the end of the fiscal year as or on account of the amortized cost of loans made by the corporation on the security of a mortgage, hypothec or agreement for sale of real property, or as or on account of the amortized cost of any such mortgage, hypothec or agreement for sale purchased by the corporation,

2. each amount due and unpaid at the end of the fiscal year as or on account of interest payable to the corporation under a mortgage, hypothec or agreement for sale of real property,

3. each amount that has been taken into account in computing the income of the corporation for the fiscal year as or on account of the value of real property of the corporation that was included in the inventory of the corporation at the end of the year and that was acquired, by foreclosure or otherwise, after default made under a mortgage, hypothec or agreement for sale of real property, otherwise than as or on account of the value of real property in respect of which any amount for the year has been included under paragraph 1 or 2, and

4. where the corporation is licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada the business of offering to the public its services as trustee, each amount outstanding at the end of the fiscal year as or on ac-
count of the amortized cost of a bond or debenture (other than a bond or debenture that matures within one year after that time) owned by the corporation at that time and held by it in respect of money received by it in trust for investment subject to a guarantee by it in respect of the repayment of the principal or the payment of interest, or both, and each amount due and unpaid as or on account of interest payable in respect of such bond or debenture to the corporation, and

(B) $2,000,000,000, and

(ii) 1 per cent of the amount, if any, by which the aggregate referred to in sub-subclause A of subclause i exceeds the amount referred to in sub-subclause B of subclause i; and

(2) The said section 35 is amended by adding thereto the following subsection:

(3) In this section, "amortized cost" of a bond, debenture, mortgage, hypothec or agreement for sale at any time means the amount, if any, by which the aggregate of,

(a) the cost to the corporation of acquiring the bond, debenture, mortgage, hypothec or agreement for sale; and

(b) the portion of the amount, if any, by which,

(i) the principal amount of the bond, debenture, mortgage, hypothec or agreement for sale at the time it was acquired by the corporation,

exceeds

(ii) the cost thereof to the corporation of acquiring it,
that was included in computing the income of the corporation for any fiscal year ending at or before that time,

exceeds the aggregate of,

(c) the portion of the amount, if any, by which,

(i) the cost to the corporation of acquiring the bond, debenture, mortgage, hypothec or agreement for sale,

exceeds

(ii) the principal amount thereof at the time it was acquired by the corporation,

that was deducted in computing the income of the corporation for any fiscal year ending at or before that time; and

(d) the aggregate of all amounts that, before that time, the corporation became entitled to receive as or on account or in lieu of payment of or in satisfaction of the principal amount of the bond, debenture, mortgage, hypothec or agreement for sale.

13.—(1) Clause a of subsection 1 of section 39 of the said Act is amended by striking out “all expenditures of a current nature made in Canada in the fiscal year” in the first and second lines and inserting in lieu thereof “such amounts as may be claimed by the corporation not exceeding all expenditures of a current nature made in Canada by the corporation in the fiscal year or in any previous fiscal year ending after 1973”.

(2) Subsection 1 of section 39 is amended by striking out all that portion thereof following subclause ii of clause b and inserting in lieu thereof the following:

(c) such amounts as may be claimed by the corporation not exceeding all expenditures in the fiscal year or in any previous fiscal year ending after 1973 by way of repayment of amounts paid to the corporation under an Appropriation Act (Canada) and on terms and conditions approved by the Minister in respect of scientific research expenditures incurred for the purpose of advancing or sustaining the technological capability of Canadian manufacturing or other industry,
exceeds

(d) the aggregate of all amounts paid to the corporation in the fiscal year or in any previous fiscal year ending after 1973 under an Appropriation Act (Canada) and on terms and conditions described in clause c,

to the extent that such expenditures were not deducted in computing the income of the corporation for any previous fiscal year.

14. Clause a of subsection 1 of section 41 of the said Act is amended by striking out "or" at the end of subclause ii, by striking out "and" at the end of subclause iii and inserting in lieu thereof "or" and by adding thereto the following subclause:

(iv) a timber resource property; and

15.—(1) Clause a of subsection 2 of section 42 of the said Act is repealed and the following substituted therefor:

(a) subclause iii of clause a of subsection 1 does not apply to permit a corporation to claim any amount thereunder in computing a gain for a fiscal year if,

(i) the corporation, at the end of the fiscal year or at any time in the immediately following fiscal year, ceased to have a permanent establishment in Canada or was exempt from tax under any provision of this Part, or

(ii) the purchaser of the property sold is a corporation that, immediately after the sale,

(A) was controlled directly or indirectly by the corporation,

(B) was controlled directly or indirectly by a person or group of persons by whom the corporation was controlled directly or indirectly, or

(C) controlled the corporation directly or indirectly.

(2) Clause b of subsection 3 of the said section 42 is repealed and the following substituted therefor:

(b) the aggregate of,
(i) the cost to the corporation of the property determined for the purpose of computing the adjusted cost base to it of that property at that time, and

(ii) all amounts required by subsection 1 of section 55 to be added to the cost to the corporation of the property in computing the adjusted cost base to it of that property at that time,

16. Section 45 of the said Act is amended by inserting after \textsuperscript{a.45.} amended "gain" in the first line "or loss".

17. Section 46 of the said Act is repealed and the following \textsuperscript{a.46.} re-enacted substituted therefor:

46.—(1) Where in a fiscal year an amount has become receivable, as described in subsection 2, by a corporation as proceeds of disposition described in subclause ii or iv of clause d of subsection 17 of section 17 or subclause iii or iv of clause i of section 56 of any capital property, in this section referred to as its "former property", and, before the end of the second fiscal year following the fiscal year in which such amount became receivable, the corporation has acquired a capital property, in this section referred to as its "replacement property", as a replacement for the former property and the replacement property has not been disposed of by the corporation prior to the time it disposed of the former property, notwithstanding subsection 1 of section 42,

(a) the gain, if any, from the disposition of the former property is the lesser of:

(i) the gain therefrom otherwise determined, and

(ii) the amount, if any, by which the proceeds of disposition of the former property exceed the cost, or in the case of depreciable property the capital cost, to the corporation, determined without reference to clause b. of the replacement property:

(b) the cost, or in the case of depreciable property the capital cost, to the corporation of the replacement property, at any time after the time it disposed of the former property, shall be deemed to be the cost, or in the case of depreciable property the
capital cost, to the corporation of the replacement property otherwise determined, minus the amount, if any, by which the gain described in subclause i of clause a exceeds the amount, if any, determined under subclause ii of clause a; and

(c) where the replacement property was depreciable property of a prescribed class and that property was acquired by the corporation prior to the time it disposed of the former property, the amount, if any, by which,

(i) the reduction in the capital cost to it of the replacement property by virtue of clause b,

exceeds

(ii) the undepreciated capital cost to the corporation of depreciable property of the class to which the replacement property belongs, immediately before the reduction in the capital cost referred to in subclause i,

shall be included in computing the income of the corporation for the fiscal year in which the former property was disposed of and shall, for the purposes of subsection 2 of section 17 be deemed to have been so included by virtue of subsection 1 of section 17 in respect of a disposition of depreciable property of the class to which the replacement property belongs.

(2) For the purposes of this Act, the day on which a corporation has disposed of a property, the proceeds of disposition from which are described in subclause iii or iv of clause d of subsection 17 of section 17 or subclause iii or iv of clause i of section 56, and the day on which an amount has become receivable by that corporation as proceeds of disposition of such a property shall be deemed to be the earliest of,

(a) the day the corporation has agreed to an amount as full compensation to it for the property lost, destroyed, taken or sold;

(b) where a claim, suit, appeal or other proceeding has been taken before one or more tribunals or courts of competent jurisdiction, the day on which the corporation's compensation for the property is finally determined by such tribunals or courts;
(c) where a claim, suit, appeal or other proceeding, referred to in clause b has not been taken before a tribunal or court of competent jurisdiction within two years of the loss, destruction or taking of the property, the day that is two years following the day of the loss, destruction or taking;

(d) the day on which the corporation is deemed by section 50 to have disposed of the property; and

(e) where the corporation is not a subsidiary corporation referred to in subsection 1 of section 82, the day immediately before the winding up of the corporation,

and the corporation shall be deemed to have owned the property continuously until the day so determined.

18. Subsection 2 of section 47 of the said Act is amended by inserting after "where" in the first line "subclause i of".

19. Section 51 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 157, section 11, is further amended by adding thereto the following subsection:

(5) Where a corporation has granted an option, in this subsection referred to as the "original option", to which subsection 1 or 2 applies, and has granted one or more extensions or renewals of that original option,

(a) for the purposes of subsections 1 and 2, the granting of each extension or renewal shall be deemed to be the granting of an option at the time the extension or renewal is granted;

(b) for the purposes of subsections 2, 3 and 4 and sub-subclause D of subclause ii of clause c of section 56, the original option and each extension or renewal thereof shall be deemed to be the same option; and

(c) subsection 4 shall be read as if the fiscal year in which the original option was granted and each fiscal year in which any extension or renewal thereof was granted were all initial fiscal years.

20. Section 53 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 157, section 12, is repealed and the following substituted therefor:
53. Where shares of one class of the capital stock of a corporation have, after the 6th day of May, 1974, been acquired by a person in exchange for a capital property of the person that was a share, bond, debenture or note of the corporation, in this section referred to as a "convertible property", the terms of which conferred upon the holder the right to make the exchange and no consideration was received by the person for the convertible property other than shares of that class,

(a) the exchange shall be deemed not to have been a disposition of property; and

(b) the cost to the person of the shares shall be deemed to be the adjusted cost base to him of the convertible property immediately before the exchange.

21. —(1) Subsection 1 of section 54 of the said Act is amended by inserting after "1971" in the second line "(other than property acquired as described in subsection 2, 3 or 6)".

(2) Subsection 1a of the said section 54, as enacted by the Statutes of Ontario, 1973, chapter 157, section 13, is amended by inserting after "1971" in the third line "(other than property acquired as described in subsection 2, 3 or 6)".

22. —(1) Clause c of subsection 1 of section 55 of the said Act is amended by striking out "loan" in the fifth line and inserting in lieu thereof "a loan or, subject to subsection 1a, a disposition of property in respect of which the corporation and that other corporation have made an election under section 79".

(2) Subsection 1 of the said section 55, as amended by the Statutes of Ontario, 1973, chapter 157, section 14, is further amended by adding thereto the following clauses:

(c a) where the property is a share of the capital stock of a foreign affiliate of the corporation, any amount required by paragraph a of subsection 1 of section 92 of the Income Tax Act (Canada) to be added in computing the adjusted cost base to it of the share;

(c b) where the property is a capital interest of the corporation in a trust to which paragraph d of subsection 1 of section 94 of the Income Tax Act (Canada) applies, any amount required by paragraph a of subsection 5 of section 94 of that Act.
to be added in computing the adjusted cost base
to it of the interest.

(3) Subclause i of clause d of subsection 1 of the said section 55 is amended by inserting after “share” in the fourth line, “other than a share under an agreement referred to in subsection 1a of section 85,”.

(4) Sub-subclause B of subclause i of clause d of subsection 1 of the said section 55 is repealed and the following substituted therefor:

(B) clause b of subsection 1 of section 31a,
clause b of subsection 2 of section 31a,
clause b of this subsection, section 57
and subsection 2 of section 75.

(5) Clause d of subsection 1 of the said section 55 is amended by striking out “and” at the end of subclause iii, by adding “and” at the end of subclause iv and by adding thereto the following subclauses:

(v) the corporation’s share, other than a share under an agreement referred to in subsection 1a of section 85, of the amount, if any, by which,

(A) any proceeds of disposition that become receivable by the partnership in respect of the disposition after 1971 of a property owned by the partnership on the 31st day of December, 1971 that is a property referred to in subsection 3 of section 59,

exceeds

(B) the relevant percentage as defined in subsection 4 of section 59 of the proceeds of disposition described in sub-subclause A, and

(vi) any amount deemed by clause c of subsection 1 of section 87a to be a gain of the corporation for a fiscal year from a disposition before that time of the property.

(6) Section 55 of the said Act, as amended by the Statutes of Ontario 1973, chapter 157, section 14, is further amended by adding thereto the following subsection:
Deemed contribution of capital

(1a) For the purposes of clause (c) of subsection 1, where there has been a disposition of property before the 7th day of May, 1974, and,

(a) the corporation and the other corporation referred to in that clause have made an election under section 79 in respect of that property; and

(b) the consideration received by the corporation for the property did not include shares of the capital stock of the other corporation,

the disposition of property shall be deemed to be a contribution of capital equal to the amount, if any, by which,

(c) the amount that the corporation and the other corporation have agreed upon in the election,

exceeds

(d) the fair market value at the time of the disposition of any consideration received by the corporation for the property so disposed of.

(7) Subsection 2 of the said section 55, as amended by the Statutes of Ontario, 1973, chapter 157, section 14, is further amended by adding thereto the following clauses:

(aa) where the property is a share of the capital stock of another corporation not resident in Canada, any amount required by paragraph (d) of subsection 4 of section 80.1 of the Income Tax Act (Canada) or section 92 of that Act to be deducted in computing the adjusted cost base to the corporation of the share;

(ab) where the property is a capital interest of the corporation in a trust to which paragraph (d) of subsection 5 of section 94 of that Act applies, any amount required by paragraph (b) of subsection 5 of section 94 of that Act to be deducted in computing the adjusted cost base to it of the interest.

(8) Subclause (i) of clause (b) of subsection 2 of the said section 55 is amended by inserting after “share” in the fourth line “(other than a share under an agreement referred to in subsection 1a of section 85)”.

(9) Subclause (ii) of clause (b) of subsection 2 of the said section 55 is amended by striking out all that portion
immediately preceding sub-subclause B and inserting in lieu thereof the following:

(ii) an amount in respect of each fiscal year of the partnership ending after 1971 and before that time, other than a fiscal year after the fiscal year in which the corporation ceased to be a member of the partnership, equal to the corporation’s share of the aggregate of,

(A) amounts that, but for clause d of subsection 1 of section 85, would be deductible in computing the income of the partnership for the fiscal year by virtue of the provisions of *The Corporations Tax Application Rules, 1972* relating to Canadian exploration and development expenses, and

(10) Subclause iv of clause b of subsection 2 of the said section 55 is amended by inserting after “share” in the fourth line “‘(other than a share under an agreement referred to in subsection 1a of section 85)’”.

(11) Subsection 2 of the said section 55 is further amended by adding thereto the following clause:

(c) where the property is a share of the capital stock of a joint exploration corporation (hereafter in this clause referred to as the “company”) resident in Canada and the corporation has, after 1971, made a contribution of capital to the company otherwise than by way of a loan, which contribution was included in computing the adjusted cost base of the property by virtue of clause c of subsection 1, such portion of the contribution as may reasonably be considered to be part of an agreed portion, within the meaning given to that expression by clause a of subsection 12 of section 63, of the company’s Canadian exploration and development expenses.

(12) Clauses h and i of subsection 2 of the said section 55 are repealed and the following substituted therefor:

(h) where the property is a capital interest in a trust, other than a unit trust, not resident in Canada
that was purchased after 1971 by the corporation from a non-resident person at a time when the fair market value of such of the trust property as was,

(i) a Canadian resource property,

(ii) property that would have been a Canadian resource property if it had been acquired after 1971,

(iii) an income interest in a trust resident in Canada,

(iv) taxable Canadian property, or

(v) a timber resource property,

was not less than 50 per cent of the aggregate of,

(vi) the fair market value of all the trust property, and

(vii) the amount of any money of the trust on hand,

that proportion of the amount, if any, by which,

(viii) the fair market value at that time of such of the trust property as was property described in subclauses i to v,

exceeds

(ix) the aggregate of the adjusted cost bases to the trust at that time of such of the trust properties as were properties described in subclauses i to v,

that the fair market value at that time of the interest is of the fair market value at that time of all capital interests in the trust;

(i) where the property is a unit of a unit trust not resident in Canada that was purchased after 1971 by the corporation from a non-resident person at a time when the fair market value of such of the trust property as was,

(i) a Canadian resource property,
(ii) property that would have been a Canadian resource property if it had been acquired after 1971,

(iii) an income interest in a trust resident in Canada,

(iv) taxable Canadian property, or

(v) a timber resource property,

was not less than 50 per cent of the aggregate of,

(vi) the fair market value of all the trust property, and

(vii) the amount of any money of the trust on hand,

that proportion of the amount, if any, by which,

(viii) the fair market value at that time of such of the trust property as was property described in subclauses i to v,

exceeds

(ix) the aggregate of the adjusted cost bases to the trust at that time of such of the trust properties as were properties described in subclauses i to v,

that the fair market value at that time of the unit is of the fair market value at that time of all of the issued units of the trust.

(13) Clause j of subsection 2 of the said section 55 is repealed and the following substituted therefor:

(j) where the property was acquired by the corporation after 1971, the amount, if any, by which,

(i) the amount of any assistance which it has received or is entitled to receive before that time from a government, municipality or other public authority, in respect of, or for the acquisition of, the property, whether as a grant, subsidy, forgivable loan, investment allowance or as any other form of assistance other than,
(A) an amount authorized to be paid under an Appropriation Act (Canada) and on terms and conditions approved by the Minister in respect of scientific research expenditures incurred for the purpose of advancing and sustaining the technological capability of Canadian manufacturing or other industry, or

(B) an amount deducted as an allowance under section 62.

(ii) such part, if any, of the assistance referred to in subclause i as has been repaid before that time by the corporation pursuant to an obligation to repay all or any part of that assistance.

(14) Subsection 2 of the said section 55 is further amended by striking out "and" at the end of clause l, by adding "and" at the end of clause m and by adding thereto the following clause:

(n) where the property is a foreign resource property, any amount that has become receivable by the corporation at a particular time in a fiscal year as the result of a transaction that occurred after the 6th day of May, 1974, in which the consideration given by the corporation for the amount was property or services, the original cost of which may reasonably be regarded as having been foreign exploration and development expenses of the corporation, or would have been so regarded if they had been incurred by it after 1971.

(23)—(1) Subclause iii of clause e of section 56 of the said Act is amended by striking out "clause v" in the fourth line and inserting in lieu thereof "subclause v".

(2) Clause e of the said section 56 is amended by adding "and" at the end of subclause iii and by adding thereto the following subclause:

(iv) any annual payment made by the corporation for the preservation of a foreign resource property or property that would have been a foreign resource property if it had been acquired by the corporation after 1971.
(3) Clause i of the said section 56 is amended by striking out all that portion following subclause viii and inserting in lieu thereof the following:

but notwithstanding any other provision of this Part, does not include,

(ix) any amount that would otherwise be proceeds of disposition of a share to the extent that such amount is deemed by subsection 2 or 3 of section 78 to be a dividend, or

(x) any amount that would otherwise be proceeds of disposition of a debt owing to a corporation to the extent that such amount,

(A) is deemed by subsection 1 of section 78a to be a dividend received by the corporation, and

(B) is a taxable dividend; and

(4) Subclause ii of clause j of the said section 56 is repealed and the following substituted therefor:

(ii) at the end of the period referred to in subclause i, the person or the corporation controlled by him, as the case may be, owned in any manner whatever the substituted property,

(5) Subclause iii of clause j of the said section 56 is amended by inserting after "section 50" in the first line "section 52 or subsection 1 of section 47".

24. Clause f of subsection 1 of section 58 of the said Act is repealed and the following substituted therefor:

(f) amounts received by the corporation in the fiscal year as legal costs awarded to it by a court on an appeal in relation to,

(i) an assessment of tax, interest or penalties under this Act or the Income Tax Act (Canada), or
(ii) a decision of the Unemployment Insurance Commission, a board of referees or an umpire under the Unemployment Insurance Act, 1971 (Canada),

if with respect to that assessment or decision, as the case may be, an amount has been deducted or may be deductible under clause b of subsection 1 of section 60 in computing its income.

25. (1) Subsection 1 of section 59 of the said Act is amended by striking out “in a fiscal year” in the first line and by striking out the five lines immediately preceding subsection 2 and inserting in lieu thereof “the corporation’s proceeds of disposition therefrom shall be included in computing the corporation’s income for the fiscal year, to the extent that the proceeds become receivable in that year”.

(2) Subsection 3 of the said section 59 is repealed and the following substituted therefor:

(3) Where a corporation has made a disposition of property owned, or deemed to have been owned, by it on the 31st day of December, 1971 and thereafter without interruption until the date of disposition that is property described in any of subclauses i to vi of clause c of subsection 12 of section 63 and is not property described in clause b of subsection 1, the following rules apply,

(a) the relevant percentage of the corporation’s proceeds of disposition therefrom shall be included in computing the corporation’s income for the fiscal year to the extent that the proceeds become receivable; and

(b) where the corporation and the person who acquired the property were not dealing with each other at arm’s length, for the purposes of this section and section 63,

(i) the cost to that person of the property shall be deemed to be the amount included in the corporation’s income by virtue of clause a in respect of the disposition by the corporation of the property, and

(ii) when that person subsequently disposes of the property or any right or interest therein, that person shall be deemed to have owned
the property on the 31st day of December, 1971 and thereafter without interruption until the disposition thereof.

(3) Subsection 4 of the said section 59 is amended by striking out "clauses b and c of subsection 3" in the first line and inserting in lieu thereof "this section" and by striking out "any amount receivable as consideration for the" in the second and third lines and inserting in lieu thereof "proceeds of".

(4) Subsection 5 of the said section 59 is repealed and the following substituted therefor:

(5) In this section, "disposition" and "proceeds of disposition" have the meanings given to those expressions by section 56.

26. Clause b of subsection 1 of section 60 of the said Act is repealed and the following substituted therefor:

(b) amounts paid by the corporation in the fiscal year in respect of fees or expenses incurred in preparing, instituting or prosecuting an objection to, or an appeal in relation to,

(i) an assessment of tax, interest or penalties under this Act or the Income Tax Act 1970-71, c.63 (Can.), or

(ii) a decision of the Unemployment Insurance Commission, a board of referees or an umpire under the Unemployment Insurance Act, 1970-71-72, c.48 (Can.).

27.—(1) Subsection 1 of section 61 of the said Act is amended by striking out "receivable" in the thirteenth line and in the fifteenth line and inserting in lieu thereof in each instance "due".

(2) Clause a of subsection 1 of the said section 61 is amended by inserting after "59" in the first line "or clause d of subsection 10b of section 63".

28.—(1) Subsection 2 of section 63 of the said Act is amended by inserting after "year" in the ninth line "and before the 7th day of May, 1974".

(2) Clause b of subsection 3a of the said section 63, as enacted by the Statutes of Ontario, 1974, chapter 75,
section 5, is amended by striking out "section" in the fourth line and inserting in lieu thereof "subsection".

(3) Subclause ii of clause b of subsection 3a of the said section 63 is amended by striking out "section 100" in the second line and inserting in lieu thereof "sections 100 and 100a".

(4) Subsection 5 of the said section 63 is amended by striking out "acquired from another principal-business corporation" in the third and fourth lines and inserting in lieu thereof "acquired, by purchase or otherwise, including an acquisition as the result of an amalgamation described in subsection 1 of section 81, from another principal-business corporation".

(5) Subsection 6 of the said section 63 is amended by striking out "acquired from a corporation" in the third line and inserting in lieu thereof "acquired by purchase or otherwise, including an acquisition as a result of an amalgamation described in subsection 1 of section 81, from another corporation".

(6) Subsection 10 of the said section 63, as amended by the Statutes of Ontario 1974, chapter 75, section 5, is repealed and the following substituted therefor:

(10) Except as otherwise provided in this section, where a corporation has incurred an outlay or expense in respect of which a deduction from income is authorized under more than one provision of this section, the corporation is not entitled to make the deduction under more than one provision but is entitled to select the provision under which to make the deduction.

(7) The said section 63, as amended by the Statutes of Ontario, 1973, chapter 157, section 17, and 1974, chapter 75, section 5, is further amended by adding thereto the following subsection:

(106) Where, pursuant to an agreement between a corporation and another person to unitize an oil or gas field in Canada, an amount has become receivable by the corporation at a particular time after the 6th day of May, 1974 from that other person in respect of Canadian exploration and development expenses incurred by the corporation, or expenses that would have been Canadian exploration and development expenses if they had been incurred by it after 1971, in respect of that field or any part thereof, the following rules apply,
(a) there shall, at that time, be included in computing the corporation's income for the fiscal year the amount that became receivable by it; and

(b) there shall, at that time, be included by the other person, where that person is a corporation, in its drilling or exploration expense the amount that became payable by that corporation.

(8) Subclause i of clause a of subsection 12 of the said section 63 of the said Act, as amended, is amended by striking out "iii" in the first line and inserting in lieu thereof "ii".

(9) Clause b of subsection 12 of the said section 63, as amended by the Statutes of Ontario, 1973, chapter 157, section 17, is further amended by striking out "and" at the end of subclause iv, by adding "and" at the end of subclause v and by adding thereto the following subclause:

(va) any annual payment made by the corporation for the preservation of a Canadian resource property or property that would have been a Canadian resource property if it had been acquired by the corporation after 1971,

(10) Subclause vi of clause c of subsection 12 of the said section 63 is repealed and the following substituted therefor:

(vi) any right to or interest in any property, other than property of a trust, described in any of subclauses i to v, including a right to receive proceeds of disposition in respect of a disposition thereof.

(11) Clause d of subsection 12 of the said section 63 is repealed and the following substituted therefor:

(d) "drilling or exploration expense" incurred on or in respect of exploring or drilling for petroleum or natural gas includes any expense incurred on or in respect of,

(i) drilling or converting a well for the disposal of waste liquids from a petroleum or natural gas well,

(ii) drilling for water or gas for injection into a petroleum or natural gas formation, or
(iii) drilling or converting a well for the injection of water or gas to assist in the recovery of petroleum or natural gas from another well.

(12) Clause f of subsection 12 of the said section 63 is amended by striking out "or" at the end of subclause v, by striking out "and" at the end of subclause vi and inserting in lieu thereof "or" and by adding thereto the following subclause:

(vii) production or marketing of sodium chloride or potash, or whose business includes manufacturing products the manufacturing of which involves processing sodium chloride or potash; and

29. Subsection 5 of section 66 of the said Act is repealed and the following substituted therefor:

(5) Where in a fiscal year of a corporation property of the corporation has been appropriated in any manner whatever to, or for the benefit of, a shareholder, on the winding up of the corporation, the following rules apply,

(a) for the purpose of computing the corporation's income for the fiscal year,

(i) it shall be deemed to have sold each such property immediately before the winding up and to have received therefor the fair market value thereof at that time, and

(ii) clause c of subsection 2 of section 42 shall not apply in computing the loss, if any, from the sale of any such property;

(b) the shareholder shall be deemed to have acquired the property at a cost equal to its fair market value immediately before the winding up; and

(c) subsections 1, 1a and 2 of section 54 are not applicable for the purposes of determining the cost to the shareholder of the property.

(6) Where a corporation that operates an oil or gas well or a mineral resource in Canada disposes of any petroleum, natural gas or related hydrocarbons or metal or industrial minerals produced in the operation of such well or resource to,

(a) Her Majesty in right of Canada or a province;
(b) an agent of Her Majesty in right of Canada or a province; or

(c) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by Her Majesty in right of Canada or a province or by an agent of Her Majesty in right of Canada or a province,

for no proceeds of disposition or for proceeds of disposition less than the fair market value thereof at the time the corporation so disposes of it, the corporation shall be deemed to have received proceeds of disposition therefor equal to that fair market value determined, in circumstances where the corporation is required by a law or contract to so dispose thereof, without regard to that law or contract.

(7) Where a corporation that operates an oil or gas well or a mineral resource in Canada acquires any petroleum, natural gas or related hydrocarbons or metal or industrial minerals produced in the operation of such well or resource from,

(a) Her Majesty in right of Canada or a province;

(b) an agent of Her Majesty in right of Canada or a province; or

(c) a corporation, commission or association that is controlled, directly or indirectly in any manner whatever, by Her Majesty in right of Canada or a province or by an agent of Her Majesty in right of Canada or a province,

for an amount in excess of the fair market value thereof at the time the corporation so acquired the petroleum, natural gas or related hydrocarbons or metal or industrial minerals, the corporation shall be deemed to have acquired the petroleum, natural gas or related hydrocarbons or metal or industrial minerals at that fair market value determined, in circumstances where the corporation is required by a law or contract to so acquire the petroleum, natural gas or related hydrocarbons or metal or industrial minerals, without regard to that law or contract.

(8) For the purposes of subsection 6, the fair market value at the time of disposition of a unit of any particular quantity of petroleum, natural gas or related hydrocarbons or metal or industrial minerals disposed of by the corporation referred to in that subsection to a person referred to in any of clauses a to c of that subsection shall be deemed to be the amount by which,
(a) the average proceeds of disposition that became receivable in the month that included that time by that person for the disposition of a like unit from a person other than a person referred to in any of clauses a to c of subsection 6,

exceeds

(b) the average aggregate of all expenses, including depreciation, incurred by that person in respect of that month for each such unit that may reasonably be attributed to transmitting, transporting, marketing or processing thereof to the extent that such expenses are reasonable and necessary and do not include any cost of acquisition thereof.

(9) For the purposes of subsection 7, the fair market value of a unit of any particular quantity of petroleum, natural gas or related hydrocarbons or metal or industrial minerals acquired by the corporation referred to in that subsection from a person referred to in any of clauses a to c of that subsection shall be deemed to be equal to the amount, if any, paid or payable by the corporation to that person in respect of that unit.

(10) For the purposes of subsection 8, where a person referred to in any of clauses a to c of subsection 6 disposes of a unit of any particular quantity of petroleum, natural gas or related hydrocarbons or metal or industrial minerals to another person referred to in any of those clauses, those persons shall be deemed to be the same person.

30.—(1) Subsection 4 of section 67 of the said Act, as enacted by the Statutes of Ontario, 1973, chapter 157, section 18, is repealed and the following substituted therefor:

(4) Where a cash purchase ticket or other form of settlement prescribed pursuant to the Canada Grain Act or by the Minister is issued to a corporation in respect of grain delivered in a fiscal year of a corporation to a primary elevator or process elevator and such ticket or other form of settlement entitles the holder thereof to payment by the operator of the elevator of the purchase price, without interest, stated in the ticket for the grain at a date that is after the end of that fiscal year, the amount of the purchase price stated in the ticket or other form of settlement shall, notwithstanding any other provision of this section, be included in computing the income of the corporation to which the ticket or other form of settlement was issued for its fiscal year immediately
following the fiscal year in which the grain was delivered and not for the fiscal year in which the grain was delivered.

(2) Subsection 5 of the said section 67, as enacted by the Statutes of Ontario, 1973, chapter 157, section 18, is amended by striking out "and 'primary elevator'" in the second line and inserting in lieu thereof "'primary elevator' and 'process elevator'."

31. Clause a of section 68 of the said Act is repealed and the following substituted therefor:

    (a) the terms of the bond for which it was exchanged conferred upon the holder thereof the right to make the exchange; and

32. Section 74a of the said Act, as enacted by the Statutes of Ontario, 1973, chapter 157, section 20, is amended by striking out "except paragraphs c and d of subsection 4 thereof" in the eleventh line.

33. The said Act is further amended by adding thereto the following section:

    74b. Where pursuant to a contract between a corporation and another person, in this section referred to as the "payee", any amount is paid or payable by the corporation or any property is transferred by the corporation to the payee as reimbursement in respect of any amount paid or payable referred to in clause n of subsection 1 of section 22 or the fair market value of any property paid or payable referred to in that clause by the payee to any of the persons referred to in any of subclauses i to iii of clause n of subsection 1 of section 22, for the purposes of this Act the following rules apply,

    (a) the corporation shall be deemed to have paid the amount or property, as the case may be, to a person or persons referred to in any of those subclauses;

    (b) the payee shall, to the extent of that reimbursement, be deemed not to have paid an amount or property, as the case may be;

    (c) the payee shall be deemed not to have received any reimbursement from the corporation; and

    (d) clause o of subsection 1 of section 16 shall not apply in respect of the amount or property paid or payable, as the case may be.
34. (1) Clause c of subsection 1 of section 75 of the said Act is amended by striking out "by it" in the second line.

(2) Clause b of subsection 2 of the said section 75 is amended by adding thereto the following subclause:

(iii) "income derived from the operation of a mine" includes the income of a corporation from the processing, to the primary metal stage or its equivalent, of ore from a mineral resource owned by the corporation.

35. Subsection 7 of section 78 of the said Act is amended by inserting after "section" in the first line "or section 78a".

36. The said Act is further amended by adding thereto the following section:

78a.—Where, at any time before a particular time and after the 18th day of November, 1974, a corporation incurred any debt as consideration for the purchase of shares of the capital stock of a second corporation and,

(a) at any time before the debt was incurred, any particular person, or the group of persons to whom the debt was owed at the time it was incurred,

(i) controlled the second corporation, directly or indirectly in any manner whatever, or

(ii) beneficially owned shares of the capital stock of the second corporation representing more than 50 per cent of its paid-up capital; and

(b) at any time before the particular time, the particular person or group of persons referred to in clause a,

(i) controlled the corporation, directly or indirectly in any manner whatever,

(ii) beneficially owned shares of the capital stock of the corporation representing more than 50 per cent of its paid-up capital, or

(iii) held an amount of debt payable by the corporation that exceeded the paid-up capital of the corporation, at a time when shares of the capital stock of the corporation representing more than 50 per cent of its paid-up capital were beneficially owned by,
(A) that particular person,

(B) that group of persons,

(C) persons related to the particular person or any member of the group of persons, or

(D) any combination of persons referred to in sub-subclause A, B or C,

the following rules apply,

(c) where the corporation has, at the particular time, made any payment on account of that debt, or any other debt substituted for that debt,

(i) a dividend shall be deemed to have been paid by the corporation at the particular time equal to the lesser of,

(A) the amount of that payment, and

(B) the amount, if any, by which,

1. the aggregate of the payment referred to in sub-subclause A and all payments made before the particular time on account of that debt, or any other debt substituted therefor, exceeds

2. the debt limit of the corporation in respect of that debt,

(ii) a dividend shall be deemed to have been received at the particular time, by each person who received any portion of that payment, equal to that proportion of the dividend so deemed to have been paid by the corporation at that time that the portion of that payment received by that person is of the amount of that payment, and

(iii) section 77, except clause c of subsection 1 of section 77, shall be applicable to the dividend referred to in subclause i as though the persons referred to in subclause ii were shareholders of a class of shares of the capital stock of the corporation; and
(d) where any portion of that debt or any debt substituted for that debt, is converted into shares of the capital stock of the corporation, an amount equal to the lesser of,

(i) the portion of that debt, or any debt substituted for that debt, that was so converted, and

(ii) the amount, if any, by which,

(A) the amount of the debt owed by the corporation at the time it was incurred, exceeds

(B) the debt limit of the corporation in respect of that debt,

shall be added to the aggregate of the amounts determined under subclause (i) of clause (d) of subsection 1 of section 83 at any time after the time of the conversion.

(2) For the purposes of this section, the "debt limit" of a corporation in respect of any debt incurred by it as consideration for the purchase of shares of the capital stock of a second corporation shall be the amount, if any, by which,

(a) the amount of the debt owed by the corporation at the time it was incurred, exceeds

(b) the amount if any, by which the aggregate of,

(i) the amount of the debt owed by the corporation at the time it was incurred, and

(ii) the fair market value, at the time the debt was incurred, of any other consideration, other than shares of the capital stock of the corporation, given by the corporation for the purchase of the shares of the capital stock of the second corporation,

exceeds the lesser of,

(iii) the paid-up capital limit of the second corporation at the time the debt was incurred, and
(iv) the paid-up capital, at the time the debt was incurred, of the shares of the capital stock of the second corporation so purchased.

37. The said Act is further amended by adding thereto the following section:

37b. Where a corporation has at any particular time before July, 1976, notified the Minister in writing that it wishes,

(a) to have subclause iv of subsection 1 of section 83 apply to all shares, if any, issued by it before the 19th day of November, 1974; and

(b) to have section 78a apply to all debt, if any, incurred by it before the 19th day of November, 1974,

the following rules apply,

(c) subsection 6 of section 83 shall not apply for the purposes of computing the paid-up capital deficiency of the corporation at any time after the particular time;

(d) section 78a shall be read without reference to "and after the 18th day of November, 1974";

(e) the amount of any dividend that the corporation would, by virtue of clause c of subsection 1 of section 78a, be deemed to have paid in respect of payments, before the particular time, of or on account of any debt incurred by the corporation prior to the 19th day of November, 1974, or any debt substituted for that debt, shall be deemed to be nil;

(f) subclause iii of clause b of subsection 2 of section 78a shall be read as "the paid-up capital limit of the second corporation at the time the debt was incurred or on the 18th day of November, 1974, where that day is later"; and

(g) subclause iv of clause b of subsection 2 of section 78a shall be read as "the paid-up capital, at the time the debt was incurred, of the shares of the second corporation so purchased" (on the assumption that clause c of subsection 1 of section 83 applied at that time).

38. -(1) Subsection 1 of section 79 of the said Act, as amended to 1973, by the Statutes of Ontario, 1973, chapter 157, section 21,
is further amended by striking out all that portion thereof immediately preceding clause a and inserting in lieu thereof the following:

(1) Where a person has, after the 6th day of May, 1974, disposed of any property that was a capital property (other than real property or an option in respect thereof owned by a non-resident person), an eligible capital property, an inventory other than real property or a property referred to in subsection 2 of section 59 of the person to a Canadian corporation for consideration including shares of the capital stock of the corporation, if the person and the corporation, have jointly so elected in prescribed form and within the prescribed time, the following rules apply:

(2) Subsection 1 of the said section 79 is further amended by adding thereto the following clause:

\[(ca) \text{ where the property was inventory or capital property (other than depreciable property of a prescribed class) of the person and the amount that the person and the corporation have agreed upon in their election in respect of the property is less than the lesser of,}\]

(i) the fair market value of the property at the time of the disposition, and

(ii) the cost amount to the person of the property at the time of the disposition,

the amount so agreed upon shall, irrespective of the amount actually so agreed upon by them, be deemed to be an amount equal to the lesser of the amounts described in subclauses i and ii.

(3) Clause d of subsection 1 of the said section 79 is amended by striking out "and notwithstanding clauses b and c" in the fourteenth line.

(4) Clause e of subsection 1 of the said section 79 is amended by striking out "and notwithstanding clauses b and c" in the fourteenth line.

(5) Subsection 1 of the said section 79 is further amended by adding thereto the following clauses:

\[(ea) \text{ where two or more properties, each of which is a property described in clause d or each of which is a property described in clause e, are disposed of at} \]
the same time, clause \( d \) or \( e \), as the case may be, applies as if each property so disposed of had been separately disposed of in the order designated by the person before the time prescribed for the filing of an election in respect of those properties or, if the person does not so designate any such order, in the order designated by the Minister:

\[(eb)\] where the fair market value of the property at the time of the disposition exceeds the greater of,

(i) the fair market value at the time of the disposition of the consideration received by the person for the property disposed of by him, and

(ii) the amount that the person and the corporation have agreed upon in their election in respect of the property, determined without reference to this clause,

and it is reasonable to regard any portion of such excess as a gift made by the person to or for the benefit of any other shareholder of the corporation, the amount that the person and the corporation have agreed upon in their election in respect of the property shall, irrespective of the amount actually so agreed upon by them, be deemed (except for the purposes of clauses \( g \) and \( h \)) to be an amount equal to the aggregate of,

(iii) the amount referred to in subclause ii, and

(iv) the portion of such excess that may reasonably be regarded as a gift made by the person to or for the benefit of any other shareholder of the corporation;

\[(ec)\] where, under any of clauses \( ca, d \) and \( e \), the amount that the person and the corporation have agreed upon in their election in respect of the property, in this clause referred to as "the elected amount", would, subject to clause \( c \), be deemed to be an amount that is greater or less than the amount that would be deemed to be the elected amount under clause \( b \), the elected amount shall be deemed to be the greater of,

(i) the amount deemed by clause \( ca, d \) or \( e \), as the case may be, to be the elected amount, and
(ii) the amount deemed by clause b to be the elected amount.

(6) Clause i of subsection 1 of the said section 79 is repealed and the following substituted therefor:

(i) where the property so disposed of is taxable Canadian property of the person, all of the shares of the capital stock of the Canadian corporation received by him as consideration therefor shall be deemed to be taxable Canadian property of the person.

(7) Subsection 2 of the said section 79, as amended by the Statutes of Ontario, 1973, chapter 157, section 21, is repealed and the following substituted therefor:

(2) Where, after the 6th day of May, 1974,

(a) a partnership has disposed of any partnership property that was a capital property (other than real property or an interest therein owned by a partnership that was not a Canadian partnership at the time of the disposition), an eligible capital property, an inventory other than real property or a property referred to in subsection 2 of section 59 of the partnership to a Canadian corporation for consideration, including shares of the capital stock of the corporation; and

(b) the corporation and all the members of the partnership have jointly so elected in prescribed form and in prescribed time,

clauses a to i of subsection 1 and subsection 1a are applicable in respect of the disposition mutatis mutandis as if the partnership were a person resident in Canada who had disposed of the property to the corporation.

(8) Subsection 2a of the said section 79, as enacted by the Statutes of Ontario, 1973, chapter 157, section 21, is repealed.

(9) Subsection 4 of the said section 79 is repealed and the following substituted therefor:

(4) Where a person or a partnership has, after May 6, 1974, disposed of any capital property or eligible capital property of the person or partnership to a corporation that, immediately after the disposition, was controlled, directly or indirectly in any manner whatever, by the person or partner-
ship, or where the person is an individual by the spouse of such person, or by another person or group of persons by whom the person or partnership was controlled, directly or indirectly in any manner whatever and, but for this subsection, subsection 2 of section 28 and clauses c and e of subsection 2 of section 42, the person or partnership would have had a capital loss therefrom or a deduction pursuant to clause a of subsection 1 of section 28 in computing the income of the person or partnership for the fiscal year in which the person or partnership ceased to carry on a business, as the case may be, the following rules apply,

(a) notwithstanding section 28 and clauses c and e of subsection 2 of section 42, the capital loss therefrom of the person or partnership, or the deduction pursuant to clause a of subsection 1 of section 28 in computing the income of the person or partnership for the fiscal year in which the person or partnership ceased to carry on the business, as the case may be, otherwise determined shall be deemed to be nil; and

(b) in computing the adjusted cost base to the person or partnership of all shares of any particular class of the capital stock of the corporation owned by the person or partnership immediately after the disposition, there shall be added, in the case of capital property, the amount that is equal to, and in the case of eligible capital property, twice the amount that is equal to, that proportion of the amount, if any, by which,

(i) the cost amount to the person or partnership immediately before the disposition, of the property so disposed of,

exceeds

(ii) the proceeds to the person or partnership of disposition of the property or where the property was an eligible capital property, the eligible capital amount for the person or partnership, within the meaning assigned by section 18, as a result of the disposition of that property,

that

(iii) the fair market value, immediately after the disposition, of all shares of that class so owned by the person or partnership,
is of

(iv) the fair market value, immediately after the
disposition, of all shares of the capital stock
of the corporation so owned by the person or
partnership.

39. The said Act is further amended by adding thereto the following
section:

70a.-(1) Where shares of any particular class of the
capital stock of a Canadian corporation, in this section referred
to as the “purchaser”, have, after the 6th day of May, 1974,
been acquired by a person, in this section referred to as the
“vendor”, from the purchaser in exchange for capital property
of the vendor that is shares of any particular class of the capital
stock, in this section referred to as the “exchanged shares”,
of another corporation, in this section referred to as the
“acquired corporation”, subject to subsection 2, the following
rules apply,

(a) except where the vendor has, in his return of income
for the fiscal year in which the exchange occurred,
included in computing his income for that year any
portion of the gain or loss, otherwise determined,
from the disposition of the exchanged shares, the
vendor shall be deemed,

(i) to have disposed of the exchanged shares for
proceeds of disposition equal to the adjusted
cost base to him of those shares immediately
before the exchange, and

(ii) to have acquired the shares of the purchaser
at a cost to him equal to the adjusted cost base
to him of the exchanged shares immediately
before the exchange,

and where the exchanged shares were taxable
Canadian property of the vendor, the shares of the
purchaser so acquired by him shall be deemed to be
taxable Canadian property of the vendor; and

(b) the cost to the purchaser of each exchanged share,
at any particular time up to and including the time he
disposed of such share, shall be deemed to be,

(i) its fair market value immediately before the
exchange if, at the particular time or at any
earlier time after the exchange, the purchaser
owned shares of the capital stock of the
acquired corporation,
(A) to which are attached not less than 10 per cent of all the votes that could then be cast for any and all purposes by holders of all shares of the capital stock of the acquired corporation, and

(B) that represent not less than 10 per cent of the fair market value of all issued and outstanding shares of the capital stock of the acquired corporation, and

(ii) in any other case, nil.

(2) Subsection 1 does not apply where,

(a) the vendor and purchaser were, immediately before the exchange, not dealing with each other at arm’s length;

(b) the vendor or persons with whom he did not deal at arm’s length, or the vendor together with persons with whom he did not deal at arm’s length,

(i) controlled, directly or indirectly in any manner whatever, the purchaser, or

(ii) beneficially owned shares of the capital stock of the purchaser representing more than 50 per cent of its paid-up capital,

immediately after the exchange;

(c) the vendor and the purchaser have filed an election under subsection 1 or 2 of section 79 with respect to the exchanged shares; or

(d) consideration other than shares of the particular class of the capital stock of the purchaser was received by the vendor for the exchanged shares, notwithstanding that the vendor may have disposed of shares of the capital stock of the acquired corporation, other than the exchanged shares, to the purchaser for consideration other than shares of one class of the capital stock of the purchaser.

(3) Where a person has disposed of capital property that was shares of the capital stock of a foreign affiliate of the person to any corporation that was, immediately following the disposition, a foreign affiliate of the person (in this sub-
section referred to as the "acquiring affiliate") for consideration including shares of the capital stock of the acquiring affiliate, the provisions of subsection 3 of section 85.1 of the Income Tax Act (Canada) apply for the purposes of this Act.

40. Section 80 of the said Act is repealed and the following substituted therefor:

80.—(1) Where, at a particular time after the 6th day of May, 1974, in the course of a reorganization of the capital of a corporation, a person has disposed of capital property that was all the shares of any particular class of the capital stock of the corporation that were owned by him at the particular time, in this section referred to as the "old shares", and property is receivable from the corporation therefor that includes other shares of the capital stock of the corporation, in this section referred to as the "new shares", the following rules apply,

(a) the cost to the person of any property (other than shares of the capital stock of the corporation) receivable by him for the old shares shall be deemed to be its fair market value at the time of the disposition;

(b) the cost to the person of any new shares of any class of the capital stock of the corporation receivable by him for the old shares shall be deemed to be that proportion of the amount, if any, by which the aggregate of the adjusted cost bases to him, immediately before the disposition, of the old shares exceeds the fair market value at that time of the consideration receivable therefor (other than shares of the capital stock of the corporation) that,

(i) the fair market value, immediately after the disposition, of those new shares of that class, is of,

(ii) the fair market value, immediately after the disposition, of all new shares of the capital stock of the corporation receivable by him for the old shares; and

(c) the person shall be deemed to have disposed of the old shares for proceeds of disposition equal to the cost to him of all new shares and other property receivable by him for the old shares.
(2) This section is not applicable in any case where section 53 or any of subsections 1 to 3 of section 79 are applicable.

41.—(1) Clauses a, b and c of subsection 1 of section 81 of the said Act are repealed and the following substituted therefor:

(a) all of the property (except amounts receivable from any predecessor corporation or shares of the capital stock of any predecessor corporation) of the predecessor corporations immediately before the merger becomes property of the new corporation by virtue of the merger;

(b) all of the liabilities (except amounts payable to any predecessor corporation) of the predecessor corporations immediately before the merger become liabilities of the new corporation by virtue of the merger; and

(c) all of the shareholders (except any predecessor corporation) of the predecessor corporations immediately before the merger receive shares of the capital stock of the new corporation by virtue of the merger,

(2) Clause c of subsection 2 of the said section 81 is repealed and the following substituted therefor:

(c) in computing the income of the new corporation for a fiscal year from a business or property,

(i) there shall be included any amount received or receivable (depending upon the method followed by the new corporation in computing its income for that year) by it in that year that would, if it had been received or receivable (depending upon the method followed by the predecessor corporation in computing its income for its last fiscal year) by the predecessor corporation in its last fiscal year, have been included in computing the income of the predecessor corporation for that year, and

(ii) there may be deducted any amount paid or payable (depending upon the method followed by the new corporation in computing
its income for that year) by it in that year that would, if it had been paid or payable (depending upon the method followed by the predecessor corporation in computing its income for its last fiscal year) by the predecessor corporation in its last fiscal year, have been deductible in computing the income of the predecessor corporation for that year.

(3) Subsection 2 of the said section 81, as amended by the Statutes of Ontario, 1973, chapter 157, section 22, is further amended by adding thereto the following clause:

(da) for the purposes of this Act, where depreciable property, other than property of a prescribed class, has been acquired by the new corporation from a predecessor corporation, the new corporation shall be deemed to have acquired the property before 1972 at an actual cost equal to the actual cost thereof to the predecessor corporation, and the new corporation shall be deemed to have been allowed the aggregate of all amounts allowed to the predecessor corporation in respect of the property, under regulations made under clause a of subsection 1 of section 24, in computing the income of the predecessor corporation.

(4) Clause k of subsection 2 of the said section 81 is repealed and the following substituted therefor:

(k) for the purposes of section 39,

(i) an amount equal to the aggregate of all amounts each of which is the amount of an expenditure referred to in clause a of subsection 1 of section 39 made by a predecessor corporation shall, to the extent that it was not deducted by the predecessor corporation in computing its income for a fiscal year, be deemed to be an expenditure of a current nature on scientific research made in Canada by the new corporation in its first fiscal year,

(ii) an amount equal to the aggregate of all amounts each of which is the amount of an expenditure referred to in subclause i of clause b of subsection 1 of section 39 made by a predecessor corporation shall, to the extent that it was not deducted by the
predecessor corporation in computing its income for a fiscal year, be deemed to be an expenditure of a capital nature on scientific research made in Canada by the new corporation in its first fiscal year,

(iii) an amount equal to the aggregate of all amounts each of which is the amount of an expenditure referred to in clause e of subsection 1 of section 39 made by a predecessor corporation shall, to the extent that it was not deducted by a predecessor corporation in computing its income for a fiscal year, be deemed to be an expenditure incurred by the new corporation in its first fiscal year by way of repayment of an amount paid to the new corporation under an Appropriation Act (Canada), and on terms and conditions described in clause e of subsection 1 of section 39, and

(iv) an amount equal to the aggregate of all amounts each of which is an amount paid to a predecessor corporation referred to in clause d of subsection 1 of section 39 shall be deemed to be an amount paid to the new corporation in its first fiscal year under an Appropriation Act (Canada) and on terms and conditions described in clause e of subsection 1 of section 39;

(ka) if the amalgamation was after the 6th day of May, 1974 and a property of a predecessor corporation was lost, destroyed or taken under statutory authority prior to the amalgamation, sections 17 and 46 apply to the new corporation as though,

(i) the new corporation had been in existence and owned that property at the time it was so lost, destroyed or taken,

(ii) the cost or capital cost, as the case may be, of that property to the new corporation were its cost or capital cost, as the case may be, to the predecessor corporation, and

(iii) where the predecessor corporation had acquired a replacement property for that property before the amalgamation, the new corporation had acquired that replacement property immediately after the amalgamation.
(5) Clause \( p \) of subsection 2 of the said section 81 is amended by inserting after "time" in the third line "after the amalgamation".

(6) Clause \( q \) of subsection 2 of the said section 81 is amended by striking out all that portion thereof immediately preceding subclause \( i \) and inserting in lieu thereof the following:

\[
(g) \text{ for the purpose of computing the 1971 capital surplus on hand or the paid-up capital deficiency, as the case may be, of the new corporation at any time after the amalgamation, there shall be added to the aggregate of the amounts determined under subclause \( iv \) of clause \( f \) of subsection 1 of section 83, the amount, if any, by which,}
\]

(7) Clause \( r \) of subsection 2 of the said section 81 is amended by striking out all that portion thereof immediately preceding subclause \( i \) and inserting in lieu thereof the following:

\[
(r) \text{ for the purpose of computing the 1971 capital surplus on hand or the paid-up capital deficiency, as the case may be, of the new corporation at any time after the amalgamation, there shall be added to the aggregate of the amounts determined under subclause \( iii \) of clause \( d \) of subsection 1 of section 83 the amount, if any, by which,}
\]

(8) Subsection 2 of the said section 81 is further amended by adding thereto the following clause:

\[
(ra) \text{ for the purpose of computing the 1971 capital surplus on hand or the paid-up capital deficiency, as the case may be, of the new corporation at any time after the amalgamation, there shall be added to the aggregate of the amounts determined under subclause \( iii \) of clause \( d \) of subsection 1 of section 83 the amount, if any, by which,}
\]

(i) the paid-up capital of the new corporation immediately after the amalgamation, exceeds

(ii) the aggregate of amounts each of which is the paid-up capital in respect of a share
(except a share held by any other predecessor corporation) of the capital stock of a predecessor corporation immediately before the amalgamation.

(9) Clause s of subsection 2 of the said section 81 is amended by striking out “vii” in the fourth line and inserting in lieu thereof “xiv”.

(10) Subsection 2 of the said section 81 is further amended by adding thereto the following clause:

(sa) where one or more shares of the capital stock of a foreign affiliate of a predecessor corporation have, by virtue of the amalgamation, been acquired by the new corporation and as a result thereof the affiliate has become a foreign affiliate of the new corporation, the provisions of paragraph u of subsection 2 of section 87 of the Income Tax Act (Canada) 1970-71, c. 83 (Can.) apply for the purposes of this Act.

(11) Clause w of subsection 2 of the said section 81 is repealed and the following substituted therefor:

(w) for the purpose of computing, at any particular time after the amalgamation, the capital dividend account of a new corporation that has been a private corporation continuously from the time of the amalgamation to the particular time, there shall be added the amount of the capital dividend account of any predecessor corporation immediately before the amalgamation.

(12) Clause a of subsection 3 of the said section 81 is amended by striking out “subclauses i to iv” in the eighth line and inserting in lieu thereof “subclause iii”.

(13) Subsection 4 of the said section 81, as amended by the Statutes of Ontario, 1973, chapter 157, section 22, is repealed and the following substituted therefor:

(4) Where there has been an amalgamation of two or more corporations after the 6th day of May, 1974, each shareholder (except any predecessor corporation) who, immediately before the amalgamation, owned shares of the capital stock of a predecessor corporation (in this subsection referred to as the “old shares”) that were capital property to him and who received no consideration for the disposition of those shares on the amalgamation, other than shares of the capital stock of the new corporation (in this section referred to as the “new shares”) shall be deemed,
(a) to have disposed of the old shares for proceeds equal to the aggregate of the adjusted cost bases to him of those shares immediately before the amalgamation; and

(b) to have acquired the new shares of any particular class of the capital stock of the new corporation at a cost to him equal to that proportion of the proceeds described in clause a that,

(i) the fair market value, immediately after the amalgamation, of all new shares of that particular class so acquired by him,

is of

(ii) the fair market value, immediately after the amalgamation, of all new shares so acquired by him,

and where the old shares were taxable Canadian property of the shareholder, the new shares shall be deemed to be taxable Canadian property of the shareholder.

(14) Subsection 5 of the said section 81, as re-enacted by the Statutes of Ontario, 1973, chapter 157, section 22, is repealed and the following substituted therefor:

(5) Where there has been an amalgamation of two or more corporations after the 6th day of May, 1974, each person, except any predecessor corporation, who immediately before the amalgamation owned a capital property that was an option to acquire shares of the capital stock of a predecessor corporation, in this subsection referred to as the "old option", and who received no consideration for the disposition of that option on the amalgamation, other than an option to acquire shares of the capital stock of the new corporation, in this subsection referred to as the "new option", shall be deemed,

(a) to have disposed of the old option for proceeds equal to the adjusted cost base to him of that option immediately before the amalgamation; and

(b) to have acquired the new option at a cost to him equal to the proceeds described in clause a,

and where the old option was taxable Canadian property of the person, the new option shall be deemed to be taxable Canadian property of the person.
(15) Subsection 6 of the said section 81 is repealed and the following substituted therefor:

(6) Notwithstanding subsection 7, where there has been an amalgamation of two or more corporations after the 6th day of May, 1974, each person, except any predecessor corporation, who immediately before the amalgamation owned a capital property that was a bond, debenture, mortgage, note or other similar obligation of a predecessor corporation, in this subsection referred to as the "old property", and who received no consideration for the disposition of the old property on the amalgamation other than a bond, debenture, mortgage, note or other similar obligation respectively, of the new corporation, in this subsection referred to as the "new property", shall, if the amount payable to the holder of the new property on its maturity is the same as the amount that would have been payable to the holder of the old property on its maturity, be deemed,

(a) to have disposed of the old property for proceeds equal to the adjusted cost base to him of that property immediately before the amalgamation; and

(b) to have acquired the new property at a cost to him equal to the proceeds described in clause a.

(7) Where there has been an amalgamation of two or more corporations after the 6th day of May, 1974 and,

(a) a debt or other obligation of a predecessor corporation, other than any such debt or other obligation owed to any other predecessor corporation, was outstanding immediately before the amalgamation and became a debt or other obligation, as the case may be, of the new corporation on the amalgamation; and

(b) the amount payable by the new corporation on the maturity of the debt or other obligation, as the case may be, is the same as the amount that would have been payable by the predecessor corporation on its maturity,

the provisions of this Act,

(c) shall not apply in respect of the transfer of such debt or other obligation to the new corporation; and
(d) shall apply as if the new corporation had incurred or issued the debt or other obligation at the time it was incurred or issued by the predecessor corporation.

(8) Where there has been a merger of a foreign affiliate of a person, in this subsection referred to as a "predecessor affiliate", and one or more other corporations to form one corporate entity that, immediately after the merger, is a foreign affiliate of the person and such merger is not as a result of the acquisition of property of one corporation by another corporation, pursuant to the purchase of such property by the other corporation, or as a result of the distribution of such property to another corporation upon the winding up of the predecessor affiliate, the provisions of subsection 8 of section 87 of the Income Tax Act (Canada) apply for the purposes of this Act.

42. (1) Subsection 1 of section 82 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 157, section 23, is further amended by striking out all that portion thereof immediately preceding clause (b) and inserting in lieu thereof the following:

(1) Where a Canadian corporation, in this section referred to as the "subsidiary", has been wound up after the 6th day of May, 1974 and all of the issued shares of the capital stock thereof were, immediately before the winding up, owned by another Canadian corporation, in this section referred to as the "parent", notwithstanding any other provisions of this Act, the following rules apply,

(a) subject to clause (aa), each property of the subsidiary that was distributed to the parent on the winding up shall be deemed to have been disposed of by the subsidiary for proceeds equal to,

(i) in the case of any property described in subsection 2 of section 59, nil,

(ii) in the case of any eligible capital property, an amount equal to twice the cost amount to the subsidiary of such property immediately before the winding up, and

(iii) in the case of any other property, the cost amount to the subsidiary of the property immediately before the winding up;

(aa) each property of the subsidiary that was distributed to the parent on the winding up shall, for
the purpose of subclause ii or xiv of clause b of subsection 1 of section 83, be deemed not to have been disposed of.

(2) Subclause ii of clause b of subsection 1 of the said section 82, as amended by the Statutes of Ontario, 1973, chapter 157, section 23, is further amended by striking out "minus any subsequent deduction from that adjusted cost base that is required by subsection 2 of section 55 to be made as a result of the deemed dividend referred to in clause c" in the amendment of 1973.

(3) Clause d of subsection 1 of the said section 82 is amended by striking out all that portion immediately preceding subclause ii and inserting in lieu thereof the following:

(d) the amount determined under this clause in respect of each property that was a capital property, other than a depreciable property, of the subsidiary is such portion of the amount, if any, by which the aggregate determined under subclause ii of clause b exceeds the aggregate of,

(i) the amount, if any, by which,

(A) the aggregate of amounts each of which is an amount in respect of any property owned by the subsidiary immediately before the winding up, equal to the cost amount to the subsidiary of the property immediately before the winding up, plus the amount of any money of the subsidiary on hand immediately before the winding up,

exceeds the aggregate of,

(B) all amounts each of which is the amount of any debt owing by the subsidiary, or of any other obligation of the subsidiary to pay any amount, that was outstanding immediately before the winding up, and

(C) the amount of any reserve, other than a reserve referred to in clause p of subsection 1 of section 21, subclause iii of clause a of subsection 1 of section 42 or subsection 1 of section 61, deducted in computing the subsidiary's
income for its fiscal year during which its assets were distributed to the parent on the winding up,

(ia) the amount of the subsidiary's tax-paid undistributed surplus on hand at the time it was wound up, and

(ib) the amount of the subsidiary's 1971 capital surplus on hand at the time it was wound up,

as is designated by the parent in respect of that capital property in its return of income under this Part for its fiscal year in which the subsidiary was so wound up, except that,

(4) Clause e of subsection 1 of the said section 82, as amended by the Statutes of Ontario, 1973, chapter 157, section 23, is repealed and the following substituted therefor:

(e) subsection 2 of section 78 and section 21 of The Corporations Tax Application Rules, 1972 are not applicable to the winding up of the subsidiary;

(ea) the subsidiary may, for the purpose of computing its income for its fiscal year during which its assets were transferred to the parent on the winding up, claim any reserve that would have been allowed under this Part if its assets had not been transferred to the parent on the winding up and notwithstanding any other provision of this Part, no amount shall be included in respect of any reserve so claimed in computing the income of the subsidiary for its fiscal year, if any, following the year in which its assets were transferred to the parent;

(eb) the provisions of clauses c, da, g to sa, v and w of subsection 2 of section 81 and, subject to section 69, subsection 7 of section 81 apply to the winding up as if the references therein to,

(i) "amalgamation" were read as "winding up",

(ii) "predecessor corporation" were read as "subsidiary",

(iii) "new corporation" were read as "parent"
(iv) "its first fiscal year" were read as "its fiscal year during which it received the assets of the subsidiary on the winding up",

(v) "its last fiscal year" were read as "its fiscal year during which its assets were distributed to the parent on the winding up",

(vi) "predecessor corporation's gain" were read as "subsidiary's gain",

(vii) "new corporation's gain" were read as "parent's gain",

(viii) "predecessor corporation's income" were read as "subsidiary's income",

(ix) "new corporation's income" were read as "parent's income",

(x) "tax-paid undistributed surplus on hand immediately before the amalgamation" were read as "tax paid undistributed surplus on hand, at the time the subsidiary was wound up",

(xi) "the aggregate of amounts each of which is the 1971 capital surplus on hand, if any, of a predecessor corporation immediately before the amalgamation" were read as "the amount of the subsidiary's 1971 capital surplus on hand at the time the subsidiary was wound up",

(xii) "the aggregate of amounts each of which is the paid-up capital deficiency, if any, of a predecessor corporation immediately before the amalgamation" were read as "the amount of the subsidiary's paid-up capital deficiency at the time the subsidiary was wound up",

(xiii) "the capital dividend account of any predecessor corporation immediately before the amalgamation" were read as "the capital dividend account of the subsidiary at the time the subsidiary was wound up",

(ec) for the purposes of clauses a and b of subsection 1 of section 98, gifts made by the subsidiary in its last fiscal year shall, to the extent that they were
not deductible in computing its taxable income for that fiscal year, be deemed to have been made by the parent in its first fiscal year ending after the subsidiary was wound up; and

(5) Subsection 2 of the said section 82, as enacted by the Statutes of Ontario, 1973, chapter 157, section 23, is amended by striking out "whether or not it is a subsidiary" in the first and second lines and inserting in lieu thereof "other than a subsidiary" and by striking out "1971" in the third line and inserting in lieu thereof "the 6th day of May, 1974".

(6) Subclause vi of clause a of subsection 2 of the said section 82 is repealed and the following substituted therefor:

(vi) each property of the corporation that was so distributed at the particular time shall be deemed to have been disposed of by the corporation immediately before the end of the fiscal year so deemed to have ended for proceeds equal to the fair market value thereof immediately before the particular time; and

(7) Clause b of subsection 2 of the said section 82 is amended by striking out "or clause e of subsection 1" in the second line.

(8) The said section 82 is further amended by adding thereto the following subsection:

(3) Where on the dissolution of a foreign affiliate of a person one or more shares of the capital stock of another foreign affiliate of the person have been disposed of to the person, the provisions of subsection 3 of section 88 of the Income Tax Act (Canada) apply for the purposes of this Act.

43. (1) Subclause i of clause b of subsection 1 of section 83 of the said Act is repealed and the following substituted therefor:

(i) one-half of the amount, if any, by which the aggregate of the capital gains of the corporation, for the period commencing on the first day of the first fiscal year commencing after the time the corporation last became a private corporation and ending after 1971, and ending immediately before the particular time, exceeds the aggregate of its capital losses for that period.
(2) Clause c of subsection 1 of the said section 83 is repealed and the following substituted therefor:

(c) "paid-up capital" at any particular time means,

(i) in respect of a share of any class of the capital stock of a corporation, an amount equal to the paid-up capital at that time, in respect of the class of shares of the capital stock of the corporation to which that share belongs, divided by the number of issued shares of that class outstanding at that time,

(ii) in respect of a class of shares of the capital stock of a corporation, the amount, if any, by which the aggregate of,

(A) an amount equal to the paid-up capital in respect of that class of shares at that time, determined without reference to this subclause,

(B) all amounts each of which is an amount in respect of the issue of any share of that class by the corporation before that time equal to the amount, if any, by which,

1. the fair market value, at the time that share was issued, of the consideration received by the corporation for the issue of that share, exceeds

2. the amount by which the paid-up capital referred to in sub-subclause A was increased by virtue of the issue of that share, and

(C) all amounts each of which is the amount by which,

1. that portion of the amount, if any, by which,

i. any contribution of property, other than eligible capital property, before that time to the corporation by a shareholder who owned shares of that class,
ii. any consideration given by the corporation in respect of that contribution of property,

that cannot reasonably be regarded as a gift made to or for the benefit of any other shareholder of the corporation,

exceeds

2. the portion of the portion determined under paragraph 1 that has otherwise been included in the paid-up capital in respect of that or any other class of shares of the capital stock of the corporation,

exceeds the aggregate of,

(D) all amounts each of which is an amount in respect of the redemption, acquisition or cancellation in any manner whatever, before that time, of a share of that class by the corporation equal to the amount, if any, by which,

1. the paid-up capital in respect of that share immediately before such redemption, acquisition or cancellation,

exceeds

2. the reduction in the amount of the paid-up capital referred to in sub-subclause A by virtue of such redemption, acquisition or cancellation,

(E) all amounts each of which is an amount in respect of a reduction of the paid-up capital of that class, before that time, otherwise than by way of redemption, acquisition or cancellation of shares of that class equal to the amount, if any, by which,
1. the amount paid by the corporation on the reduction of the paid-up capital,

exceeds

2. the reduction in the amount of the paid-up capital referred to in sub-subclause A by virtue of such reduction, and

(F) all amounts each of which is the amount of a dividend that the corporation would, but for this clause, have been deemed, by subsection 1 of section 78, to have paid before that time on an increase in the paid-up capital of that class of shares other than an increase on the issue of a share of that class or by virtue of the amalgamation of two or more corporations, and

(iii) in respect of all the shares of the capital stock of a corporation, an amount equal to the aggregate of all amounts each of which is an amount equal to the paid-up capital in respect of any class of shares of the capital stock of the corporation at the particular time.

(3) Clause d of subsection 1 of the said section 83 is amended by striking out all that portion thereof immediately preceding subclause v and inserting in lieu thereof the following:

(d) "paid-up capital deficiency" of a corporation at any particular time after the 6th day of May, 1974 means the amount, if any, by which the aggregate of,

(i) the amounts determined under subclauses xii and xiii of clause l in respect of the corporation,

(ii) all amounts determined under subclauses xiv, xv and xviii of clause l in respect of the corporation at the particular time,

(iii) all amounts each of which is an amount equal to the paid-up capital at the particular time in respect of a share of the capital stock of
the corporation issued after 1971 that was received by a person as described in subsection 1 of section 37 if that person, or that person together with other persons with whom he does not deal at arm's length, controlled the corporation directly or indirectly in any manner whatever immediately after the time the share was issued,

(iv) where subsection 1 or 2 of section 79 has been applicable in respect of any disposition of property (other than a disposition after the 6th day of May, 1974 and before the 19th day of November, 1974) to the corporation before the particular time, the amount, if any, by which

(A) the amount by which any increase, by virtue of the disposition, in the paid-up capital of the corporation exceeds any increase, by virtue of the disposition, in the value of its assets (determined as though the value of any property so transferred were its cost to the corporation for the purposes of this Part and as though this Part were read without reference to subsection 5 of section 79) less its liabilities,

exceeds

(B) the amount by which any increase, by virtue of the disposition, in the paid-up capital of the corporation exceeds any increase, by virtue of the disposition, in the value of its assets less its liabilities, and

(ivada) where the particular time is after the 18th day of November, 1974 and where at any time before the particular time the corporation issued any shares of its capital stock as consideration for the purchase of shares of the capital stock of a second corporation and,

(A) at any time before those shares were so issued, any particular person or the group of persons to whom those shares were issued,

1. controlled the second corporation, directly or indirectly in any manner whatever, or
2. beneficially owned shares of the capital stock of the second corporation representing more than 50 per cent of its paid-up capital, and

(B) at any time before the particular time, the particular person or group of persons referred to in sub-subclause A,

1. controlled the corporation directly or indirectly in any manner whatever,

2. beneficially owned shares of the capital stock of the corporation representing more than 50 per cent of its paid-up capital, or

3. held an amount of debt payable by the corporation that exceeded the paid-up capital of the corporation, at a time when shares of the capital stock of the corporation representing more than 50 per cent of its paid-up capital were beneficially owned by,

   i. that particular person,

   ii. that group of persons,

   iii. persons related to that particular person or any member of that group of persons, or

   iv. any combination of persons referred to in this paragraph.

all amounts each of which is an amount in respect of any shares so issued at any given time equal to the amount, if any, by which the lesser of,

(C) subject to subsection 6, the increase in the paid-up capital of the corporation by virtue of the issue of those shares, on the assumption that clause c applied on the issue of those shares, and
(D) the amount, if any, by which the aggregate of the increase in the paid-up capital of the corporation by virtue of the issue of those shares, on the assumption that clause c applied on the issue of those shares, and the fair market value at that time of any other consideration given by the corporation at that time for the purchase of the shares of the second corporation exceeds the lesser of,

1. the paid-up capital limit of the second corporation at that time or on the 18th day of November, 1974 where that day is later, and

2. the aggregate of all amounts each of which is the paid-up capital at that time of each share of the second corporation so purchased at that time, on the assumption that clause c applied at that time, exceeds the aggregate of,

(E) the amount of any dividend that the corporation is deemed by virtue of subsection 1 of section 78 to have paid as a result of the issue of those shares, and

(F) the amount determined under subclause iv in respect of the corporation as a result of the issue of those shares, exceeds the aggregate of,

(4) Subclause vi of clause d of subsection 1 of the said section 83 is amended by striking out “iii, iv and iv.1” in the second line and inserting in lieu thereof “to x”.

(5) Subclause ix of clause d of subsection 1 of the said section 83 is amended by inserting after “clause a” in the sixth line “or c”.

s. 83(1)(d)(vi), amended

s. 83(1)(d)(ix), amended
(6) Clause 1 of subsection 1 of the said section 83, as amended by the Statutes of Ontario, 1973, chapter 157, section 24, is repealed and the following substituted therefor:

(1) "1971 capital surplus on hand" of a corporation at any particular time after the 6th day of May, 1974, means the amount, if any, by which the aggregate of,

(i) the tax equity of the corporation at the end of its 1971 fiscal year,

(ii) subject to subsection 5, all amounts each of which is an amount in respect of a capital property of the corporation owned by it on December 31, 1971 and disposed of by it after that date and before the particular time equal to the amount, if any, by which the lesser of its fair market value on the day fixed by proclamation for the purposes of subdivision B and the corporation's proceeds of disposition thereof exceeds its actual cost to the corporation determined without reference to The Corporations Tax Application Rules, 1972, other than subsections 15, 17 and 21 to 27 of section 26 thereof,

(iii) all amounts each of which is an amount in respect of a capital property owned by it at the end of its 1971 fiscal year or acquired by it thereafter and disposed of by the corporation before 1972, equal to the amount, if any, by which the corporation's proceeds of disposition thereof exceeds its actual cost to the corporation determined without reference to The Corporations Tax Application Rules, 1972,

(iv) all amounts each of which is an amount in respect of a dividend received by the corporation on a share of the capital stock of another corporation after 1971 and before the particular time, which amount was, by virtue of subsection 1 of section 77, not included in computing the income of the corporation by virtue of this Subdivision, minus such portion, if any, of that amount as was payable out of the other corporation's tax-paid undistributed surplus on hand, and
(v) all amounts each of which is an amount in respect of an eligible capital amount, within the meaning given to that expression by sub-section 1 of section 18, in respect of a business carried on by the corporation that became payable to the corporation in a fiscal year commencing after the time the corporation last became a private corporation and ending before the particular time, equal to the amount, if any, by which,

(A) the amount that the eligible capital amount would be but for the provisions of The Corporations Tax Application Rules, 1972, relating to section 18,

exceeds

(B) the aggregate of

1. the eligible capital amount, and

2. where the amount in respect of an eligible capital amount is received as consideration for the disposition of, or for allowing the expiry of, a government right, within the meaning given to that expression by The Corporations Tax Application Rules, 1972, such amount as is included in respect thereof in the tax equity of the corporation at the end of its 1971 fiscal year by virtue of subclause iia of clause h,

(vi) all amounts each of which is an amount that became payable to the corporation after the end of its 1971 fiscal year and before 1972 in respect of a property, owned by it at the end of its 1971 fiscal year or acquired by it thereafter and disposed of by it before 1972, that would have been eligible capital property if it had been disposed of after 1971, equal to the amount, if any, by which the amount that became payable exceeds any amount included in respect of that property in the tax equity of the corporation at the end of its 1971 fiscal year by virtue of subclause iia of clause h,
(vii) all amounts each of which is an amount equal to the amount, if any, by which,

(A) the aggregate of all amounts that have become due to the corporation before the particular time in respect of the disposition after 1971 of a property owned by the corporation on the 31st day of December, 1971 that is a property referred to in clause b of subsection 2 of section 59,

exceeds

(B) the relevant percentage, within the meaning given to that expression by subsection 4 of section 59, of the amount receivable by the corporation in respect of that disposition,

(viii) all amounts each of which is an amount receivable in respect of a property referred to in clause b of subsection 2 of section 59 owned by the corporation at the end of its 1971 fiscal year or acquired by it thereafter and disposed of by it before 1972,

(ix) all amounts each of which is an amount deducted by virtue of clause b of subsection 1 or 2 of section 31a in computing the income of the corporation for a fiscal year ending before the particular time,

(x) the amount, if any, by which,

(A) the proceeds of any life insurance policy received by the corporation after the end of its 1971 fiscal year and before 1972 as the result of the death of any person whose life was insured under the policy,

exceeds

(B) the aggregate of,

1. all amounts included in the tax equity of the corporation at the end of its 1971 fiscal year in respect of the policy, and
2. all amounts paid as or on account of premiums paid under the policy by the corporation after the end of its 1971 fiscal year and before 1972, and

(xi) all amounts determined under subclauses vii and x of clause d in respect of the corporation at the particular time, exceeds the aggregate of,

(xii) the paid-up capital of the corporation at the end of its 1971 fiscal year in respect of all of the shares of its capital stock,

(xiii) the amount that the corporation's undistributed income on hand, within the meaning given to that expression by the Income Tax Act (Canada) as it read in its application to the 1971 fiscal year, would be at the end of its 1971 fiscal year if,

(A) that Act as it so read were read without reference to subparagraph iii of paragraph a of subsection 1 of section 82 thereof,

(B) references in paragraph a of subsection 1 of section 82 of that Act, except clause A of subparagraph vii thereof, to "1917" were read as references to "1950", and

(C) no amount were allowed as a deduction under subparagraph ii of paragraph a of subsection 1 of section 82 of that Act as it read in its application to that year that was not deductible in computing the corporation's income for the 1971 or any previous fiscal year for the purposes of Part I of that Act as it read in its application to that year, but would have been deductible in computing its income for the 1971 fiscal year if that Act as it read in its application to that year had been read without reference to any restriction on the quantum of any deduction thereunder,
(xiv) subject to subsection 5, all amounts each of which is an amount in respect of a capital property, other than depreciable property, of the corporation owned by it on the 31st day of December, 1971 and disposed of by it after that date and before the particular time equal to the amount, if any, by which its actual cost to the corporation determined without reference to The Corporations Tax Application Rules, 1972, other than subsections 15, 17, and 21 to 27 of section 26 thereof, exceeds the greater of the fair market value of the property on the day fixed by proclamation for the purposes of subdivision B and the corporation's proceeds of disposition thereof,

(xv) all amounts each of which is an amount in respect of a capital property, other than depreciable property, owned by it at the end of its 1971 fiscal year or acquired by it thereafter and disposed of by it before 1972, equal to the amount, if any, by which its actual cost to the corporation determined without reference to The Corporations Tax Application Rules, 1972 exceeds the corporation's proceeds of disposition thereof,

(xvi) all amounts determined under subclauses iii and iv a of clause d in respect of the corporation at the particular time,

(xvii) where the particular time is after the 18th day of November, 1974, all amounts determined under subclause iv of clause d in respect of the corporation at the particular time, and,

(xviii) all amounts each of which is an amount in respect of a dividend that became payable by the corporation before the particular time, equal to the portion, if any, thereof payable out of its 1971 capital surplus on hand.

(7) The said section 83 is further amended by adding thereto the following subsections:

(4) For the purposes of subclause vi of clause d and subclauses ii and iii of clause l of subsection 1, the actual cost of depreciable property that was acquired by a corporation before the commencement of its 1949 fiscal year that is
capital property referred to in those subclauses shall be deemed to be the capital cost of such property to the corporation, within the meaning given to that expression by section 144 of the Income Tax Act (Canada) as it read in its application to the 1971 fiscal year.

(5) For the purposes of determining the 1971 capital surplus on hand or paid-up capital deficiency of a corporation at any particular time after the 6th day of May, 1974, the following rules apply:

(a) the amount referred to in subclauses ii and xiv of clause 1 of subsection 1 in respect of a capital property of the corporation shall be deemed to be nil, where the property disposed of is,

(i) a share of the capital stock of a subsidiary corporation referred to in subsection 1 of section 82 that was disposed of on the winding-up of the subsidiary where that winding-up commenced after the 29th day of May, 1973,

(ii) a share of the capital stock of another Canadian corporation that was controlled, within the meaning given to that expression by subsection 2 of section 186 of the Income Tax Act (Canada), by the corporation immediately before the disposition and that was disposed of by the corporation after 1971 to a person with whom the corporation was not dealing at arm's length immediately after the disposition, other than by a disposition referred to in clause b, or

(iii) subject to subsection 21 of section 26 of The Corporations Tax Application Rules, 1972, a share of the capital stock of a particular corporation that was disposed of by the corporation after the 6th day of May, 1974, on an amalgamation, within the meaning given to that expression by subsection 1 of section 81, where the corporation controlled, within the meaning given to that expression by subsection 2 of section 186 of the Income Tax Act (Canada), both the particular corporation immediately before the amalgamation and the new corporation immediately after the amalgamation; and

(b) where another corporation that is a Canadian corporation owned a capital property on the 31st day
of December, 1971 and subsequently disposed of it to the corporation in a transaction to which section 79 applied, the other corporation shall be deemed to have owned that property on the 31st day of December, 1971 and to have acquired it at an actual cost equal to the actual cost of that property to the other corporation.

(6) Where subclause iva of clause d of subsection 1 has applied to the issue, prior to the 19th day of November, 1974, of any share of the capital stock of a corporation, for the purpose of sub-subclause C of subclause iva of clause d of subsection 1, the increase in the paid-up capital of the corporation by virtue of the issue of that share shall, subject to section 78b, be deemed to be equal to the amount that would be determined under sub-subclause B of subclause ii of clause c of subsection 1 in respect of the issue of that share if clause c of subsection 1 were applicable at that time.

44. The said Act is further amended by adding thereto the following section:

83a.—(1) For the purposes of paragraph 1 of sub-subclause B of subclause ii of clause c of subsection 1 of section 83, where a corporation has issued any shares of a particular class of its capital stock in exchange for another share, bond, debenture, mortgage, note or other similar obligation of the corporation, in this subsection referred to as a “convertible property”, the fair market value of the convertible property at the time the shares of the particular class were issued shall be deemed to be an amount equal to,

(a) where the convertible property was a share, the amount of the paid-up capital in respect of that share immediately before the exchange; or

(b) where the convertible property was a debt owing by the corporation, the amount of that debt immediately before the exchange.

(2) Where there has been an amalgamation, within the meaning given to that expression by section 81, of two or more corporations, each of which corporations is in this subsection referred to as a “predecessor corporation”, to form one corporate entity, in this subsection referred to as the “new corporation”. 

Reduction in paid-up capital deficiency

Paid-up capital

rules on conversion of property
(a) for the purposes of paragraph 1 of sub-subclause B of subclause ii of clause c of subsection 1 of section 83, the new corporation shall be deemed to have received no consideration for any shares of its capital stock that were issued on the amalgamation;

(b) the paid-up capital in respect of any particular class of the capital stock of the new corporation shall, at any particular time after the amalgamation and after the 6th day of May, 1974, be increased by the amount, if any, by which,

(i) the aggregate of all amounts each of which is the paid-up capital, immediately before the amalgamation, in respect of a share of the capital stock of a predecessor corporation, other than a share owned by another predecessor corporation,

(ii) the aggregate of all amounts each of which is the paid-up capital, referred to in sub-subclause A of subclause ii of clause c of subsection 1 of section 83, immediately after the amalgamation, in respect of a class of shares of the capital stock of the new corporation,

to the extent that that amount has not been included in the paid-up capital of any other class of shares of the capital stock of the new corporation; and

(c) where the amalgamation occurred prior to the 7th day of May, 1974, the paid-up capital, immediately before the amalgamation, of a share of the capital stock of a predecessor corporation shall, for the purposes of subclause i of clause b be determined as though subclauses i and ii of clause c of subsection 1 of section 83 applied immediately before the amalgamation.

(3) Where a corporation has made an election under subsection 1 of section 77 in respect of a dividend on a particular class of shares of the capital stock of the corporation that has, before the 19th day of November, 1974, become payable, or was paid if that event was earlier than the time it became payable, and,

(a) the portion of the dividend that was payable out of the corporation's 1971 capital surplus on
hand if the paid-up capital of the corporation in respect of any class of shares of its capital stock at the end of its 1971 fiscal year was the amount determined under sub-subclause A of subclause ii of clause c of subsection 1 of section 83 in respect of that class at that time,

\( b \) the portion of the dividend that would have been payable out of the corporation's 1971 capital surplus on hand if the paid-up capital of the corporation in respect of any class of shares of its capital stock at the end of its 1971 fiscal year was the amount determined under subclause ii of clause c of subsection 1 of section 83 without reference to this subsection in respect of that class at that time,

notwithstanding any other provision of this Act, the paid-up capital in respect of the particular class of shares at the end of the corporation's 1971 fiscal year and at any time after the 18th day of November, 1974, shall be reduced by the amount, if any, by which the amount referred to in clause \( a \) exceeds the amount referred to in clause \( b \).

45. The said Act is further amended by adding thereto the following section:

84a. It is hereby declared that the provisions of sections 91, 92, 93, 94 and 95 of the Income Tax Act (Canada) shall apply to this Act for the purpose of computing the income for a fiscal year of a corporation resident in Canada.

46. (1) Section 85 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 157, section 25, is further amended by adding thereto the following subsections:

(a) For the purposes of subsection 1 and sections 90 and 92,

where the principal activity of a partnership is carrying on a business in Canada and the members thereof have entered into an agreement to allocate a share of the income or loss of the partnership from any source or from sources in a particular place, as the case may be, to any corporation that at any time ceased to be a member of,

(i) the partnership, or

(ii) a partnership that at any time has ceased to exist or would, but for subsection 1 of section 87 have ceased to exist, and either,
(A) the members thereof, or

(B) the members of another partnership in which, immediately after that time, any of the members referred to in sub-subclause A became members,

have agreed to make such an allocation to the corporation,

that corporation shall be deemed to be a member of the partnership; and

(b) all amounts each of which is an amount equal to the share of the income or loss referred to in this subsection allocated to a corporation from a partnership in respect of a particular fiscal year of the partnership shall, notwithstanding any other provision of this Act, be included in computing the corporation's income for the fiscal year in which that fiscal year of the partnership ends.

(1b) Where in a fiscal year a corporation that has a right to a share of the income or loss of a partnership under an agreement referred to in subsection 1a disposes of that right,

(a) there shall be included in computing its income for the year the proceeds of the disposition; and

(b) for greater certainty, the cost to the corporation of each property received by it as consideration for the disposition is the fair market value of the property at the time of the disposition.

(1c) Where, by virtue of subsection 1a or 1b, an amount has been included in computing a corporation's income for a fiscal year, there may be deducted in computing its income for the year the lesser of,

(a) the amount so included in computing its income for the year; and

(b) the amount, if any, by which the cost to the corporation of the right to a share of the income or loss of a partnership under an agreement referred to in subsection 1a exceeds the aggregate of all amounts in respect of that right that were deductible by virtue of this subsection in computing its income for previous fiscal years.

(1d) For the purposes of this Act, a right to a share of the income or loss of a partnership under an agreement refer-
red to in subsection 1a shall be deemed not to be capital property.

(1c) Where any activity in Ontario of a partnership in a fiscal year is such that, if it were a corporation, it would be subject to clause a or b of subsection 2 or 3 of section 2, as the case may be, each corporation that is deemed by clause a of subsection 1a to be a member of the partnership shall be deemed to be subject to clause a or b of subsection 2 or 3 of section 2, as the case may be, for that fiscal year.

(2) Subsection 3 of the said section 85, as enacted by the Statutes of Ontario, 1973, chapter 157, section 25, is amended by striking out "or" in the eighth line and by inserting after "36" in the ninth line "or subsection 2 of section 86".

47.—(1) Subsection 2 of section 87 of the said Act is repealed.

(2) The said section 87 is amended by adding thereto the following subsection:

(5a) Where at any particular time after 1971 a Canadian partnership has ceased to exist and within three months after the particular time one, but not more than one, of the persons who were, immediately before the particular time, members of that partnership, carries on by himself the business that was the business of the partnership and continues to use, in the course of the business, any property that was, immediately before the particular time, partnership property and that was received by him as proceeds of disposition of his interest in the partnership, and where that one person is a corporation, hereafter in this section referred to as the "proprietor corporation", the following rules apply:

(a) the proprietor corporation's proceeds of disposition of its interest in the partnership shall be deemed to be an amount equal to the greater of,

(i) the aggregate of the adjusted cost base to it, immediately before the particular time, of its interest in the partnership, and the cost to it of all interests in the partnership deemed by clause g to have been acquired by it at the particular time, and

(ii) the aggregate of,

(A) the cost amount to the partnership, immediately before the particular time, of each such property so received by it, and
(b) the cost to the proprietor corporation of each such property so received by it shall be deemed to be an amount equal to,

(i) the cost amount to the partnership of the property immediately before that time,

plus,

(ii) where the amount determined under subclause i of clause a exceeds the amount determined under subclause ii of clause a, the amount determined under clause c or d, as the case may be, in respect of the property;

(c) the amount determined under this clause in respect of each such property so received by it that is a capital property, other than depreciable property, of the proprietor corporation is such portion of the excess, if any, described in subclause ii of clause b as is designated by it in respect of the property, except that,

(i) in no case shall the amount so designated in respect of any such property exceed the amount, if any, by which the fair market value of the property immediately after the particular time exceeds the cost amount to the partnership of the property immediately before that time, and

(ii) in no case shall the aggregate of amounts so designated in respect of all such capital properties, other than depreciable property, exceed the excess, if any, described in subclause ii of clause b;

(d) the amount determined under this clause in respect of each such property so received by it that is depreciable property or a property other than a capital property of the proprietor corporation is such portion of,

(i) the amount, if any, by which the excess, if any, described in subclause ii of clause b
exceeds the aggregate of amounts designated by it under clause c in respect of all capital properties, other than depreciable property, as is designated by it in respect of the property, except that,

(ii) in no case shall the amount so designated in respect of any such property exceed the amount, if any, by which the fair market value of the property immediately after the particular time exceeds the cost amount to the partnership of the property immediately before that time, and

(iii) in no case shall the aggregate of amounts so designated in respect of all such properties of the proprietor corporation that are depreciable property or properties other than capital properties, exceed one-half of the amount determined under subclause i in respect of the proprietor corporation;

(c) where any such property so received by it was depreciable property of a prescribed class of the partnership and the amount that was the capital cost to the partnership of that property exceeds the amount determined under clause b to be the cost to the proprietor corporation of the property, for the purposes of sections 17 and 24 and any regulations made under clause a of subsection 1 of section 24,

(i) the capital cost to the proprietor corporation of the property shall be deemed to be the amount that was the capital cost to the partnership of the property, and

(ii) the excess shall be deemed to have been allowed to the proprietor corporation in respect of the property under regulations made under clause a of subsection 1 of section 24 in computing income for fiscal years before the acquisition by it of the property;

(f) the partnership shall be deemed to have disposed of each such property for proceeds equal to the cost amount to the partnership of the property immediately before the particular time; and
(g) where, at the particular time, all other persons who were members of the partnership immediately before that time have disposed of their interests in the partnership to the proprietor corporation, the proprietor corporation shall be deemed at that time to have acquired partnership interests from those other persons and not to have acquired any property that was property of the partnership.

87a.—(1) Where, but for this subsection, at any time after 1971 a corporation has ceased to be a member of a partnership of which it was a member immediately before that time, the following rules apply,

(a) until such time as all its rights (other than a right to a share of the income or loss of the partnership under an agreement referred to in subsection 1a of section 85) to receive any property of or from the partnership in satisfaction of its interest in the partnership immediately before the time that it ceased to be a member of the partnership are satisfied in full, such interest, in this section referred to as a "residual interest", shall, subject to section 50 but notwithstanding any other section of this Act, be deemed not to have been disposed of by the corporation and to continue to be an interest in the partnership;

(b) where all of the corporation's rights described in clause a are satisfied in full before the end of the fiscal year of the partnership in which it ceased to be a member thereof, it shall, notwithstanding clause a, be deemed not to have disposed of its residual interest until the end of that fiscal year;

(c) notwithstanding subsection 3 of section 42, where at the end of a fiscal year of the partnership, in respect of a residual interest in the partnership,

(i) the aggregate of all amounts required by subsection 2 of section 55 to be deducted in computing the adjusted cost base to the corporation of the residual interest at that time,
(ii) the aggregate of the cost to it of the residual interest determined for the purpose of computing the adjusted cost base to it of that interest at that time and all amounts required by subsection 1 of section 55 to be added to the cost to it of the residual interest in computing the adjusted cost base to it of that interest at that time,

the amount of the excess shall be deemed to be a gain of the corporation for the year from a disposition at that time of that residual interest; and

(d) where a corporation has a residual interest,

(i) by virtue of clause b, it shall, except for the purposes of subsection 3 of section 98, be deemed not to be a member of the partnership, and

(ii) in any other case, it shall except for the purposes of subsection 3 of section 79, be deemed not to be a member of the partnership.

(2) Where a partnership, in this subsection referred to as the "original partnership", has or would but for subsection 1 of section 87 have ceased to exist at a time when a corporation had rights described in clause a of subsection 1 in respect of that partnership and the members of another partnership agree to satisfy all or part of those rights, that other partnership shall, for the purposes of clause a of subsection 1, be deemed to be a continuation of the original partnership.

87b. Where by virtue of the death of an individual a corporation has acquired a property that was an interest in a partnership to which, immediately before the individual's death, section 87a applied,

(a) the corporation shall be deemed to have acquired a right to receive partnership property and not to have acquired an interest in a partnership;

(b) the corporation shall be deemed to have acquired the right referred to in clause a at a cost equal to the amount determined to be the proceeds of disposition of the interest in the partnership to the deceased individual by virtue of paragraph a of subsection 5 of section 70 or paragraph d of subsection 6 of section 70, as the case may be, of the Income Tax Act, C. 53 (Can.); and
49. Clause (b) of subsection 2 of section 89 of the said Act is repealed and the following substituted therefor:

(b) the aggregate of,

(i) the cost to the corporation of the interest in the partnership determined for the purpose of computing the adjusted cost base to it of that interest at that time, and

(ii) all amounts required by subsection 1 of section 55 to be added to the cost to it of that interest in computing the adjusted cost base to it of that interest at that time.

50.—(1) Section 96 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 157, section 26, is further amended by adding thereto the following subsection:

(1a) For the purposes of subsection 1 and notwithstanding clause (c) of subsection 1 of section 66, the cost to a corporation of a capital interest in a testamentary trust shall be deemed to be,

(a) where the interest was purchased, the cost otherwise determined;

(b) where paragraph (c) of subsection 5 of section 70 of the Income Tax Act (Canada) applies, the cost therein determined; and

(c) in any other case, nil.

(2) Subsection 3 of the said section 96 is amended by striking out "that proportion" in the ninth line and in the tenth line and inserting in lieu thereof in each instance "the amount".

51. Clause (c) of subsection 1 of section 97 of the said Act, as amended by the Statutes of Ontario, 1973, chapter 157, section 27, is further amended by inserting after "trust" in the second line "other than a trust that is a foreign affiliate of the corporation".

52.—(1) Clause (c) of subsection 1 of section 100 of the said Act is repealed.

(2) Subsection 2 of the said section 100 is amended by striking out "corporation" in the second line and inserting in lieu thereof "corporation, other than a foreign affiliate of the corporation".
(3) Subsections 3 and 4 of the said section 100 are repealed and the following substituted therefor:

(3) Where a corporation owns a share that is a capital property and receives a taxable dividend or capital dividend in respect of that share, the amount of any loss of the corporation arising from transactions with reference to the share on which the dividend was received shall, unless it is established by the corporation that,

(a) the corporation owned the share 365 days or longer before the loss was sustained; and

(b) the corporation did not, at the time the dividend was received, own more than 5 per cent of the issued shares of any class of the capital stock of the corporation from which the dividend was received,

be deemed to be the amount of that loss otherwise determined, minus the aggregate of all amounts received by the corporation in respect of:

(c) taxable dividends on the share to the extent that the amounts thereof were deductible from the corporation’s income for any fiscal year by virtue of this section or subsection 6 of section 138 of the Income Tax Act (Canada); or

(d) capital dividends on the share.

(4) Where a corporation owns a share that is not a capital property and receives a dividend in respect of that share, the amount of any loss of the corporation arising from transactions with reference to the share on which the dividend was received shall, unless it is established by the corporation that,

(a) it owned the share 365 days or longer before the loss was sustained; and

(b) it did not, at the time the dividend was received, own more than 5 per cent of the issued shares of any class of the capital stock of the corporation from which the dividend was received,

be deemed to be the amount of that loss otherwise determined, minus the aggregate of all amounts received by it in respect of dividends, other than capital gains dividends within the meaning given to that expression by subsection 1 of section 109, on the share.
(4a) Where a corporation owns a share that is not a capital property and receives a dividend in respect of that share, for the purpose of subsection 1 of section 15 the fair market value of the share at any particular time after the 18th day of November, 1974 shall, unless it is established by the corporation that,

(a) it owned the share 365 days or longer before the particular time; and

(b) it did not, at the time the dividend was received, own more than 5 per cent of the issued shares of any class of the capital stock of the corporation from which the dividend was received,

be deemed to be the aggregate of the fair market value of the share at the particular time otherwise determined and all amounts received before the particular time by it in respect of dividends, other than capital gains dividends within the meaning given to that expression by subsection 1 of section 109, on the share.

(4) Section 100 of the said Act is amended by adding thereto the following subsection:

(6) Where at a particular time a share, in this subsection referred to as the "new share", has been acquired by a corporation in exchange for another share, in this subsection referred to as the "old share", by means of a transaction to which section 53, 79a, 80 or 81 applies, any reference in subsection 3 to a share shall be deemed to include a reference to the new share and the old share as though they were the same share, except that the aggregate of the amounts to be deducted from a loss otherwise determined on any new share of the corporation, in respect of dividends received by it on the share, shall be deemed to be the aggregate of,

(a) the aggregate of amounts that would be determined under subsection 3 in respect of taxable dividends or capital dividends received by it on the new share only; and

(b) that proportion of the aggregate of all amounts received by it in respect of taxable dividends or capital dividends on all the old shares exchanged at the particular time that,

(i) the adjusted cost base to it of the new share immediately after the exchange,

is of,

(ii) the adjusted cost base to it of all new shares immediately after the exchange.
53. The said Act is further amended by adding thereto the following section:

100a. It is hereby declared that the provisions of section 113 of the Income Tax Act (Canada) shall apply to this Act for the purposes of computing the taxable income for a fiscal year of a corporation resident in Canada.

54. The said Act is further amended by adding the following section:

100b.—(1) In computing a corporation's taxable income for a fiscal year, there may be deducted the aggregate of amounts (the aggregate of which amounts is hereafter in this subsection referred to as "the amount contributed") that are contributions for the purposes of The Election Finances Reform Act, 1975 and that are contributed in the fiscal year, and in any previous fiscal year ending after the 12th day of February, 1975 to the extent that such contributions have not already been deducted, by the corporation to registered candidates at an election of a member or members to serve in the Assembly, to registered constituency associations or to registered parties, provided that,

(a) subject to subsection 3, such deduction shall not exceed the least of,

(i) the amount contributed, and

(ii) its taxable income computed without reference to this section, and

(iii) $4,000; and

(b) payment of each amount that is included in the amount contributed is proven by filing with the Minister receipts that are signed by a recorded agent of the registered candidate, registered constituency association or registered party, as the case may be, and that contain the information prescribed to be shown on such receipts.

(2) In this section,

(a) "recorded agent" means a person on record with the Commission on Election Contributions and Expenses as being authorized to accept contributions on behalf of a political party, constituency association or candidate registered under The Election Finances Reform Act, 1975;
(b) "registered candidate" with respect to an election of a member or members to serve in the Assembly, means a person who has been registered as a candidate for such election by the Commission on Election Contributions and Expenses and whose name has not been deleted from the register of candidates maintained by the Commission with respect to such election;

(c) "registered constituency association" means a registered constituency association within the meaning given to that expression by The Election Finances Reform Act, 1975;

(d) "registered party" means a registered party within the meaning given to that expression by The Election Finances Reform Act, 1975.

(3) In respect of a corporation to which section 103 is applicable, the amount deductible under clause a of subsection 1 is the aggregate of,

(a) the amount which would otherwise be deducted under clause a of subsection 1; and

(b) that proportion of the amount determined under clause a that,

(i) the taxable income of the corporation that is earned in jurisdictions other than Ontario (as computed for the purposes of section 103 and without reference to this section),

is to

(ii) the amount by which the taxable income of the corporation exceeds the amount referred to in subclause i.

55.—(1) Subclause iv of clause a of section 101 of the said Act is amended by striking out "and" in the eleventh line.

(2) Subclause v of clause a of the said section 101 is repealed and the following substituted therefor:

(v) proceeds of disposition that become receivable by it in the fiscal year in respect of the disposition of a property that is a Canadian resource property or that would have been such a property if the property had been
acquired by it after 1971, to the extent that those proceeds were not included in computing its income from a business carried on by it in Canada,

(vi) amounts required by subsection 1a of section 17 to be included in computing its income for the year in respect of dispositions of timber resource properties to the extent that those amounts were not included in computing its income from a business carried on by it in Canada,

(vii) the amount, if any, by which any amount required by subsection 1b of section 85 to be included in computing its income for the year as proceeds of the disposition of a right to a share of the income or loss under an agreement referred to in clause a of subsection 1a of section 85 exceeds the amount in respect of that right that would, if the corporation were liable to taxation by virtue of subsection 1 of section 2 throughout the fiscal year, be deductible under subsection 1c of section 85 in computing its income for the year.

(3) Clause b of the said section 101, as amended by the Statutes of Ontario, 1973, chapter 157, section 28, is further amended by inserting after "property" in the fifth line "or an interest therein".

(4) The said section 101 is amended by adding thereto the following subsection:

(2) For the purposes of this section, a property described in subparagraphs i to ix of paragraph b of subsection 1 of section 115 of the Income Tax Act (Canada) shall be deemed to include an option in respect of such property whether or not such property is in existence.

56. Section 105 of the said Act is repealed.

57. Subsection 2 of section 106a of the said Act, as enacted by the Statutes of Ontario, 1974, chapter 75, section 7, is amended by striking out "$50,000" in the fifth line and inserting in lieu thereof "$100,000".

58. Clause a of subsection 5 of section 110 of the said Act is repealed and the following substituted therefor:

(a) "Canadian property" means,
(i) property of a corporation that would be taxable Canadian property if at no time in the year the corporation had been resident in Canada, and

(ii) any other property not being foreign property within the meaning given to that expression by section 206 of the Income Tax Act (Canada).

Section 112 of the said Act is amended by adding thereto the following subsection:

(7) For the purposes of this section, where,

(a) a person has sold or delivered a quantity of goods or products to a marketing board established by or pursuant to a law of Canada or of a province;

(b) the marketing board has sold or delivered the same quantity of goods or products of the same class, grade or quality to a corporation of which the person is a member; and

(c) the corporation has credited that person with an amount based on the quantity of goods or products of that class, grade or quality sold or delivered to it by the marketing board,

the quantity of goods or products referred to in clause (c) shall be deemed to have been sold or delivered by that person to the corporation and to have been acquired by the corporation from that person.

Subsection 3 of section 114 of the said Act is repealed and the following substituted therefor:

(3) Notwithstanding any other provisions of this Act, any amount paid or payable by a credit union to a member thereof in respect of his share in the credit union, other than any such amount paid or payable as or on account of a reduction of the paid-up capital, redemption, acquisition or cancellation by the credit union of the member's share to the extent of the paid-up capital of his share, shall be deemed to have been paid or payable, as the case may be, by the credit union as interest and, when received by the member, to have been received by him as interest.

(3a) Subsections 2, 3 and 4 of section 78 do not apply to deem a dividend to have been paid by a corporation to any of its shareholders, or to deem any of the shareholders of a
corporation to have received a dividend on any shares of the capital stock of the corporation, if at the time the dividend would, but for this subsection, be deemed by subsection 2, 3, or 4 of section 78 to have been so paid or received, as the case may be, the corporation was a credit union.

(2) Clause a of subsection 5 of the said section 114 is amended by inserting after "union" in the sixteenth line "of the same class and for this purpose a class includes all members for whom the rates of interest payable in relation to the money borrowed are the same".

(3) Clause b of subsection 5 of the said section 114 is repealed and the following substituted therefor:

(b) "credit union" means a corporation, association or federation incorporated or organized as a credit union or co-operative credit society if,

(i) it derived all or substantially all of its revenues from,

(A) loans made to, or cashing cheques for, members,

(B) bonds or securities of or loans to, or guaranteed by, the Government of Canada or a province, a Canadian municipality, or an agency thereof, or bonds or securities of or loans to a municipal or public body performing a function of government in Canada or an agency thereof,

(C) bonds of a corporation, commission or association not less than 90 per cent of the shares or capital of which was owned by the Government of Canada or a province or by a municipality in Canada,

(D) loans to or deposits with a bank to which the Bank Act (Canada) or the Quebec Savings Banks Act (Canada) applies, or loans to or deposits with a corporation licensed or otherwise authorized under a law of Canada or a province to carry on in Canada the business of offering to the public its services as trustee,
(E) charges, fees and dues levied against members or members of members, or

(F) loans made to or deposits with a credit union or co-operative credit society of which it is a member, or

(ii) all or substantially all the members thereof were corporations, associations or federations,

(A) incorporated as credit unions or co-operative credit societies, all of which derived all or substantially all of their revenues from the sources described in subclause i or all of whose shares are owned by credit unions, co-operatives or a combination thereof,

(B) incorporated, organized or registered under, or governed by a law of Canada or a province with respect to co-operatives, or

(C) incorporated or organized for charitable purposes,

or were corporations, associations or federations no part of the income of which was payable to, or otherwise available for the personal benefit of, any shareholder or member thereof.

61. The said Act is further amended by adding thereto the following section:

117a. Notwithstanding any other provision of this Act, an insurance corporation, other than a life insurance corporation, that would but for this section be a private corporation shall be deemed not to be a private corporation except for the purposes of section 106a.

62. Section 120 of the said Act is amended by adding thereto the following subsection:

(9a) Where a trust governed by a revoked plan,

(a) disposes of property to a corporation for a consideration less than the fair market value of the property at the time of the transaction, or for no consideration; or
(b) acquires property from a corporation for a consideration greater than the fair market value of the property at the time of the transaction,

the difference between such fair market value and the consideration, if any, shall be deemed to be an amount received by the corporation from a trustee under the plan and that amount shall be included in the corporation's income for a fiscal year.

63.-(I) Subclause iii of clause e of subsection 1 of section 122 of the said Act is amended by adding "or" at the end of sub-subclause A, by striking out sub-subclauses B, C and D and by substituting therefor the following:

(B) a gift to any donee described in clause a or b of subsection 1 of section 98,

(2) Clause i of subsection 1 of the said section 122, as re-enacted by the Statutes of Ontario, 1973, chapter 42, section 9, is amended by adding at the end thereof "unless the proprietor, member or shareholder was a club, society or association the primary purpose and function of which was the promotion of amateur athletics in Canada".

(3) Clause b of subsection 6 of the said section 122 is amended by inserting after "corporation" in the second line "including gifts received from a person described in clause e of subsection 1 or paragraph h of subsection 1 of section 149 of the Income Tax Act (Canada)".

(4) Subclause ii of clause b of subsection 6 of the said section 122 is amended by inserting after "donor" in the second line "other than a person described in clause e of subsection 1 or paragraph h of subsection 1 of section 149 of the Income Tax Act (Canada)" and by inserting after "person" in the fifth line "other than a person described in clause e of subsection 1 or paragraph h of subsection 1 of section 149 of the Income Tax Act (Canada)".

64.—(1) Subsections 2 and 3 of section 148 of the said Act are repealed and the following substituted therefor:

(3) Every corporation on which a tax is imposed by this Act shall pay to the Treasurer of Ontario,

(a) on or before the fifteenth day of each of the third, fifth, seventh, ninth and eleventh months of the
fiscal year in respect of which the tax is payable
and on or before the fifteenth day of the first month
of the fiscal year following that in respect of which
the tax is payable, an instalment equal to one-sixth
of the tax payable as estimated by it at the rates
for the fiscal year on,

(i) its estimated taxable income and other subject
of tax for the fiscal year, or

(ii) its taxable income and other subject of tax
for the immediately preceding fiscal year; and

(b) the balance, if any, of the tax payable for the fiscal
year as estimated by it under subsection 2 of section
145,

(i) on or before the last day of the third month
of the fiscal year following that in respect of
which the tax is payable, where an amount
was deducted by virtue of section 125 of the
Income Tax Act (Canada) in computing the
tax payable by the corporation under Part 1
of that Act for the immediately preceding
fiscal year, or

(ii) on or before the last day of the second month
of the fiscal year following that in respect
of which the tax is payable, in any other
case.

(2) Subsection 4 of the said section 148 is amended by
striking out “Notwithstanding subsections 2 and 3” in the
first line and inserting in lieu thereof “Notwithstanding
subsection 3” and by striking out “2 or” in the fifth line.

65. Subsection 2 of section 149 of the said Act is amended by
striking out “2” in the first line.

66. -(1) Subsection 1 of section 167 of the said Act, as amended
by the Statutes of Ontario, 1973, chapter 157, section 32,
is further amended by striking out “1961” in the amendment
of 1973 and inserting in lieu thereof “1967”.

(2) Subsection 2 of the said section 167, as amended by the
Statutes of Ontario, 1973, chapter 157, section 32, is
further amended by striking out “1961” in the amendment
of 1973 and inserting in lieu thereof “1967”.
67.—(1) Subsections 2 and 9 of section 1, paragraph 38\(a\) of subsection 1 of section 1 of the said Act, as enacted by subsection 4 of section 1 of this Act, section 5, subsection 2 of section 8, section 13, subsections 9, 11 and 12 of section 28, section 30, subsection 1 of section 34, sections 37, 61 and 62, and subsections 1, 3 and 4 of section 63 shall be deemed to have come into force on the 1st day of January, 1974 and apply to corporations in respect of all fiscal years ending after 1973.

(2) Subsections 3 and 8 of section 1, paragraph 33\(a\) of subsection 1 of section 1 of the said Act, as enacted by subsection 4 of section 1 of this Act, subsections 6 to 9 of section 6, subsection 3 of section 7, subsections 8 and 9 of section 8, section 9, subsection 2 of section 15, sections 16, 18 and 21, subsections 2 to 5 and 7 to 12 of section 22, subsections 1, 2, 4 and 5 of section 23, subsections 2, 3 and 8 of section 28, subsection 2 of section 34, subsection 1 of section 43, sections 45, 46, 47, 48, 49, 50 and 51, subsection 2 of section 52, subsection 3 of section 55, sections 58, 59 and 60, and subsection 2 of section 63 shall be deemed to have come into force on the 1st day of January, 1972 and apply to corporations in respect of all fiscal years ending after 1971.

(3) Sections 32 and 56 come into force on the day this Act receives Royal Assent.

(4) Subsection 1 of section 1 and section 12 shall be deemed to have come into force on the 1st day of January, 1975 and apply to corporations in respect of all fiscal years ending after 1974.

(5) Subsection 5 of section 1 shall be deemed to have come into force on the 7th day of May, 1974 and is applicable for the purpose of calculating the paid-up capital of a corporation at the end of its fiscal year ending in 1971 and at any time after the 6th day of May, 1974.

(6) Subsection 6 of section 1 shall be deemed to have come into force on the 7th day of April, 1975.

(7) Subsection 7 of section 1 shall be deemed to have come into force on the 1st day of January, 1972 and applies to corporations in respect of all fiscal years ending after 1971.
(8) Section 2 shall be deemed to have come into force on the 7th day of May, 1974 and applies to corporations in respect of all fiscal years ending after the 6th day of May, 1974.

(9) Section 3 shall be deemed to have come into force on the 7th day of May, 1974 and applies to corporations in respect of all fiscal years ending after the 6th day of May, 1974.

(10) Subsection 1 of section 4 shall be deemed to have come into force on the 19th day of November, 1974 and applies to corporations in respect of all fiscal years ending after the 18th day of November, 1974.

(11) Subsection 2 of section 4 shall be deemed to have come into force on the 8th day of April, 1975 and applies to corporations with respect to all fiscal years that end after the 7th day of April, 1975 except that with respect to the fiscal year that ends after the 7th day of April, 1975 and that includes that day the amount to be determined under clause c of subsection 1 of section 16 of the said Act shall be that portion of any amount that becomes receivable in that fiscal year or the fair market value of any property that becomes receivable in that fiscal year that the number of days of that fiscal year that follow the 7th day of April, 1975 bears to the total number of days of that fiscal year.

(12) Subsection 3 of section 4 shall be deemed to have come into force on the 1st day of January, 1975 and applies to corporations in respect of all fiscal years ending after 1974 and, except in the case of a credit union, any interest that was not included in computing a corporation’s income for a fiscal year ending before 1975 but that would have been included in subsection 3 of section 16, as enacted by subsection 3 of section 4 of this Act, had applied shall be included in computing its income for its fiscal year ending in 1975.

(13) Subsections 1 and 2 of section 6 shall be deemed to have come into force on the 7th day of May, 1974 and apply in respect of timber resource property acquired after the 6th day of May, 1974.

(14) Subsection 3 of section 6 shall be deemed to have come into force on the 7th day of May, 1974 and applies in respect of amounts that become receivable after the 6th day of May, 1974.
(15) Subsection 4 of section 6 shall be deemed to have come into force on the 1st day of January, 1972 and applies to acquisitions of property occurring after the 18th day of November, 1974 and to all fiscal years of corporations ending after 1971 in respect of the repayment on, before or after January 1, 1972 of grants, subsidies or other assistance.

(16) Subsection 5 of section 6 and subsection 2 of section 7 shall be deemed to have come into force on the 7th day of May, 1974 and apply to corporations in respect of all fiscal years ending after the 6th day of May, 1974.

(17) Subsections 10 and 11 of section 6 shall be deemed to have come into force on the 7th day of May, 1974 and apply in respect of acquisitions of property occurring after the 6th day of May, 1974.

(18) Subsection 1 of section 7 shall be deemed to have come into force on the 8th day of April, 1975 and applies to corporations with respect to all fiscal years that end after the 7th day of April, 1975 except that with respect to the fiscal year that ends after the 7th day of April, 1975 and includes that day, the amount paid or payable in the year or the fair market value of property paid in the year shall, for the purposes of clause n of subsection 1 of section 22 of the said Act be the aggregate of,

(a) that portion of the amount determined under that clause as it stood prior to the 8th day of April, 1975, that the number of days of that fiscal year prior to the 8th day of April, 1975 bears to the total number of days of that fiscal year; and

(b) that portion of the amount determined under that clause as amended by this Act for that fiscal year that the number of days of that fiscal year that follow the 7th day of April, 1975 bears to the total number of days of that fiscal year.

(19) Subsection 1 of section 8 shall be deemed to have come into force on the 19th day of November, 1974 and applies to sales occurring and debts arising after the 18th day of November, 1974.

(20) Subsections 3, 4, 5, 6 and 7 of section 8 shall be deemed to have come into force on the 7th day of May, 1974 and apply in respect of dispositions occurring after the 6th day of May, 1974.
(21) Section 10 shall be deemed to have come into force on the 7th day of May, 1974 and applies to sales of debts occurring after the 6th day of May, 1974.

(22) Section 11 shall be deemed to have come into force on the 7th day of May, 1974 and applies to sales occurring after the 6th day of May, 1974.

(23) Section 14 shall be deemed to have come into force on the 7th day of May, 1974 and applies to timber resource property acquired after the 6th day of May, 1974.

(24) Subsection 1 of section 15 shall be deemed to have come into force on the 7th day of May, 1974 and applies to dispositions occurring after the 6th day of May, 1974.

(25) Section 17 shall be deemed to have come into force on the 7th day of May, 1974 and applies to amounts that have become receivable after the 6th day of May, 1974.

(26) Section 19 shall be deemed to have come into force on the 7th day of May, 1974 and applies to extensions or renewals granted after the 6th day of May, 1974.

(27) Section 20 shall be deemed to have come into force on the 7th day of May, 1974 and applies to exchanges of property occurring after the 6th day of May, 1974.

(28) Subsection 1 of section 22 shall be deemed to have come into force on the 1st day of January, 1972 and applies in respect of contributions of capital occurring after 1971 in computing the adjusted cost base of a property after 1971.

(29) Subsection 6 of section 22 shall be deemed to have come into force on the 1st day of January, 1972 and applies in respect of contributions of capital occurring before the 7th day of May, 1974 in computing the adjusted cost base of property after 1971.

(30) Subsection 13 of section 22 shall be deemed to have come into force on the 19th day of November, 1974 and is applicable for the purpose of computing the adjusted cost base of a property after 1971 in respect of acquisitions of property occurring after the 18th day of November, 1974 and in respect of the repayment after 1971 of grants, subsidies or other assistance.

(31) Subsection 14 of section 22 and subsection 2 of section 27 shall be deemed to have come into force on the 7th day of May, 1974 and apply in respect of transactions occurring after the 6th day of May, 1974.
Subsection 3 of section 23 shall be deemed to have come into force on the 19th day of November, 1974 and applies to dispositions of property occurring after the 18th day of November, 1974.

Sections 24 and 26 shall be deemed to have come into force on the 1st day of January, 1975 and apply to corporations in respect of all fiscal years ending after 1974.

Section 25 shall be deemed to have come into force on the 7th day of May, 1974 and applies in respect of dispositions occurring after the 6th day of May, 1974.

Subsection 1 of section 27 shall be deemed to have come into force on the 19th day of November, 1974 and applies to corporations in respect of all fiscal years ending after the 18th day of November, 1974.

Subsections 1, 4 and 5 of section 28 shall be deemed to have come into force on the 7th day of May, 1974 and apply to corporations in respect of all fiscal years ending after the 6th day of May, 1974.

Subsections 6 and 7 of section 28 shall be deemed to have come into force on the 7th day of May, 1974 and apply to transactions occurring after the 6th day of May, 1974.

Subsection 10 of section 28 shall be deemed to have come into force on the 1st day of January, 1974 and applies to corporations in respect of all fiscal years ending after 1973 except that it shall not apply to any right or interest in property of a trust acquired before the 19th day of November, 1974 in respect of which a deduction has been claimed in respect of a fiscal year ending before 1976 under section 63 of the said Act.

Section 29 shall be deemed to have come into force on the 7th day of May, 1974 and applies in respect of appropriations, dispositions or acquisitions of property occurring after the 6th day of May, 1974.

Section 31 shall be deemed to have come into force on the 7th day of May, 1974 and applies to exchanges of bonds occurring after the 6th day of May, 1974.

Section 33 shall be deemed to have come into force on the 8th day of April, 1975 and applies to amounts or property paid or payable after the 7th day of April, 1975.

Section 35 shall be deemed to have come into force on the 19th day of November, 1974 and applies to dividends deemed to have been paid after the 18th day of November, 1974.
(43) Section 36 shall be deemed to have come into force on the 19th day of November, 1974 and applies to payments made after the 18th day of November, 1974.

(44) Section 38 shall be deemed to have come into force on the 7th day of May, 1974 and applies to dispositions of property occurring after the 6th day of May, 1974.

(45) Section 39, except subsection 3 of section 79a of the said Act, as enacted by section 39 of this Act, shall be deemed to have come into force on the 7th day of May, 1974 and applies with respect to transactions occurring after the 6th day of May, 1974.

(46) Subsection 3 of section 79a of the said Act, as enacted by section 39 of this Act, shall be deemed to have come into force on the 1st day of January, 1972 and applies to corporations in respect of all fiscal years ending after 1971.

(47) Section 40 shall be deemed to have come into force on the 7th day of May, 1974 and applies in respect of dispositions after the 6th day of May, 1974 by a person of shares of any class of the capital stock of a corporation in the course of a reorganization of the capital of the corporation.

(48) Subsections 1 and 3 of section 41 shall be deemed to have come into force on the 1st day of January, 1972 and apply to amalgamations occurring after 1971.

(49) Subsections 2 and 4 to 15 of section 41 shall be deemed to have come into force on the 7th day of May, 1974 and apply to amalgamations occurring after the 6th day of May, 1974, except that subsection 8 of section 81 of the said Act, as enacted by subsection 15 of section 41 of this Act, shall be deemed to have come into force on the 1st day of January, 1972 and applies in respect of mergers occurring after 1971.

(50) Subsections 1 to 7 of section 42 shall be deemed to have come into force on the 7th day of May, 1974 and apply in respect of any winding up occurring after the 6th day of May, 1974, except that subclauses ia and iib of clause d of subsection 1 of section 82 of the said Act, as enacted by subsection 3 of section 42 of this Act, are applicable for the purpose of computing the adjusted cost base of the property after February, 1975.
(51) Subsection 8 of section 42 shall be deemed to have come into force on the 1st day of January, 1972 and applies in respect of any winding-up occurring after 1971.

(52) Subsection 2 of section 43 shall be deemed to have come into force on the 7th day of May, 1974 and applies for the purpose of computing the paid-up capital of a corporation at the end of its fiscal year ending in 1971 and at any time after the 6th day of May, 1974.

(53) Subsections 3, 4 and 5 of section 43 shall be deemed to have come into force on the 7th day of May, 1974 and are applicable for the purpose of computing paid-up capital deficiency after the 6th day of May, 1974.

(54) Subsection 6 of section 43 shall be deemed to have come into force on the 7th day of May, 1974 and is applicable in computing 1971 capital surplus on hand after the 6th day of May, 1974.

(55) Subsection 7 of section 43 shall be deemed to have come into force on the 7th day of May, 1974 and is applicable in computing paid-up capital deficiency or 1971 capital surplus on hand after the 6th day of May, 1974, except that subsection 4 of section 83 of the said Act, as enacted by subsection 7 of section 43 of this Act, shall be deemed to have come into force on the 1st day of January, 1972 and applies to corporations in respect of all fiscal years ending after 1971.

(56) Section 44 shall be deemed to have come into force on the 7th day of May, 1974 and is applicable for the purpose of computing the paid-up capital of a corporation at the end of its fiscal year ending in 1971 and at any time after the 6th day of May, 1974.

(57) Subsection 1 of section 52 and section 53 shall come into force on the 1st day of January, 1976 and apply to corporations in respect of all fiscal years ending after 1975.

(58) Subsections 3 and 4 of section 52 shall be deemed to have come into force on the 7th day of May, 1974 and apply to losses arising after the 6th day of May, 1974, except that subsection 4a of section 100 of the said Act, as enacted by subsection 3 of section 52 of this Act, is applicable for the purpose of determining the fair market value of a share after the 18th day of November, 1974.
(59) Section 54 shall be deemed to have come into force at 3:00 o'clock in the afternoon on the 13th day of February, 1975 and applies to corporations in respect of all fiscal years ending after February 12th, 1975.

(60) Subsections 1, 2 and 4 of section 55 shall be deemed to have come into force on the 7th day of May, 1974.

(61) Section 57 shall be deemed to have come into force on the 8th day of April, 1975 and applies to corporations in respect of all fiscal years ending after the 7th day of April, 1975, except that with respect to the fiscal year that ends after the 7th day of April, 1975 and that includes that day, the following rules apply:

(a) determine the deduction under section 106a of the said Act as that section stood prior to the 8th day of April, 1975 that, but for the rules made applicable by this section, would be deductible by the corporation for that fiscal year on the assumption that that section was applicable to that fiscal year;

(b) determine the proportion of the amount determined under clause (a) that the number of days of the fiscal year prior to the 8th day of April, 1975 bears to the total number of days of the fiscal year;

(c) determine the deduction under section 106a of the said Act as amended by this Act that, but for the rules made applicable by this Part, would be deductible by the corporation for that fiscal year on the assumption that that section was applicable to that fiscal year.

(d) determine the proportion of the amount determined under clause (c) that the number of days of that fiscal year that follow the 7th day of April, 1975 bears to the total number of days of that fiscal year;

(e) determine the aggregate of the amounts determined under clauses (b) and (d) in respect of the corporation;

and the aggregate determined under clause (e) is the amount that is deductible by a corporation, under section 106a of the said Act as amended by this Act, for its fiscal year that ends after the 7th day of April, 1975 and that includes that day.

(62) Sections 64 and 65 shall come into force on the 1st day of August, 1975, and apply to corporations in respect of all fiscal years ending after the 31st day of July, 1975.
(63) Section 66 shall be deemed to have come into force on the 1st day of January, 1975.

68. This Act may be cited as The Corporations Tax Amendment Act, 1975.