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# NATIONAL ASSEMBLY

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FIRST SESSION

THIRTY-SIXTH LEGISLATURE

Bill 77  
(1999, chapter 86)

## **An Act respecting international financial centres**

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**Introduced 11 November 1999**  
**Passage in principle 23 November 1999**  
**Passage 15 December 1999**  
**Assented to 20 December 1999**

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## **EXPLANATORY NOTES**

*This bill gives effect to various measures announced in the Budget Speeches delivered by the Minister of State for the Economy and Finance on 31 March 1998 and 9 March 1999 and contained in Information Bulletins 98-3, 98-6 and 99-1 issued by the Ministère des Finances respectively on 23 June and 24 September 1998 and 30 June 1999.*

*The bill consolidates the rules governing international financial centres under a single Act in order to facilitate their promotion.*

*The bill describes the activities that may be carried on in the course of the operations of an international financial centre.*

*The bill provides for rules to apply to the issue, modification and revocation of the various qualification certificates and certificates that must be obtained from the Minister of Finance to enable a business and its employees to take advantage of the fiscal incentives associated with the operation of an international financial centre.*

*The bill also establishes a fund to be known as the Fonds du centre financier de Montréal to finance activities designed to promote and develop Montréal as a centre for international financial activities.*

*The bill provides for fiscal incentives to be available to businesses operating an international financial centre and to their employees.*

*As regards those fiscal incentives,*

*(1) a corporation or partnership that operates an international financial centre will be granted a tax exemption on profits from the operation of an international financial centre ;*

*(2) a corporation or partnership that operates an international financial centre will be granted a capital tax exemption ;*

*(3) foreign specialists in international financial transactions who come to Montréal to work in an international financial centre will be granted a total income tax exemption for a maximum period of five years ;*

*(4) other employees of an international financial centre will be granted an income tax exemption in an amount of up to one-third of the remuneration paid to them by the corporation or partnership operating the centre ;*

*(5) a refundable tax credit will be granted to promote the development of a qualified permanent workforce in the field of international financial transactions ;*

*(6) a refundable tax credit will be granted in respect of solicitation expenditure incurred to attract additional international financial activity to Montréal; and*

*(7) no contributions to the Québec health services fund will be payable in respect of salaries paid to the employees of an international financial centre.*

**LEGISLATION AMENDED BY THIS BILL :**

- Taxation Act (R.S.Q., chapter I-3);
- Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5);
- Act respecting Industrial-Alliance, Life Insurance Company (1999, chapter 106).



# **Bill 77**

## **AN ACT RESPECTING INTERNATIONAL FINANCIAL CENTRES**

THE PARLIAMENT OF QUÉBEC ENACTS AS FOLLOWS :

### **CHAPTER I**

#### **OBJECT AND MISSION**

1. The purpose of this Act is to facilitate, mainly by means of tax incentives, the establishment, development and maintenance within the territory of Ville de Montréal of businesses specializing in international financial transactions.
2. The mission of the Minister is to foster and provide support for the development of Montréal as a centre for international financial activities and oversee the development and implementation of strategies to promote and solicit the establishment of new international financial centres and new international financial activities within the territory of Ville de Montréal.

The Minister may join with CFI Montréal — Centre Financier International or any other body pursuing similar objectives in order to improve the convergence and effectiveness of the promotional and solicitation activities directed at international financial markets.

3. The Minister shall develop, propose to the Government and supervise the implementation of orientations and policies designed to foster the development of Montréal as an international financial centre.

### **CHAPTER II**

#### **INTERPRETATION**

4. In this Act, unless the context indicates otherwise,

“administration” in relation to the shares of a qualified investment fund means the administration of the shareholders’ accounts ;

“adviser” means an adviser within the meaning of section 5 of the Securities Act (R.S.Q., chapter V-1.1), authorized to act in that capacity under that Act ;

“back office activities” means the behind-the-scenes administrative tasks associated with front-line financial activities ;

“business” means a business within the meaning of section 1 of the Taxation Act (R.S.Q., chapter I-3) or part of such a business ;

“Canadian corporation” has the meaning assigned by section 1 of the Taxation Act ;

“cash management” includes the management and planning of cash flow operations, in particular the management of market, foreign exchange and interest rate risks and the management of financing operations ;

“dealer” means a dealer within the meaning of section 5 of the Securities Act, authorized to act in that capacity under that Act ;

“distribution” of the shares of a qualified investment fund means the operations connected with the sale of the shares ;

“employee” has the meaning assigned by section 1 of the Taxation Act ;

“financial corporation” means a bank, a savings and credit union, a loan corporation, a trust company, a corporation dealing in securities, an insurance corporation or any other similar financial or insurance institution, liable for tax under Part IV or VI of the Taxation Act or that would be liable for such tax if it had an establishment in Québec, within the meaning of sections 12 to 16.2 of that Act, or carried on a business in Québec ;

“financial packaging services” means providing advice or other technical assistance for project financing, including the services relating to strategic planning, term financing through private placement, the financial aspect of privatization of operations, the submission of financial information to lenders, the negotiation of short-term credit contracts, the implementation of an international cash management organization and the financial aspect of business acquisitions and mergers ;

“fiscal period” has the meaning assigned by Part I of the Taxation Act ;

“foreign entity” means the government of a foreign country or of a political subdivision of a foreign country or a corporation other than a Canadian corporation ;

“international financial transaction” includes an international insurance activity ;

“management” of a qualified investment fund means the management of a part or all of the assets of the investment fund ;

“organization” of a qualified investment fund means the design and creation of the fund, including research, the preparation and distribution of a prospectus for the fund, the registration of the fund with the Commission des valeurs mobilières du Québec or any other securities supervisory agency, the marketing of the fund and the organization of the distribution of the shares of the fund ;

“person” includes a corporation ;

“province” has the meaning assigned by section 1 of the Taxation Act ;

“qualified investment fund” means an investment fund that is an unincorporated mutual fund or a mutual fund within the meaning of section 5 of the Securities Act or a segregated account of a life insurance corporation established by a by-law of the insurance corporation or a resolution of the board of directors of the corporation ;

“qualified security” means

(1) a security listed on the International Options Market, Mercantile or International Division of the Montréal Exchange, if the transaction relating to the acquisition of the security was executed thereon ;

(2) a security issued by a Canadian corporation, if the transaction relating to the acquisition of the security was executed on an organized securities market situated outside Canada ;

(3) a security issued by the Government of Canada or the government of a province, including a security issued by any of their respective state-owned corporations, other than a security governed by Canadian law ; or

(4) a security relating to a foreign entity ;

“qualified services in relation to a financial product” means the development of a new financial product or the designing of a customized financial product for a particular customer or situation ;

“security” means any of the forms of investment listed in section 1 of the Securities Act, except a share in an investment club ;

“strategic personnel” of a business of a corporation or partnership means the personnel of the corporation or partnership who is assigned to the direction and design of the back office activities carried on by the corporation or partnership in the course of the operations of the business or who has specific expertise in the field of back office activities and is assigned to client solicitation activities in relation to the back office activities carried on by the corporation or partnership in the course of those operations ;

“taxation year” has the meaning assigned by Part I of the Taxation Act.

5. In this Act,

(1) a legal person, whether or not established for pecuniary gain, is designated by the word “corporation” ;

(2) a person is considered to be a person resident in Canada where the person is so considered for the purposes of the Taxation Act (R.S.Q., chapter I-3), and a person is considered to be a person not resident in Canada in all other cases.

6. In this Act, an international financial centre means a business

- (1) that is carried on by a corporation or partnership;
- (2) all the activities of which pertain to qualified international financial transactions;
- (3) the management of the activities of which that lead to the completion of qualified international financial transactions carried out in the course of the operations of the business is conducted entirely within the territory of Ville de Montréal;
- (4) the activities of which are grouped together in one place within the territory of Ville de Montréal;
- (5) in respect of which the corporation or partnership keeps a separate accounting of its operations attributable thereto; and
- (6) in respect of which the corporation or partnership holds a certificate that is valid for a period that includes the time during which this definition applies.

The conditions set out in subparagraphs 3 and 4 of the first paragraph shall not be considered not satisfied merely because a qualified international financial transaction described in paragraph 9 of section 7 was initiated by a client who, for that purpose, went to an office or branch of the corporation or partnership other than the place referred to in that subparagraph 4.

7. In this Act, “qualified international financial transaction” means

- (1) trading in outstanding securities or a securities distribution, carried out by a dealer, except an operation referred to in paragraph 9;
- (2) operating a clearing house in relation to a transaction to which not more than one party is or includes a person resident in Canada;
- (3) securities advising and portfolio management carried on by an adviser for a person not resident in Canada, or for a person resident in Canada if the securities are in relation to a foreign entity;
- (4) making or accepting deposits of money on behalf of a person not resident in Canada;
- (5) making loans of money to a person not resident in Canada if the funds are used outside Canada;



(6) lending or borrowing money by corporations or partnerships each operating an international financial centre, if the money is lent in the course of the operations of the lender's international financial centre, and borrowed in the course of the operations of the borrower's international financial centre, and, for the purposes of this paragraph, a corporation registered under the International Financial Business (Tax Refund) Act (Revised Statutes of British Columbia, 1996, chapter 235) is deemed to be a corporation that operates an international financial centre whose operations pertain to the activities for which it is so registered;

(7) accepting or issuing letters of credit in respect of an operation or transaction relating to property or goods to which not more than one party is or includes a person resident in Canada;

(8) financing or refinancing, by means of a bill of exchange between corporations that are financial institutions having no establishment in Canada, within the meaning of sections 12 to 16.2 of the Taxation Act (R.S.Q., chapter I-3), or between international financial centres, an operation or transaction in which neither the purchaser nor the vendor is resident in Canada and in which the property or goods involved are neither located in nor in any way connected with Canada and do not, by reason of the operation or transaction, constitute Canadian exports or imports;

(9) executing foreign exchange transactions, including the purchase, sale or exercise of a currency option or currency futures contract, except the purchase or sale of bank notes or traveller's cheques;

(10) providing financial packaging services in respect of a project to be carried out exclusively or almost exclusively outside Canada;

(11) providing qualified services in relation to a financial product for or on behalf of a person not resident in Canada, or for or on behalf of a person resident in Canada if the securities to which the services relate are qualified securities;

(12) providing services as a damage insurance broker within the meaning of section 6 of the Act respecting the distribution of financial products and services (1998, chapter 37), where the services provided permit the conclusion of a damage insurance contract under which the premium is entirely attributable to the occurrence of a risk outside Canada and arising from the carrying on of a business of the insured;

(13) reinsuring a risk under a damage insurance contract under which the premium is entirely attributable to the occurrence of a risk outside Canada;

(14) providing fiduciary services for a person not resident in Canada;

(15) providing factoring services, where the receivables are payable by a person not resident in Canada;

(16) providing leasing services to a lessee not resident in Canada, for the use of property outside Canada;

(17) organizing a qualified investment fund the shares of which are to be sold to persons not resident in Canada, or to persons resident in Canada if the fund is established to invest exclusively or almost exclusively in qualified securities;

(18) providing the administration, in relation to the shares of a qualified investment fund in respect of persons not resident in Canada, or in respect of persons resident in Canada if the fund is established to invest exclusively or almost exclusively in qualified securities;

(19) providing the management of a qualified investment fund the shares of which are sold to persons not resident in Canada, or to persons resident in Canada if the fund is established to invest exclusively or almost exclusively in qualified securities;

(20) engaging in the distribution of the shares of a qualified investment fund to persons not resident in Canada or to persons resident in Canada if the fund is established to invest exclusively or almost exclusively in qualified securities, provided that the organization and management of the fund and the administration, where related to the shares of the fund, are carried out exclusively or almost exclusively within the territory of Ville de Montréal;

(21) providing cash management in respect of activities carried on exclusively or almost exclusively outside Canada;

(22) carrying on back office activities for or on behalf of

(a) a corporation or partnership that operates an international financial centre, in relation to a qualified international financial transaction carried out by the corporation or partnership, except back office activities referred to in subparagraph *b*,

(b) a financial corporation, in relation to a financial transaction or a transaction in relation to insurance carried out by the financial corporation and to which not more than one party is or includes a person resident in Canada, or

(c) a person not described in subparagraph *a* or *b*, in relation to a qualified international financial transaction carried out by that person.

8. For the purposes of paragraph 1 of section 7,

(1) trading in outstanding securities as an intermediary in the negotiation shall be carried out only for or on behalf of

(a) a person not resident in Canada, or

(b) a person resident in Canada, if the trading relates to securities that would be qualified securities if the definition of that expression, in section 4, were read without reference to the words “the acquisition of” in paragraphs 1 and 2;

(2) trading in outstanding securities as a principal shall be carried out only if the trading relates to securities that would be qualified securities if the definition of that expression, in section 4, were read without reference to the words “the acquisition of” in paragraphs 1 and 2; and

(3) the securities distribution shall be carried out only for or on behalf of

(a) a foreign entity; or

(b) the Government of Canada or the government of a province or a Canadian corporation, and directed at persons not resident in Canada.

### **CHAPTER III**

#### **QUALIFICATION CERTIFICATES AND CERTIFICATES**

##### **DIVISION I**

##### **CORPORATIONS AND PARTNERSHIPS**

###### *§1. — Qualification certificates*

9. A corporation or partnership that intends to operate an international financial centre within the territory of Ville de Montréal must obtain from the Minister a qualification certificate qualifying its business as an international financial centre, subject to the other provisions of this Act.

10. The Minister shall issue a qualification certificate to a corporation or partnership upon being satisfied that the activities engaged in or to be engaged in in the course of the business are in compliance with the provisions and objectives of this Act.

The qualification certificate shall indicate the categories of qualified international financial transactions engaged in or to be engaged in the course of the business.

The qualification certificate is valid only from the date indicated thereon.

###### *§2. — Certificates*

11. A corporation or partnership holding, in a taxation year or fiscal period, a valid qualification certificate issued in respect of a business may file an application with the Minister for the issue of a certificate in respect of that business for that taxation year or fiscal period.

12. The Minister shall issue a certificate to a corporation or partnership where, for the taxation year or fiscal period,

(1) the qualification certificate issued in respect of the business was valid; and

(2) the Minister is satisfied that the activities of the business were related to qualified international financial transactions.

The Minister may issue the certificate for a shorter period than the period indicated in the application.

## **DIVISION II**

### **EMPLOYEES ASSIGNED TO THE OPERATIONS OF AN INTERNATIONAL FINANCIAL CENTRE**

#### *§1. — Qualification certificates*

13. A corporation or partnership may file a written application with the Minister for the issue, in respect of one of its employees, of a qualification certificate required for the purpose of obtaining a tax benefit under Chapter V.

14. The Minister shall issue to a corporation or partnership a qualification certificate recognizing one of its employees as a foreign specialist upon being satisfied that the employee is a specialist in the field of international financial transactions and that it may reasonably be expected that

(1) from the date on which the person becomes an employee of the corporation or partnership to the end of the period indicated on the qualification certificate,

(a) the employee's duties with the corporation or partnership will be devoted, in a proportion of at least 75%, to the operations of a business of the corporation or partnership which constitutes or will constitute an international financial centre, other than back office activities, or

(b) the employee will be a member of the strategic personnel of the business described in subparagraph *a* and the employee's duties with the corporation or partnership will be devoted, in a proportion of at least 75%, to the operations of the business;

(2) in the case of an individual who has become or is to become resident in Canada to establish an international financial centre of the corporation or partnership in Canada,

(a) the individual's duties with the person or partnership for which the individual is working during the period of establishment of the international financial centre are devoted, during that period, in a proportion of at least 75%, to the establishment of the international financial centre,

(b) the individual takes up employment as an employee of the corporation or partnership within 12 months after the day on which the individual becomes resident in Canada to establish the international financial centre of the corporation or partnership, and

(c) from the date on which the individual takes up employment as an employee of the corporation or partnership to the end of the period indicated on the qualification certificate,

i. the individual's duties with the corporation or partnership are devoted, in a proportion of at least 75%, to the operations of the business of the corporation or partnership that constitutes an international financial centre, other than back office activities, or

ii. the individual is a member of the strategic personnel of the business described in subparagraph i and the individual's duties with the corporation or partnership are devoted, in a proportion of at least 75%, to the operations of the business.

The qualification certificate is valid only for the period indicated thereon, which must be established having regard to the provisions of section 69.

15. The Minister shall issue to a corporation or partnership a qualification certificate recognizing one of its employees as an employee other than a foreign specialist upon being satisfied that it may reasonably be expected that from the date or for the period indicated on the qualification certificate,

(1) the employee's duties with the corporation or partnership consist, in a proportion of at least 75%, of one or more of the following activities carried on in the course of the operations of a business of the corporation or partnership which constitutes or will constitute an international financial centre :

(a) carrying out qualified international financial transactions, other than back office activities,

(b) assisting, by means of specific expertise in the field of qualified international financial transactions, an individual who carries out such transactions, other than back office activities,

(c) directing or supervising the activities of an individual who carries out qualified international financial transactions, other than back office activities, or

(2) the employee is a member of the strategic personnel of the business described in paragraph 1 and the employee's duties with the corporation or partnership are devoted, in a proportion of at least 75%, to the operations of the business.

The qualification certificate is valid only from the date or, as the case may be, for the period indicated thereon.

16. The Minister shall issue to a corporation or partnership a qualification certificate recognizing one of its employees as an eligible specialist upon being satisfied that

(1) the employee is the holder of a university diploma in a subject relevant to the field of international financial transactions,

(2) at the beginning of the period covered by the qualification certificate or, if a qualification certificate has previously been issued to an employer in respect of the employee under this section or for the purposes of Division II.6.9 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act (R.S.Q., chapter I-3), the period covered by the first such qualification certificate issued to an employer in respect of that employee, the employee had not more than four years' experience relevant to the field of international financial transactions, and

(3) it may reasonably be expected that a qualification certificate issued in respect of the employee pursuant to section 15 in relation to the employee's employment with the corporation or partnership will also be valid for the period covered by the qualification certificate.

The qualification certificate is valid only for the period indicated thereon, which shall not exceed 36 months or, where a qualification certificate has previously been issued to an employer in respect of the employee under this section or for the purposes of Division II.6.9 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act, end after the 36-month period that began on the first day of the period covered by the first such qualification certificate issued to an employer in respect of the employee.

## §2. — *Certificates*

17. A corporation or partnership may file a written application with the Minister for the issue, in respect of one of its employees for a calendar year, of a certificate required for the purpose of obtaining a tax benefit under Chapter V.

18. An application must, where it relates to a tax benefit granted to an employee, be received by the Minister on or before the last day of February of the following calendar year.

However, the Minister may, where the Minister considers that the circumstances so warrant, allow that such an application be filed after the expiry of the prescribed time.

19. The Minister shall issue to a corporation or partnership a certificate recognizing one of its employees as a foreign specialist where, for the calendar year,

(1) the qualification certificate issued to the corporation or partnership pursuant to section 14 in respect of the employee is valid,

(2) the employee's duties with the person or partnership referred to in subparagraph *a* of subparagraph 2 of the first paragraph of section 66 in respect of the employee were devoted, in a proportion of at least 75%, to the establishment of the business which will constitute an international financial centre of the corporation or partnership,

(3) subject to subparagraph 4, the employee's duties with the corporation or partnership were devoted, in a proportion of at least 75%, to the operations of a business of the corporation or partnership in respect of which a qualification certificate issued under section 10 was valid, other than back office activities, or

(4) the employee's duties with the corporation or partnership were devoted, in a proportion of at least 75%, to the operations of the business described in subparagraph 3 and the employee was a member of the strategic personnel of the business.

The Minister shall forward a copy of the certificate to the employee.

20. The Minister shall issue to a corporation or partnership a certificate recognizing one of its employees as an employee other than a foreign specialist where, for the calendar year,

(1) the qualification certificate issued to the corporation or partnership pursuant to section 15 in respect of the employee is valid, and

(2) the employee's duties with the corporation or partnership

(*a*) consisted, in a proportion of at least 75%, of one or more of the following activities carried on in the course of the operations of a business of the corporation or partnership in respect of which a qualification certificate issued under section 10 was valid:

i. carrying out qualified international financial transactions, other than back office activities,

ii. assisting, by means of specific expertise in the field of qualified international financial transactions, an individual who carries out such transactions, other than back office activities,

iii. directing or supervising the activities of an individual who carries out qualified international financial transactions, other than back office activities, or

(b) were devoted, in a proportion of at least 75%, to the operations of the business described in subparagraph *a* and the employee was a member of the strategic personnel of the business.

The Minister shall forward a copy of the certificate to the employee.

21. The Minister shall issue to a corporation or partnership a certificate recognizing one of its employees as an employee, other than a foreign specialist, who was an employee on 31 March 1998, where, throughout the period beginning on 1 January 1999 and ending at the end of the calendar year, the employee's duties with the corporation or partnership were devoted, in a proportion of at least 75%, to the operations of the business of the corporation or partnership, in the course of which the individual was employed on 31 March 1998 and in respect of which a qualification certificate issued under section 10 was valid.

The Minister shall forward a copy of the certificate to the employee.

22. The Minister shall issue to a corporation or partnership a certificate recognizing one of its employees as an eligible specialist where the qualification certificate issued to the corporation or partnership in respect of the employee pursuant to section 16 is valid for the calendar year and the certificate issued to the corporation or partnership in respect of the employee pursuant to section 20 is also valid.

23. The Minister may issue any certificate under this subdivision for a shorter period than the period indicated in the application.

### **DIVISION III**

#### **AMENDMENTS AND REVOCATIONS**

24. The Minister may amend a qualification certificate issued to a corporation or partnership pursuant to section 10 where information or documents brought to the attention of the Minister so warrant.

In such a case, the Minister shall send a notice of amendment to the corporation or partnership concerned.

25. The Minister may revoke the qualification certificate referred to in section 24 where

(1) the Minister is of the opinion that the activities conducted by the corporation or partnership in the course of the business are no longer in compliance with the provisions or objectives of this Act, whether or not a contravention of the said provisions has occurred; or

(2) the corporation or partnership, knowingly or under circumstances amounting to gross negligence, has made a false statement or has omitted



material information in an application for a qualification certificate or certificate filed under this chapter or in any other document filed for the purpose of obtaining such qualification certificate or certificate.

26. The Minister shall, upon revoking a qualification certificate pursuant to section 25, send to the corporation or partnership concerned, a notice of revocation indicating the date on which the revocation becomes effective. The effective date may precede the date of the notice but may not precede that date by more than four years. The qualification certificate is then deemed to cease to be valid from that date.

27. The Minister may amend or revoke a qualification certificate or certificate issued to a corporation or partnership in respect of one of its employees where information or documents brought to the attention of the Minister so warrant.

In such a case, the Minister shall send a notice of amendment or revocation to the corporation or partnership and, in the case of a certificate issued in respect of one of its employees pursuant to any of sections 19 to 21, the Minister shall send a copy of the notice to the employee.

28. Every qualification certificate or certificate amended pursuant to section 27 is deemed to have been issued under the same provision and at the same time as was the qualification certificate or certificate that has been amended.

29. The revocation of a qualification certificate or certificate pursuant to section 27 becomes effective on the date indicated in the notice of revocation. The effective date may precede the date of the notice but may not precede that date by more than four years. The qualification certificate or certificate is then deemed to cease to be valid from that date.

30. Where the Minister intends to amend or revoke a qualification certificate or certificate, the Minister shall inform the corporation or partnership concerned of such intention and of the grounds on which it is based. In such a case, the Minister shall give the corporation or partnership an opportunity to present observations within 30 days and, where required, to file relevant documents.

## **DIVISION IV**

### **INFORMATION AND VERIFICATION**

31. The Minister may, before issuing a qualification certificate or certificate under this chapter or before amending or revoking such a document, require any relevant information or document and make any necessary verification.

The Minister may, for the same purposes, obtain the advice of CFI Montréal — Centre Financier International or of any other body pursuing similar objectives.

32. A person authorized by the Minister may, for the purposes of this chapter,

(1) have access, at any reasonable time, to any place of business of a corporation or partnership;

(2) require and examine any relevant information or document and make copies thereof;

(3) require, where applicable, that relevant information or a copy of any relevant document be transmitted, in particular, by fax machine, electronic mail or on a computer-generated medium.

33. The person referred to in section 32 must, on request, produce identification and show the document attesting the person's capacity, signed by the Minister.

34. No proceedings may be brought against a person referred to in section 32 for acts performed in good faith in conducting an inspection.

## **CHAPTER IV**

### **FINANCING**

#### **DIVISION I**

##### **AMOUNTS PAYABLE**

35. The Government may, by regulation, establish a tariff of the fees payable for the examination of an application for a qualification certificate or certificate under this Act or for the issue or amendment of such qualification certificate or certificate, and determine the terms and conditions of payment of the fees.

Fees must be paid to the Minister by the applicant or the holder on the date or dates fixed by the regulation.

36. The Minister may require that every holder of a qualification certificate or certificate issued under this Act pay an annual contribution to be applied to the financing of activities designed to promote Montréal as a centre for international financial activities and foster the development of Montréal as an international financial centre. The rate and terms and conditions of payment of the contribution shall be determined by regulation of the Government.

#### **DIVISION II**

##### **FONDS DU CENTRE FINANCIER DE MONTRÉAL**

37. A fund to be known as the Fonds du centre financier de Montréal is hereby established to finance activities designed to promote Montréal as a

centre for international financial activities and foster the development of Montréal as an international financial centre.

38. The Government shall determine the date of the beginning of the activities of the fund as well as the fund's assets and liabilities. The Government shall also determine the nature of the activities financed by the fund and the nature of the costs that may be charged to it.

39. The fund shall be made up of the following sums, except interest :

(1) the sums collected under sections 35 and 36 ;

(2) the sums paid into it by a minister out of the appropriations granted for that purpose by Parliament ;

(3) the sums paid into it by the Minister of Finance pursuant to section 41 and the first paragraph of section 42 ;

(4) the gifts, legacies and other contributions paid into it to further the achievement of the objects of this division.

40. The management of the sums making up the fund shall be entrusted to the Minister of Finance. Such sums shall be paid to the order of the Minister of Finance and deposited with the financial institution designated by the Minister of Finance.

Notwithstanding section 13 of the Financial Administration Act (R.S.Q., chapter A-6), the Minister shall keep the books of account for and record the financial commitments chargeable to the fund. The Minister shall also certify that such commitments and the payments arising therefrom do not exceed, and are consistent with, the available balances.

41. The Minister may, as the manager of the fund, borrow from the Minister of Finance sums taken out of the financing fund established under section 69.1 of the Financial Administration Act (R.S.Q., chapter A-6).

42. The Minister of Finance may, with the authorization of the Government and subject to the conditions it determines, advance to the fund sums taken out of the consolidated revenue fund.

The Minister may, conversely, advance to the consolidated revenue fund, on a short-term basis and subject to the conditions the Minister determines, any part of the sums making up the fund that is not required for its operation.

Any advance paid into a fund shall be repayable out of that fund.

43. The Minister may, as the manager of the fund, grant a financial contribution directly to a government department or to a public or private body or pay such a contribution on behalf of a department to finance activities

designed to promote Montréal as a centre for international financial activities or foster the development of Montréal as an international financial centre.

The Minister shall determine the date and the terms and conditions on which financial contributions are to be paid.

44. The sums required for the following purposes shall be taken out of the fund :

(1) the payments of the sums referred to in section 43 ;

(2) the payment of any expense necessary for the carrying out of the functions entrusted to the Minister by this division, including the payment of the remuneration and expenses pertaining to the employment benefits and other conditions of employment of the persons assigned, in accordance with the Public Service Act (R.S.Q., chapter F-3.1.1), to activities related to the fund.

45. The accumulated surplus of the fund shall be paid into the consolidated revenue fund on the dates and to the extent determined by the Government.

46. The provisions of sections 22 to 27, 33, 35, 45, 47 to 49, 49.2, 49.6, 51, 57 and 70 to 72 of the Financial Administration Act (R.S.Q., chapter A-6) apply to the fund, with the necessary modifications.

47. The fiscal year of the fund ends on 31 March.

48. Notwithstanding any provision to the contrary, the Minister must, in the event of a deficiency in the consolidated revenue fund, pay out of the fund the sums required for the execution of a judgment against the State that has become *res judicata*.

## **CHAPTER V**

### **TAX INCENTIVES**

#### **DIVISION I**

##### **DEFINITIONS AND GENERAL PROVISIONS**

49. In this chapter,

“income” from a source means the income from that source, computed under Part I of the Taxation Act (R.S.Q., chapter I-3);

“loss” from a source means the loss from that source, computed under Part I of the Taxation Act;

“taxable income” has the meaning assigned by Part I of the Taxation Act.

50. The Minister of Revenue may, for the purposes of this chapter, verify with the Ministère des Finances whether a particular activity or operation constitutes a qualified international financial transaction.

51. A person who, in a taxation year, is a corporation operating an international financial centre, or a member of a partnership that, at the end of a fiscal period of the partnership ending in that year, operates such a centre, or an individual entitled to a deduction for the year in computing the individual's taxable income under section 65 or 71 shall enclose with the fiscal return required to be filed by the person for the year under section 1000 of the Taxation Act (R.S.Q., chapter I-3) a copy of the certificate that, where the person is that corporation or member, was issued for the year in respect of the person or partnership under section 12 or, where the person is that individual, that was issued for the year in respect of the individual under any of sections 19 to 21.

## **DIVISION II**

### **CORPORATIONS AND PARTNERSHIPS OPERATING AN INTERNATIONAL FINANCIAL CENTRE**

#### **§1. — *Taxable income***

52. A person who, in a taxation year, is a corporation operating an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre may deduct, in computing the person's taxable income for the year, an amount not exceeding the part of the person's income for the year that may reasonably be considered to be the amount by which

(1) the aggregate of all amounts each of which is the person's income for that year from the operations of an international financial centre operated by the person or the person's share of the partnership's income for that fiscal period from the operations of an international financial centre operated by the partnership, exceeds

(2) the aggregate of all amounts each of which is the person's loss for that year from the operations of an international financial centre operated by the person or the person's share of the partnership's loss for that fiscal period from the operations of an international financial centre operated by the partnership.

53. Where, in accordance with subsection 3 of section 33.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the person referred to in section 52 has designated for a taxation year an office or branch located within the territory of Ville de Montréal as the place where an international banking centre business is to be carried on and the office or branch is, except as regards the conduct of transactions other than qualified international financial transactions, located at the place referred to in

subparagraph 4 of the first paragraph of section 6, in respect of an international financial centre operated by the person, the aggregates referred to in paragraphs 1 and 2 of section 52 shall be determined as if

(1) the person's income for the year from the operations of the international financial centre were equal to the greater of the person's income otherwise determined for the year from such operations and the amount of income in respect of that international banking centre that, pursuant to that section 33.1, is not required to be included in computing the person's income for the year for the purposes of the Income Tax Act; and

(2) where the amount determined in paragraph 1 is positive, as if any loss for the year from the operations of the international financial centre were nil.

54. For the purposes of section 52, where a person referred to therein for a taxation year is an individual to whom section 65 applies for the year and the fiscal period of the partnership that operates an international financial centre and of which the person is a member at the end of that fiscal period ends in the part of the reference period established in respect of the person under section 69 included in that year, the person's share of the partnership's income or loss for that fiscal period is deemed to be nil.

55. A person who, in a taxation year, is a corporation operating an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that taxation year, operates such a centre shall include, in computing the person's taxable income for the year, an amount equal to the amount by which the aggregate determined for the year in respect of the person under paragraph 2 of section 52 exceeds the aggregate determined for the year in respect of the person under paragraph 1 of that section.

However, the amount determined under the first paragraph for a taxation year in respect of a person shall in no case exceed the person's income for the year, computed for the purposes of Part I of the Taxation Act (R.S.Q., chapter I-3) and without reference to any income or loss from the operations of an international financial centre operated by the person or the partnership in the year or fiscal period.

56. For the purposes of Title VII of Book IV of Part I of the Taxation Act (R.S.Q., chapter I-3), the non-capital loss, farm loss, net capital loss or limited partnership loss, for a taxation year, of a person who, in that year is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre, shall be determined as if the person's income or loss for the year from the operations of any international financial centre operated by the person and the person's share of the partnership's income or loss for the fiscal period from the operations of any international financial centre operated by the partnership were nil.

§2. — *Tax on capital*

57. A corporation that, in a taxation year, operates an international financial centre or is a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre may deduct, in computing its paid-up capital for the year, for the purposes of Part IV of the Taxation Act (R.S.Q., chapter I-3), any amount attributable to the operations of the international financial centre that the corporation has included in such computation, other than the amount referred to in section 59, and that is not otherwise deducted in such computation.

58. Where the deficit reported in the financial statements of a corporation referred to in section 1136, 1140, 1141 or 1141.1 of the Taxation Act (R.S.Q., chapter I-3) for a taxation year is less than the deficit that would be reported were it not for the operations of any international financial centre operated by the corporation directly or through a partnership, the corporation may also deduct, in computing its paid-up capital for the year, for the purposes of Part IV of that Act, the amount by which

(1) the amount that would be the deficit of the corporation if the operations of any international financial centre operated by the corporation or partnership were not taken into account, exceeds

(2) the amount deducted by the corporation in computing its paid-up capital under paragraph *a* of section 1137 of that Act or, but for this section and section 57, under section 1141.2 of that Act.

59. Where the deficit reported in the financial statements of a corporation referred to in section 1136, 1140, 1141 or 1141.1 of the Taxation Act (R.S.Q., chapter I-3) for a taxation year would be nil were it not for the operations of any international financial centre operated by the corporation directly or through a partnership, or where the amount of surplus or retained surpluses and earnings of the corporation reported in its financial statements for that year is less than the amount that would be reported were it not for those operations, the corporation must include in computing its paid-up capital for the year, for the purposes of Part IV of that Act, the lesser of

(1) the amount that would be the deficit reported in the corporation's financial statements for the year if only the operations of any international financial centre operated by the corporation or partnership were taken into account; and

(2) the amount by which the amount that would be the surplus or the retained surpluses and earnings of the corporation reported in its financial statements for the year if the operations of any international financial centre operated by the corporation or partnership were not taken into account, exceeds any amount included as retained surpluses or earnings by the corporation in computing its paid-up capital under paragraph *b* of subsection 1 of section 1136, paragraph *c* of section 1140 or 1141 or paragraph *d* of section 1141.1, as the case may be, of the Taxation Act.

60. A corporation may not deduct, in computing its paid-up capital for a taxation year for the purposes of Part IV of the Taxation Act (R.S.Q., chapter I-3), any part of an amount referred to in section 1137, 1141.2 or 1141.2.1 of that Act, except an amount referred to in section 57, that is attributable to the operations of an international financial centre operated in the year, directly or through a partnership, by the corporation.

61. A corporation whose operations consist solely in operating, directly or through a partnership, an international financial centre is not required to pay the minimum amount of tax determined under section 1135 or the second paragraph of section 1167, as the case may be, of the Taxation Act (R.S.Q., chapter I-3).

§3. — *Refundable tax credit*

62. A person who, in a taxation year, is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre, is deemed, as provided in Division II.6.10 or II.6.11 of Chapter III.1 of Title III of Book IX of Part I of the Taxation Act (R.S.Q., chapter I-3) where the conditions set out therein are satisfied for the year, to have paid to the Minister of Revenue on the person's balance-due day, within the meaning of section 1 of that Act, for the year, on account of the person's tax payable for that year under Part I of that Act, the amount determined in respect of the person for that year under that division.

§4. — *Source deductions*

63. No amount shall be deducted or withheld under section 1015 of the Taxation Act (R.S.Q., chapter I-3) in respect of the remuneration, for a period or part of a period of a taxation year, of an employee of a corporation or partnership operating an international financial centre, from the employee's employment with the corporation or partnership, where the following conditions are satisfied:

(1) except where section 104 applies for the period or part of the period in respect of the employee in relation to that employment, a qualification certificate had been issued pursuant to section 14 or 15 in respect of the employee in relation to that employment and is valid for that period or part of the period;

(2) where section 104 applies for that period or part of the period in respect of the employee in relation to that employment, a certificate had been issued for the preceding taxation year pursuant to any of sections 19 to 21 in respect of the employee in relation to that employment and is valid; and

(3) it may reasonably be considered that the conditions relating to that employment on which was based the decision of the Minister of Finance to issue the qualification certificate referred to in paragraph 1 or the certificate referred to in paragraph 2 remain essentially the same for the period or part of the period.



However, in the case of an employee to whom subparagraph 1 of the first paragraph applies by reason of a qualification certificate issued in respect of the employee pursuant to section 15 in relation to that employment, or to whom subparagraph 2 of the first paragraph applies by reason of a certificate issued in respect of the employee pursuant to section 20 or 21 in relation to that employment, the first paragraph applies only in respect of the part of the remuneration of the employee that corresponds to one-third of the employee's wages, within the meaning of section 72, from that employment for the period or part of the period concerned.

§5. — *Québec health services fund*

64. The wages paid by a corporation or partnership operating an international financial centre to one of the employees of the business of the corporation or partnership that constitutes the international financial centre does not constitute wages subject to the contribution provided for in section 34 of the Act respecting the Régie de l'assurance-maladie du Québec (R.S.Q., chapter R-5) if the wages are attributable to

(1) a period covered by a valid certificate issued pursuant to any of sections 19 to 21 in respect of the employee in relation to that employment; or

(2) for any other period, the employee's duties with the corporation or partnership that are devoted to the operations of the international financial centre.

### **DIVISION III**

#### **EMPLOYEES ASSIGNED TO THE OPERATIONS OF AN INTERNATIONAL FINANCIAL CENTRE**

§1. — *Foreign specialists*

65. An individual described in section 66 may deduct, in computing the individual's taxable income for a taxation year, an amount not exceeding the part of the individual's income for the year, determined in accordance with section 28 of the Taxation Act (R.S.Q., chapter I-3), that may reasonably be considered to be earned during the part of the reference period established in respect of the individual under section 69 that is included in the year.

Where, in a taxation year, the individual is a member of a partnership, the individual's share of the income or loss of the partnership for a fiscal period ending in the year shall be considered, for the purposes of the first paragraph, to be earned or sustained during the part of the year referred to therein if the fiscal period of the partnership ends in that part of the year, and to be earned or sustained during the other part of the year if the fiscal period ends during the other part of the year.

66. Only an individual who meets the following requirements is entitled to a deduction under section 65 for a particular taxation year :

(1) the individual took up employment, at a particular time, as an employee of a particular corporation or partnership operating an international financial centre ;

(2) immediately before entering into a contract of employment or immediately before taking up employment as an employee of the particular corporation or partnership, the individual was not resident in Canada or, where the individual was resident in Canada at that time, the individual became resident in Canada at any time in the particular year or a preceding taxation year to establish an international financial centre in Canada and the following conditions are satisfied :

(a) the individual worked, from that time to the time at which the condition set out in subparagraph *c* is satisfied, exclusively or almost exclusively for a person or partnership,

(b) for any part of the period referred to in subparagraph *a*, the individual held a valid certificate issued in respect of the individual pursuant to section 19 in relation to the establishment of the international financial centre, and

(c) the individual took up employment, within 12 months after that time, as an employee of the particular corporation or partnership that operates the international financial centre established by the individual,

(3) the individual has, from the particular time to any time in the particular year, worked exclusively or almost exclusively for the particular corporation or partnership, and

(4) for any part of the period beginning at the particular time and ending at any time in the particular year, the individual held a valid certificate issued in respect of the individual pursuant to section 19 in relation to that employment.

For the purposes of subparagraph 4 of the first paragraph, the business to which a certificate referred to therein relates must be an international financial centre of the particular corporation or partnership.

67. For the purposes of section 66, where an individual is resident in Canada immediately before entering into a new contract of employment, subsequent to a contract of employment entered into with the particular corporation or partnership and referred to in that section, with an employer that is the particular corporation or partnership or another corporation or partnership operating an international financial centre and, immediately before taking up employment as an employee of such an employer pursuant to the new contract of employment,

(1) the new contract of employment is deemed not to be a contract of employment separate from the contract of employment entered into with the

particular corporation or partnership and referred to in section 66 or from any contract of employment subsequent to the latter contract but prior to the new contract of employment and entered into with a corporation or partnership operating an international financial centre;

(2) where the employer is the other corporation or partnership, the other corporation or partnership is deemed not to be a corporation or partnership separate from the particular corporation or partnership or from another corporation or partnership operating an international financial centre and having employed the individual under a contract of employment subsequent to the contract entered into with the particular corporation or partnership and referred to in that section 66 but prior to the new contract of employment; and

(3) for the period, if any, during which the individual is in the employ of both the particular corporation or partnership and the other corporation or partnership,

(a) the rules set out in paragraphs 1 and 2 apply only for the part of that period in which all the activities of the international financial centres of those corporations or partnerships are conducted in one place within the territory of Ville de Montréal, and

(b) the condition set out in subparagraph 4 of the first paragraph of section 66 must be satisfied in respect of each of those corporations or partnerships in relation to its international financial centre.

68. For the purposes of subparagraph 3 of the first paragraph of section 66, an individual who, at any time, works exclusively or almost exclusively for a group of corporations or partnerships each of which is operating an international financial centre, including the particular corporation or partnership referred to in that section, is deemed, except where section 67 applies, to be working at that time exclusively or almost exclusively for the particular corporation or partnership if, at that time,

(1) all the activities of those international financial centres are conducted in one place within the territory of Ville de Montréal; and

(2) the condition set out in subparagraph 4 of the first paragraph of section 66 is satisfied as regards each of those corporations or partnerships in relation to its international financial centre.

69. The reference period in respect of an individual described in section 66 is the period

(1) that begins on the earlier of

(a) the day on which the individual took up employment as an employee or, where section 67 applies, took up employment as an employee for the first time, of the particular corporation or partnership referred to in section 66, and

(b) where applicable, the day on which the individual became resident in Canada to establish an international financial centre in Canada;

(2) throughout which

(a) the individual is working to establish an international financial centre or is in the employ of a corporation or partnership operating such a centre, and

(b) the following conditions are satisfied:

i. the conditions set out in subparagraphs *a* and *b* of subparagraph 2 of the first paragraph of section 66, while the individual is working to establish an international financial centre, and

ii. the conditions set out in subparagraphs 3 and 4 of the first paragraph of section 66, where the individual is in the employ of a corporation or partnership operating an international financial centre; and

(3) that, added to any preceding period established in respect of the individual under this section or the regulations under the first paragraph of section 737.16 of the Taxation Act (R.S.Q., chapter I-3), as they read for a taxation year beginning on or before 20 December 1999, does not exceed 60 months.

70. For the purposes of Title VII of Book IV of Part I of the Taxation Act (R.S.Q., chapter I-3), the non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss, for a taxation year, of an individual who, for that year, benefits from a deduction under section 65, shall be determined as if the individual's income throughout the reference period established in respect of the individual under section 69 and any loss throughout that period were nil.

## §2. — *Other employees*

71. An individual who holds an employment with a particular corporation or partnership operating an international financial centre may deduct, in computing the individual's taxable income for a taxation year, an amount not exceeding one-third of the part of the individual's wages from that employment for the year that may reasonably be attributed to a qualifying period established in respect of the individual under section 73 in relation to the particular corporation or partnership, except any part of that period that is included in the reference period established in respect of the individual under section 69.

72. In section 71, an individual's wages for a taxation year from an employment means the individual's income for the year from that employment, computed under Chapters I and II of Title II of Book III of Part I of the Taxation Act (R.S.Q., chapter I-3) with every deduction under Division III of Chapter III of that Title II being taken into account.

73. For the purposes of section 71, a particular period included in a particular calendar year and in respect of which the following conditions are satisfied is a qualifying period in respect of an individual in relation to a particular corporation or partnership:

(1) the individual worked throughout the particular period exclusively or almost exclusively

(a) for the particular corporation or partnership, or

(b) for a group of corporations or partnerships each of which was operating an international financial centre, including the particular corporation or partnership, where all the activities of those international financial centres are conducted in one place within the territory of Ville de Montréal;

(2) the individual held a valid certificate covering the whole of the particular period which was issued in respect of the individual to each corporation or partnership that is the particular corporation or the particular partnership or, where applicable, any of the other corporations or partnerships referred to in subparagraph *b* of paragraph 1, in relation to the individual's employment with the corporation or partnership,

(a) pursuant to section 20, or

(b) pursuant to section 21, in the case of an individual

i. who was in the employ of the corporation or partnership from 31 March 1998 to the end of the particular period,

ii. who would have been entitled, if the provisions of Title VII.2 of Book IV of Part I of the Taxation Act (R.S.Q., chapter I-3) had read for the taxation year 1998 as they read for the taxation year 1997, to a deduction under section 737.16.1 of that Act for the taxation year 1998 in relation to the individual's remuneration from that employment for a period including 31 March 1998, and

iii. whose duties with that corporation or partnership were devoted, at all times from 1 April 1998 to 31 December 1998, in a proportion of at least 75%, to the operations of the international financial centre of that corporation or partnership in the course of which the individual was employed on 31 March 1998, and

(3) the business to which the certificate referred to in paragraph 2 relates is, throughout the particular period, an international financial centre of the corporation or partnership referred to therein.

## **DIVISION IV**

### **OTHER PROVISION**

74. This chapter is a fiscal law within the meaning of the Act respecting the Ministère du Revenu (R.S.Q., chapter M-31).

## **CHAPTER VI**

### **AMENDING PROVISIONS**

#### **TAXATION ACT**

75. (1) Section 1 of the Taxation Act (R.S.Q., chapter I-3), amended by section 26 of chapter 83 of the statutes of 1999, is again amended by replacing the definition of “international financial centre” by the following :

“ “international financial centre” has the meaning assigned by section 6 of the Act respecting international financial centres (1999, chapter 86);”.

(2) Subsection 1 applies to taxation years or fiscal periods that begin after 20 December 1999.

76. (1) Section 733.0.1 of the said Act is replaced by the following section :

“733.0.1. For the purpose of determining the amount of the non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss of a taxpayer for a taxation year, the rules in sections 56 and 70 of the Act respecting international financial centres (1999, chapter 86), also apply.”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where section 733.0.1 of the said Act, replaced by subsection 1, applies to taxation years that end after 23 June 1998, it shall be read as follows :

“733.0.1. For the purposes of this Title, the non-capital loss, farm loss, net capital loss, restricted farm loss and limited partnership loss of a taxpayer for a taxation year shall be determined as if

(a) in the case of a taxpayer who is a person referred to in section 737.14, the taxpayer’s income or loss for the year from the operations of an international financial centre operated by the taxpayer and the taxpayer’s share of a partnership’s income or loss for a fiscal period ending in the year, from the operations of an international financial centre operated by the partnership, were nil ; or

(b) in the case of a taxpayer who is an individual referred to in section 737.15, the taxpayer's income for the period prescribed in respect of the taxpayer for the purposes of the first paragraph of section 737.16 and the taxpayer's loss for that period were nil.”

77. (1) Chapter I of Title VII.2 of Book IV of Part I of the said Act is repealed.

(2) Subsection 1 applies to taxation years or fiscal periods that begin after 20 December 1999.

(3) In addition, where section 737.13 of the said Act, repealed by subsection 1, applies after 31 December 1997, it shall, subject to subsection 4, be read as follows:

“737.13. In this Title,

“back office activities” has the meaning assigned by section 4 of the Act respecting international financial centres (1999, chapter 86) to that expression;

“international financial centre” means a business or part of a business

(a) that is carried on by a corporation or partnership;

(b) all the activities of which pertain to qualified international financial transactions, within the meaning of sections 7 and 8 of the Act respecting international financial centres;

(c) the management of the activities of which leading to qualified international transactions is conducted entirely within the territory of Ville de Montréal;

(d) the activities of which are grouped together in one place within the territory of Ville de Montréal;

(e) in respect of which the corporation or partnership keeps a separate accounting of its operations attributable thereto; and

(f) in respect of which the corporation or partnership holds a valid qualification certificate issued by the Minister of Finance.”

(4) Notwithstanding subsection 3,

(1) the definition of “back office activities” in section 737.13 of the said Act, enacted by subsection 3, shall be read as if “assigned by section 4 of the Act respecting international financial centres (1999, chapter 86) to that expression were replaced by

(a) where it applies before 1 April 1998, “assigned by the regulations under paragraph *b* of the definition of “international financial centre” as they read on 1 April 1998”;

(b) where it applies after 31 March 1998 and before 20 December 1999, “assigned by the regulations under paragraph *b* of the definition of “international financial centre””;

(2) paragraphs *a*, *e* and *f* of the definition of “international financial centre” in section 737.13 of the said Act, enacted by subsection 3, apply, where they refer to a partnership, only to a partnership’s fiscal period that ends after 23 June 1998;

(3) where paragraph *b* of the definition of “international financial centre” in section 737.13 of the said Act, enacted by subsection 3, applies before 20 December 1999, it shall be read as if “qualified international financial transactions, within the meaning of sections 7 and 8 of the Act respecting international financial centres” were replaced by “prescribed international transactions”;

(4) where paragraph *d* of the definition of “international financial centre” in section 737.13 of the said Act, enacted by subsection 3, applies before 1 April 1998, it shall be read as follows:

“(d) the activities of which are grouped together in a place separate from that where the other activities, if any, of the corporation are conducted;”.

(5) In addition, where section 737.13.1 of the said Act, repealed by subsection 1, applies, after 31 December 1997,

(1) to taxation years that end after that date and before 24 June 1998, it shall be read as if “in the first paragraph of” were replaced by “in” and, after 31 March 1998, as if “the separate place referred to” were replaced by “the place referred to”;

(2) to taxation years or fiscal periods that end after 23 June 1998, it shall, subject to subsection 6, be read as follows:

“737.13.1. The conditions set out in paragraphs *c* and *d* of the definition of “international financial centre” in section 737.13 in respect of an international financial centre of a corporation or partnership shall not be considered not satisfied merely because, in the case of a prescribed transaction, such transaction was initiated by a client who, for that purpose, went to an office or branch of the corporation or partnership other than the place referred to in that paragraph *d* in respect of the international financial centre.”

(6) Notwithstanding subsection 5, where section 737.13.1 of the said Act, enacted by paragraph 2 of subsection 5, applies before 1 April 1998, it shall be read as if “the place referred to” were replaced by “the separate place referred to”.



78. (1) Section 737.14 of the said Act is replaced by the following section :

“737.14. A person who, in a taxation year, is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre may deduct, in computing the person’s taxable income for the year, the amount determined in respect of the person for the year under section 52 of the Act respecting international financial centres (1999, chapter 86).”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where section 737.14 of that Act, replaced by subsection 1, applies

(1) after 31 December 1997, to taxation years that end after that date and before 24 June 1998, it shall be read as if “in the first paragraph of” in the second paragraph were replaced by “in” and, after 31 March 1998, as if “the separate place” in that second paragraph were replaced by “located at the place”;

(2) to taxation years that end after 23 June 1998, it shall, subject to subsection 4, be read as follows :

“737.14. A person who, in a taxation year, is a corporation that operates an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that year, operates such a centre, may deduct, in computing the person’s taxable income for the year, an amount not exceeding that part of the person’s income for the year that may reasonably be considered to be the amount by which

(a) the aggregate of all amounts each of which is the person’s income for the year from the operations of an international financial centre operated by the person or the person’s share of the partnership’s income for that fiscal period from the operations of an international financial centre operated by the partnership, exceeds

(b) the aggregate of all amounts each of which is the person’s loss for that year from the operations of an international financial centre operated by the person or the person’s share of the partnership’s loss for that fiscal period from the operations of an international financial centre operated by the partnership.

Where, in accordance with subsection 3 of section 33.1 of the Income Tax Act (Revised Statutes of Canada, 1985, chapter 1, 5th Supplement), the person has designated for the year an office or branch located within the territory of Ville de Montréal in which an international banking centre business is to be carried on and the office or branch is, except as regards the conduct of transactions other than qualified international financial transactions referred

to in paragraph *b* of the definition of “international financial centre” in section 737.13, located at the place referred to in paragraph *d* of the said definition in respect of an international financial centre operated by the person, the aggregates referred to in subparagraphs *a* and *b* of the first paragraph shall be determined as if

(a) the person’s income for the year from the operations of the international financial centre were equal to the greater of the person’s income otherwise determined for the year from those operations and the amount of income, in respect of that international banking centre that, pursuant to that section 33.1, is not required to be included in computing the person’s income for the year for the purposes of the Income Tax Act; and

(b) where the amount determined under subparagraph *a* is positive, the loss, if any, for the year from the operations of that international financial centre were nil.

For the purposes of the first paragraph, where the person referred to therein is an individual to whom section 737.16 applies for the year, and the fiscal period of the partnership that operates an international financial centre and of which the individual is a member at the end of that fiscal period ends during that part, included in the year, of the period prescribed in respect of the individual for the purposes of the first paragraph of that section 737.16, the individual’s share of the partnership’s income or loss, as the case may be, for that fiscal period is deemed to be nil.”

(4) Notwithstanding subsection 3, section 737.14 of the said Act, enacted by paragraph 2 of subsection 3, shall be read as if, in the portion of the second paragraph before subparagraph *a* thereof,

(1) where it applies before 1 April 1998, “qualified international financial transactions referred to in” and “located at the place” were replaced by “prescribed international transactions for the purposes of” and “the separate place”, respectively;

(2) where it applies after 31 March 1998 and before 20 December 1999, “qualified international financial transactions referred to in” were replaced by “prescribed international transactions for the purposes of”.

79. (1) Section 737.15 of the said Act is repealed.

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where section 737.15 of the said Act, repealed by subsection 1, applies to taxation years subsequent to the taxation year 1997, it shall, subject to subsection 4, be read

(1) as if “financial transactions” in subparagraph *a* of the second paragraph were replaced by “financial transactions, including international insurance”, in the case of the taxation year 1998, and, in the case of a subsequent taxation year, as if that subparagraph *a* were struck out;

(2) as if subparagraphs *b* to *f* of the second paragraph were replaced by the following subparagraphs :

“(b) the individual took up employment, at a particular time, as an employee of a particular corporation or partnership operating an international financial centre ;

“(c) immediately before entering into a contract of employment or immediately before taking up employment as an employee of the particular corporation or partnership, the individual was not resident in Canada or, where the individual was resident in Canada at that time, the individual became resident in Canada at any time in the taxation year referred to in the first paragraph or in a preceding taxation year for the purpose of establishing an international financial centre in Canada and the following conditions are satisfied :

i. the individual worked, from that time to the time at which the condition set out in subparagraph iii is satisfied, exclusively or almost exclusively for a person or partnership,

ii. the individual’s duties, for the period referred to in subparagraph i, with the person or partnership referred to in that subparagraph were devoted

(1) before 1 January 1998, exclusively or almost exclusively to the establishment of the international financial centre,

(2) after 31 December 1997 and before 1 January 1999, in a proportion of at least 75%, to the establishment of the international financial centre, or

(3) after 31 December 1998, in a proportion of at least 75%, to the establishment of the international financial centre, as confirmed by the Minister of Finance in the certificate issued under subparagraph *f*, and

iii. the individual took up employment, within 12 months after that time, as an employee of the particular corporation or partnership operating the international financial centre established by the individual ;

“(d) the individual worked, from that particular time to any time in the taxation year referred to in the first paragraph, exclusively or almost exclusively for the particular corporation or partnership ;

“(e) the individual is, from that particular time to any time in the taxation year referred to in the first paragraph, an individual whose duties with the particular corporation or partnership were devoted

i. for the part of that period that is prior to 1 January 1998, exclusively or almost exclusively to the operations of the international financial centre, or

ii. for the part of that period that is subsequent to 31 December 1997 but prior to 1 January 1999,

(1) in a proportion of at least 75% to the operations of the international financial centre, other than, after 31 March 1998, back office activities, or

(2) in a proportion of at least 75%, to the operations of the international financial centre, where the individual was a member of the personnel of the particular corporation or partnership who was assigned to the direction and design of back office activities carried on by the particular corporation or partnership in the course of the operations of the international financial centre or who had specific expertise in the field of back office activities and was assigned to client solicitation activities in relation to such activities carried on by the particular corporation or partnership in the course of those operations, or

iii. for the part of that period that is subsequent to 31 December 1998, as confirmed by the Minister of Finance in the certificate issued under subparagraph *f*,

(1) in a proportion of at least 75%, to the operations of a business or part of business of the particular corporation or partnership, in respect of which a qualification certificate referred to in paragraph *f* of the definition of “international financial centre” in section 737.13 was valid, other than back office activities; or

(2) in a proportion of at least 75%, to the operations of the business or part of business described in subparagraph 1, where the individual was a member of the personnel of the particular corporation or partnership who was assigned to the direction and design of back office activities carried on by the particular corporation or partnership in the course of the operations of the business or part of business or who had specific expertise in the field of back office activities and was assigned to client solicitation activities in relation to such activities carried on by the particular corporation or partnership in the course of those operations; and

“(f) the individual holds a valid certificate, confirming, in particular, that, where the taxation year referred to in the first paragraph is subsequent to the taxation year 1998, the individual is a specialist in the field of international financial transactions, including international insurance, issued by the Minister of Finance for the taxation year referred to in the first paragraph for which an application was submitted to the Minister of Finance by the particular corporation or partnership, or by the other corporation or partnership referred to in the third paragraph, as the case may be, on or before the last day of February of the calendar year following that taxation year or, if that taxation

year is the taxation year 1998 and the individual was a member of the personnel of the particular corporation or partnership described in subparagraph 2 of subparagraph ii of paragraph *e*, 29 February 2000.”;

(3) by striking out subparagraph *g* of the second paragraph;

(4) by replacing the third paragraph by the following paragraph:

“For the purposes of the second paragraph, where the individual is resident in Canada immediately before entering into a new contract of employment, subsequent to the contract of employment entered into with the particular corporation or partnership and referred to in the second paragraph, with an employer that is the particular corporation or partnership or another corporation or partnership operating an international financial centre and, immediately before taking up employment as an employee of that employer pursuant to the new contract of employment,

(*a*) the new contract of employment is deemed not to be a contract of employment separate from the contract of employment entered into with the particular corporation or partnership and referred to in the second paragraph or from any contract of employment subsequent to the latter but prior to the new contract of employment and entered into with a corporation or partnership operating an international financial centre;

(*b*) where the employer is the other corporation or partnership, the other corporation or partnership is deemed not to be a corporation or partnership separate from the particular corporation or partnership or from another corporation or partnership operating an international financial centre and having employed the individual under a contract of employment subsequent to the contract entered into with the particular corporation or partnership and referred to in the second paragraph but prior to the new contract of employment; and

(*c*) where the individual is, for any period, after 31 December 1997, in the employ of both the particular corporation or partnership and the other corporation or partnership,

i. the rules set out in subparagraphs *a* and *b* apply only for the part of that period in which all the activities of the international financial centres of those corporations or partnerships are conducted in one place within the territory of Ville de Montréal,

ii. the condition set out in subparagraph *e* of the second paragraph must be satisfied in respect of each of those corporations or partnerships in relation to its international financial centre.”;

(5) as if the following paragraphs were added after the third paragraph:

“For the purposes of subparagraph *d* of the second paragraph, an individual who, at any time after 31 December 1997, works exclusively or almost exclusively for a group of corporations or partnerships each of which is operating an international financial centre, including the particular corporation or partnership, is deemed, except to the extent that the third paragraph applies, to be working at that time exclusively or almost exclusively for the particular corporation or partnership if, at that time,

(*a*) all the activities of those international financial centres are conducted in one place within the territory of Ville de Montréal; and

(*b*) the condition set out in subparagraph *e* of the second paragraph is satisfied in respect of each of those corporations or partnerships in relation to its international financial centre.

“For the purposes of subparagraph *iii* of subparagraph *e* of the second paragraph, the business or part of business referred to therein shall constitute an international financial centre of the particular corporation or partnership.”

(4) Notwithstanding subsection 3, where section 737.15 of the said Act, as amended by that subsection, applies before 24 June 1998, it shall be read as if the words “or partnership” and “or partnerships”, wherever they appear, were struck out.

80. (1) Sections 737.16 and 737.16.1 of the said Act are replaced by the following sections:

“737.16. An individual described in section 66 of the Act respecting international financial centres (1999, chapter 86) may deduct, in computing the individual’s taxable income for a taxation year, the amount determined in respect of the individual for the year under section 65 of that Act.

“737.16.1. An individual described in section 71 of the Act respecting international financial centres (1999, chapter 86) may deduct, in computing the individual’s taxable income for a taxation year, the amount determined in respect of the individual for the year under that section.”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where section 737.16.1 of the said Act, replaced by subsection 1, applies to taxation years subsequent to the taxation year 1997, it shall, subject to subsection 4, be read as follows:

“737.16.1. An individual who holds an employment with a particular corporation or partnership operating an international financial centre may deduct, in computing the individual’s taxable income for a taxation year, an amount not exceeding one-third of the part of the individual’s qualified wages for the year from that employment, that may reasonably be attributed to a

qualifying period established in respect of the individual, in relation to the particular corporation or partnership, except, where applicable, the part of that period that is included in the prescribed period in respect of the individual for the purposes of the first paragraph of section 737.16.

However, the deduction provided for in the first paragraph is allowed for a particular taxation year only if the individual holds a valid certificate, issued to that effect by the Minister of Finance for the particular year in respect of that employment, for which an application was submitted to the Minister of Finance by the particular corporation or partnership on or before the last day of February of the calendar year following the particular year or, if the particular year is the taxation year 1998 and the individual was a member of the personnel of the particular corporation or partnership described in subparagraph i of paragraph *b* of the definition of “qualifying period” in the third paragraph, 29 February 2000.

In this section,

“qualifying period” in respect of an individual, in relation to a particular corporation or partnership, means a particular period included in a particular calendar year and throughout which the following conditions are satisfied:

(*a*) the individual works exclusively or almost exclusively

i. for the particular corporation or partnership, or

ii. for a group of corporations or partnerships each of which is operating an international financial centre, including the particular corporation or partnership, where all the activities of those international financial centres are conducted in one place within the territory of Ville de Montréal;

(*b*) where the particular calendar year is the calendar year 1998, the individual’s duties with each corporation or partnership that is the particular corporation or partnership or, where applicable, any of the other corporations or partnerships referred to in subparagraph ii of paragraph *a*

i. are devoted, in a proportion of at least 75%, to the operations of an international financial centre of the corporation or partnership, where the individual was a member of the personnel of the corporation or partnership who was assigned to the direction and design of back office activities of the corporation or partnership in the course of the operations of the international financial centre or who had specific expertise in the field of back office activities and was assigned to client solicitation activities in relation to such activities carried on by the particular corporation or partnership in the course of those operations, or

ii. where subparagraph i does not apply in respect of the individual’s employment with the corporation or partnership, consist, in a proportion of at

least 75%, of one or more of the following activities carried on in the course of the operations of an international financial centre of the corporation or partnership:

(1) carrying out transactions, referred to as “qualified international transactions” in subparagraphs 2 and 3, that are international transactions mentioned in paragraph *b* of the definition of “international financial centre” in section 737.13, other than back office activities,

(2) assisting, by means of specific expertise in the field of international transactions mentioned in paragraph *b* of the definition of “international financial centre” in section 737.13, an individual who carries out qualified international transactions, or

(3) directing or supervising the activities of an individual who carries out qualified international transactions,

iii. for the part, where applicable, of the particular period prior to 1 April 1998 and throughout which the conditions set out in subparagraphs i and ii are not satisfied in respect of the individual’s employment with the corporation or partnership, are devoted exclusively or almost exclusively to the operations of an international financial centre of the corporation or partnership, or

iv. for the part, where applicable, of the particular period after 31 March 1998 and throughout which the conditions set out in subparagraphs i and ii are not satisfied in respect of the individual’s employment with the corporation or partnership, are devoted, in a proportion of at least 75%, to the operations of an international financial centre of the corporation or partnership, in the case of an individual

(1) who is in the employ of the corporation or partnership from 31 March 1998 to the end of that part of the particular period,

(2) who, if the provisions of this Title were read for the taxation year 1998 as they read for the taxation year 1997, would be entitled to a deduction under this section for the taxation year 1998 in relation to the individual’s remuneration from that employment for a period including 31 March 1998, and

(3) whose duties with the corporation or partnership are devoted to the operations of the international financial centre in a proportion of at least 75% at all times from 1 April 1998 to the end of that part of the particular period;

(c) where the particular calendar year is subsequent to the calendar year 1998, the individual’s duties with each corporation or partnership that is the particular corporation or partnership or, where applicable, any of the other corporations or partnerships referred to in subparagraph ii of paragraph *a*,



i. as confirmed by the Minister of Finance in the certificate referred to in the second paragraph in respect of the individual's employment with the corporation or partnership, are devoted, in a proportion of at least 75%, to the operations of a business or part of a business of that corporation or partnership, in respect of which a qualification certificate referred to in subparagraph *f* of the definition of "international financial centre" in section 737.13 is valid, where the individual is a member of the personnel of the corporation or partnership who is assigned to the direction and design of the back office activities of the corporation or partnership in the course of the operations of the business or part of business or who has specific expertise in the field of back office activities and is assigned to client solicitation activities in relation to such activities carried on by the particular corporation or partnership in the course of those operations, or

ii. where subparagraph i does not apply in respect of the individual's employment with the corporation or partnership, and as confirmed by the Minister of Finance in the certificate referred to in the second paragraph in respect of the individual's employment with the corporation or partnership, consist, in a proportion of at least 75%, of one or more of the activities described in subparagraphs 1 to 3 of subparagraph ii of paragraph *b* carried on in the course of the operations of the business or part of business described in subparagraph i, or

iii. for the part, where applicable, of the particular period throughout which the conditions set out in subparagraphs i and ii are not satisfied in respect of the individual's employment with the corporation or partnership, are devoted, in a proportion of at least 75%, to the operations of the business or part of business described in subparagraph i, in the case of an individual

(1) who was employed by the corporation or partnership from 31 March 1998 to the end of that part of the particular period,

(2) who, if the provisions of this Title had read for the taxation year 1998 as they read for the taxation year 1997, would have been entitled to a deduction under this section for the taxation year 1998 in relation to the individual's remuneration from that employment for a period including 31 March 1998, and

(3) whose duties with the corporation or partnership were devoted to the operations of the business or part of business of that corporation or partnership in a proportion of at least 75% at all times between 1 April 1998 and 31 December 1998 and, as confirmed by the Minister of Finance in the certificate referred to in the second paragraph in respect of the individual's employment with the corporation or partnership, from 1 January 1999 to the end of that part of the particular period;

"qualified wages" of an individual for a taxation year from an employment means the individual's income for the year from that employment, computed before any deduction under Chapter III of Title II of Book III, except a deduction allowed under Division III of that chapter.

For the purposes of paragraph *c* of the definition of “qualifying period” in the third paragraph, the business or part of business, referred to therein, of a corporation or partnership shall constitute, at any time throughout the particular period, an international financial centre of the corporation or partnership.”

(4) Notwithstanding subsection 3, where section 737.16.1 of the said Act, enacted by that subsection, applies before 24 June 1998, it shall be read as if “or partnership” and “or partnerships”, wherever they appear, were struck out.

81. (1) Section 737.17 of the said Act is replaced by the following section :

“737.17. A person who, in a taxation year, is a corporation operating an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that taxation year, operates such a centre shall include, in computing the person’s taxable income for the year, the amount determined for the year in respect of the person under section 55 of the Act respecting international financial centres (1999, chapter 86).”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where section 737.17 of the said Act, replaced by subsection 1, applies to taxation years that end after 23 June 1998, it shall be read as follows :

“737.17. A person who, in a taxation year, is a corporation operating an international financial centre or a member of a partnership that, in a fiscal period of the partnership ending in that taxation year, operates such a centre shall include, in computing the person’s taxable income for the year, an amount equal to the amount by which the aggregate determined for the year in respect of the person under subparagraph *b* of the first paragraph of section 737.14 exceeds the aggregate determined for the year in respect of the person under subparagraph *a* of that paragraph.

However, the amount determined under the first paragraph for a taxation year in respect of a person shall in no case be greater than the person’s income for the year computed without taking into account any income or loss from the operations of an international financial centre operated by the person or partnership in the year or the fiscal period, as the case may be.”

82. (1) Section 737.18 of the said Act is amended

(1) by replacing “737.15” in the portion before paragraph *a* by “737.16”;

(2) by replacing “section 737.16” in paragraph *a* by “section 65 of the Act respecting international financial centres (1999, chapter 86)”;

(3) by replacing “section 737.16” in paragraphs *b* to *e.1* by “section 65 of the Act respecting international financial centres”;

(4) by replacing the expression “prescribed period established in his regard which is included in that year and referred to in the first paragraph of section 737.16”, wherever it appears in paragraph *f*, by “reference period included in that year and established under section 69 of the Act respecting international financial centres in respect of the individual”;

(5) by replacing “prescribed period in his regard for the purposes of the first paragraph of section 737.16” in paragraph *g* by “reference period established in respect of the individual under section 69 of the Act respecting international financial centres”.

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

83. (1) Section 772.2 of the said Act is amended

(1) by replacing “section 737.16” in subparagraph vii of paragraph *d* of the definition of “non-business income tax” by “section 65 of the Act respecting international financial centres (1999, chapter 86)”;

(2) by replacing “section 737.28” in subparagraph viii of paragraph *d* of the definition of “non-business income tax” by “section 737.14 or 737.28”;

(3) by replacing “section 737.16” in paragraph *b* of the definition of “business-income tax” by “section 65 of the Act respecting international financial centres”.

(2) Paragraphs 1 and 3 of subsection 1 apply to taxation years that begin after 20 December 1999.

(3) Paragraph 2 of subsection 1 applies from the taxation year 1998.

84. (1) Section 1029.6.0.1 of the said Act, amended by section 167 of chapter 83 of the statutes of 1999, is again amended

(1) by replacing “, II.6.8 and II.6.9” in paragraphs *a* and *b* by “and II.6.8 to II.6.11”;

(2) by replacing paragraph *c* by the following paragraph:

“(c) a taxpayer who is a corporation operating an international financial centre in a taxation year or a member of a partnership at the end of a fiscal period of the partnership ending in the year and in which the partnership operates such a centre shall not be deemed to have paid to the Minister any amount for the year under this chapter other than an amount that the taxpayer is deemed to have so paid for the year under any of Divisions II.6.8 to II.6.11,

in respect of a cost, an expenditure or any costs, incurred by the taxpayer or the partnership in the course of the operations of the international financial centre.”

(2) Paragraph 1 of subsection 1 has effect from 1 April 1998. However, where paragraphs *a* and *b* of section 1029.6.0.1 of the said Act, as amended by paragraph 1, apply before 31 December 1998, they shall be read as if “II.6.11” were replaced by “II.6.10”.

(3) Paragraph 2 of subsection 1 applies to taxation years that end after 31 March 1998. However, where paragraph *c* of section 1029.6.0.1 of the said Act, enacted by paragraph 2, applies

(1) to such taxation years that end before 24 June 1998, it shall be read as follows:

“(c) a taxpayer operating an international financial centre in a taxation year shall not be deemed to have paid to the Minister an amount for the year under this chapter other than an amount that the taxpayer is deemed to have so paid for the year under any of Divisions II.6.8 to II.6.10, in respect of a cost, an expenditure or any costs, incurred by the taxpayer in the course of the operations of the international financial centre.”;

(2) before 31 December 1998, to taxation years that end after 23 June 1998, it shall be read as if “II.6.11” were replaced by “II.6.10”.

85. (1) The said Act is amended by inserting, after section 1029.8.36.101, enacted by section 218 of chapter 83 of the statutes of 1999, the following:

#### **“DIVISION II.6.10**

#### **“CREDIT FOR SOLICITATION EXPENDITURE**

“§1. — *Interpretation and general*

“1029.8.36.102. In this division,

“government assistance” means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“qualified gross revenue” of a corporation or partnership operating an international financial centre, for a taxation year or fiscal period, from a qualified international financial transaction means the gross revenue of the corporation or partnership from that transaction for the part, included in the taxation year or fiscal period, of the period specified in subparagraph ii of paragraph *b* of the definition of “qualified international financial transaction” in respect of the transaction, but does not include, where the transaction was carried out for or on behalf of a group of persons referred to in that paragraph *b*, that part of the gross revenue that may reasonably be attributed to any member of the group who is resident in Canada, or not resident in Canada but in respect of whom the condition set out in subparagraph ii of paragraph *c* of that definition has not been satisfied;

“qualified international financial transaction” carried out by a corporation or partnership operating an international financial centre means a qualified international financial transaction within the meaning of sections 7 and 8 of the Act respecting international financial centres (1999, chapter 86) that

(*a*) is related to a solicitation activity engaged in at an earlier time by the corporation or partnership;

(*b*) is carried out by the corporation or partnership, after 31 March 1998 and before 1 January 2003, in the course of the operations of the international financial centre, for or on behalf of a particular person not resident in Canada or a group of persons that includes at least one person not resident in Canada,

i. under an agreement for the supply of services with a term of one year or more, and

ii. within a period of one year beginning on the effective date of the agreement referred to in subparagraph i; and

(*c*) constitutes a type of activity that

i. as regards the particular person referred to in paragraph *b*, was at no time carried on for or on behalf of that person by the corporation or partnership or by a person not dealing at arm’s length with the corporation or partnership, during that part of the taxation year of the corporation, prior to the effective date of the agreement referred to in subparagraph i of paragraph *b*, in which the agreement became effective or the three preceding taxation years, or, as the case may be, during that part of the fiscal period of the partnership, prior to the effective date of the agreement, in which the agreement became effective or the three preceding fiscal periods, and

ii. as regards the group of persons referred to in paragraph *b*, would satisfy, in respect of at least one member of the group who is a person not resident in Canada, the condition set out in subparagraph i if that subparagraph were read as if the references to the particular person referred to in paragraph *b* were a reference to that member.

“qualified solicitation expenditure” of a corporation or partnership operating an international financial centre for a taxation year or fiscal period means an expenditure that is reasonable under the circumstances and that

(a) is, in the taxation year or fiscal period, but after 31 March 1998 and before 1 January 2002, incurred by the corporation or partnership in the course of the operations of the international financial centre; and

(b) is related to a solicitation activity directed at a person not resident in Canada and carried on by the corporation or partnership through an employee, and corresponds to

i. the employee’s travel expenses for travelling from Canada to another country or from a country other than Canada to Canada,

ii. the employee’s travel and accommodation expenses for the period in which the employee travels outside Canada and engages in the solicitation activity, or

iii. expenses related to food and beverages consumed during the period referred to in subparagraph ii by the employee or the person, or by an employee or other representative of the person at whom the solicitation activity carried on by the employee is directed;

“tax-exempt taxpayer” means

(a) a person who is exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 not so exempt from tax on the totality of its taxable income by reason of section 999.0.1;

(b) a corporation that would be exempt from tax under section 985 but for section 192; or

(c) a trust one of the capital or income beneficiaries of which is a person described in paragraph *a* or *b*;

“1029.8.36.103. For the purposes of this division, unless the context indicates otherwise, a taxpayer’s share, as a member of a partnership, of any amount for a fiscal period of the partnership is equal to such proportion of that amount as the taxpayer’s share of the income or loss of the partnership for that fiscal period is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership’s income for that fiscal period is equal to \$1,000,000.

“§2. — *Credit*

“1029.8.36.104. A corporation operating an international financial centre in a taxation year that carries out a qualified international financial transaction in that year and encloses the prescribed form containing the

prescribed information with the fiscal return the corporation is required to file for the year under section 1000 is deemed to have paid to the Minister on the corporation's balance-due day for the year, on account of its tax payable for that year under this Part, an amount equal to the lesser of

(a) 50% of the amount by which

i. the aggregate of all amounts each of which is a qualified solicitation expenditure of the corporation for the year or either of the two preceding taxation years, exceeds

ii. 200% of the amount by which the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under this section for either of the two preceding taxation years referred to in subparagraph i exceeds the aggregate of all amounts each of which is the amount that the corporation would have been deemed to have paid to the Minister under this section for one of those two preceding taxation years if no qualified solicitation expenditure of the corporation for those two preceding taxation years and no repayment under section 1029.8.36.111 related to such qualified solicitation expenditure of the corporation had been taken into account;

(b) 25% of the aggregate of all amounts each of which is the corporation's qualified gross revenue for the year, from a qualified international financial transaction; and

(c) subject to section 1029.8.36.106, \$75,000.

**“1029.8.36.105.** Where a partnership operating an international financial centre in a fiscal period carries out during that fiscal period a qualified international financial transaction, each taxpayer, other than a tax-exempt taxpayer, that is a member of the partnership at the end of that fiscal period and that encloses the prescribed form containing the prescribed information with the fiscal return the taxpayer is required to file under section 1000 for the taxpayer's taxation year in which that fiscal period ends, is deemed to have paid to the Minister on the taxpayer's balance-due day for the year, on account of the taxpayer's tax payable for the year under this Part, an amount equal to the lesser of

(a) 50% of the amount by which

i. the aggregate of all amounts each of which is the taxpayer's share, for the fiscal period, of a qualified solicitation expenditure of the partnership for the fiscal period or either of the two preceding fiscal periods, exceeds

ii. the taxpayer's share, for the fiscal period, of 200% of the amount by which the aggregate of all amounts each of which is an amount that a member of the partnership at the end of either of the two preceding fiscal periods referred to in subparagraph i is deemed to have paid to the Minister under this

section, in relation to that preceding fiscal period for the member's taxation year in which the fiscal period ends exceeds the aggregate of all amounts each of which is the amount that a member of the partnership at the end of either of the two preceding fiscal periods referred to in subparagraph i would have been deemed to have paid to the Minister under this section in relation to the preceding fiscal period for the member's taxation year in which the fiscal period ends if no qualified solicitation expenditure of the partnership for those two preceding fiscal periods and no repayment under section 1029.8.36.112 or 1029.8.36.113 related to such qualified solicitation expenditure of the partnership had been taken into account ;

(b) 25% of the aggregate of all amounts each of which is the taxpayer's share, for the fiscal period, of the partnership's qualified gross revenue for the fiscal period from a qualified international financial transaction ; and

(c) subject to section 1029.8.36.106, the taxpayer's share, for the fiscal period, of \$75,000.

“1029.8.36.106. Where the taxation year referred to in section 1029.8.36.104 of a corporation, or the fiscal period referred to in section 1029.8.36.105, of a partnership, has fewer than 51 weeks, the amount of \$75,000 in paragraph c of section 1029.8.36.104 or in paragraph c of section 1029.8.36.105 is replaced by the product obtained by multiplying \$75,000 by the proportion that the number of days in the taxation year or, as the case may be, in the fiscal period is of 365.

“1029.8.36.107. A taxpayer may be deemed to have paid an amount to the Minister on account of the taxpayer's tax payable for a particular taxation year under section 1029.8.36.104 or 1029.8.36.105 only if the taxpayer files with the Minister the prescribed information in prescribed form on or before the day that is 12 months after the taxpayer's filing-due date for the particular year.

“§3. — *Government assistance, non-government assistance and other particulars*

“1029.8.36.108. For the purpose of computing the amount that a taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.104 or 1029.8.36.105, the following rules apply :

(a) the amount of a qualified solicitation expenditure referred to in subparagraph i of paragraph a of section 1029.8.36.104 shall be reduced, where applicable, by the amount of any government assistance or non-government assistance attributable to the qualified solicitation expenditure that the taxpayer has received, is entitled to receive or may reasonably expect to receive on or before the taxpayer's filing-due date for the taxation year in which the expenditure was incurred ; and



(b) the share, for a fiscal period of a partnership ending in that taxation year, of a taxpayer who is a member of the partnership, of the amount of a qualified solicitation expenditure, referred to in subparagraph i of paragraph a of section 1029.8.36.105, shall be reduced, where applicable,

i. by the taxpayer's share, for that fiscal period, of the amount of any government assistance or non-government assistance attributable to the qualified solicitation expenditure that the partnership has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period in which the expenditure was incurred by the partnership, and

ii. by the amount of any government assistance or non-government assistance attributable to the qualified solicitation expenditure that the taxpayer has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period in which the expenditure was incurred by the partnership.

“1029.8.36.109. Where, in respect of a qualified solicitation expenditure, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be related to the solicitation activity relating to that expenditure, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that a taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.104, the amount of qualified solicitation expenditure shall be reduced by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the taxpayer's filing-due date for that taxation year;

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.105 by a taxpayer who is a member of the partnership referred to in that section, the taxpayer's share, for a fiscal period of the partnership that ends in that taxation year, of the amount of qualified solicitation expenditure shall be reduced

i. by the taxpayer's share, for that fiscal period, of the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of that fiscal period, and

ii. by the amount of the benefit or advantage that the taxpayer or a person with whom the taxpayer does not deal at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of that fiscal period.

“1029.8.36.110. For the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year by a taxpayer under section 1029.8.36.104 or 1029.8.36.105, the following rules apply :

(a) the amount of a qualified solicitation expenditure referred to in subparagraph i of paragraph *a* of section 1029.8.36.104 shall in no case exceed the amount that would be deductible in respect of that expenditure in computing the taxpayer’s income for the taxation year in which the taxpayer has incurred the expenditure if the amount actually paid or payable in respect of that expenditure was equal, for the purpose of computing such income, to the amount by which the amount otherwise actually paid or payable in respect of that expenditure exceeds the aggregate of all amounts each of which is an amount referred to in paragraph *a* of section 1029.8.36.108 or 1029.8.36.109 in respect of that expenditure ; and

(b) the share, for a fiscal period of a partnership, of a taxpayer who is a member of the partnership, of an amount of qualified solicitation expenditure, referred to in subparagraph i of paragraph *a* of section 1029.8.36.105, shall in no case be greater than the taxpayer’s share, for that fiscal period, of the amount that would be deductible in respect of that expenditure in computing the partnership’s income for the fiscal period in which the partnership incurred the expenditure if the amount actually paid or payable in respect of the expenditure was equal, for the purpose of computing such income, to the amount by which the amount otherwise actually paid or payable in respect of that expenditure exceeds the aggregate of all amounts each of which is an amount referred to in subparagraph i or ii of paragraph *b* of section 1029.8.36.108 or 1029.8.36.109 in respect of that expenditure and a member of the partnership.

“1029.8.36.111. Where, before 1 January 2003, a corporation pays in a taxation year referred to in this section as the “repayment year”, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, by reason of paragraph *a* of section 1029.8.36.108, the amount of a particular qualified solicitation expenditure of the corporation for the purpose of computing the amount that the corporation is deemed to have paid to the Minister for a taxation year under section 1029.8.36.104, the following rules apply :

(a) the amount that the corporation is deemed to have paid to the Minister under that section 1029.8.36.104 for the repayment year is deemed to be equal to the aggregate of

i. the amount that, had there been no such repayment in the repayment year, the corporation would have been deemed to have paid to the Minister under that section for that year, and

ii. the amount by which the aggregate of all amounts each of which is the amount that, had there been no such repayment of government assistance or non-government assistance in the repayment year or a preceding taxation

year, the corporation would have been deemed to have paid to the Minister under that section 1029.8.36.104 for a particular taxation year that is the year in which the particular qualified solicitation expenditure was incurred or one of the following two taxation years not subsequent to the repayment year, exceeds the aggregate of all amounts each of which is an amount that, but for this section, the corporation would have been deemed to have paid to the Minister under section 1029.8.36.104 for such a particular taxation year or an amount determined under this subparagraph, in respect of the corporation, for a taxation year prior to the repayment year ;

(b) if the repayment occurs in the taxation year following the taxation year in which the particular qualified solicitation expenditure was incurred, the particular amount is deemed, for the application of section 1029.8.36.104 to the taxation year following the repayment year, to be a qualified solicitation expenditure incurred by the corporation in the taxation year in which the particular qualified solicitation expenditure was incurred ; and

(c) where applicable, the corporation is deemed, for the application of section 1029.8.36.104 in respect of the excess amount determined under subparagraph ii of paragraph a, to have carried out, in the repayment year, a qualified international financial transaction and to have operated an international financial centre in that year.

“1029.8.36.112. Where, before 1 January 2003, a partnership pays in a fiscal period referred to in this section as the “fiscal period of repayment”, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, by reason of subparagraph i of paragraph b of section 1029.8.36.108, the share, for a fiscal period of the partnership, of a taxpayer that is a member of the partnership, of the amount of a particular qualified solicitation expenditure of the partnership for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.105, the following rules apply :

(a) the amount that the taxpayer is deemed to have paid to the Minister under that section 1029.8.36.105 in respect of the partnership for the taxation year in which the fiscal period of repayment ended is deemed to be equal to the aggregate of

i. the amount that, had there been no such repayment in the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under that section in respect of the partnership for that taxation year, and

ii. the amount by which

(1) the aggregate of all amounts each of which is the amount that, had there been no such repayment of government assistance or non-government assistance in the fiscal period of repayment or a preceding fiscal period and if the taxpayer’s share of any amount for any fiscal period were the taxpayer’s share

of that amount for the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under that section 1029.8.36.105 in respect of the partnership for a particular taxation year that is the year in which the fiscal period during which the particular qualified solicitation expenditure was incurred ended or the year in which one of the following two fiscal periods not subsequent to the fiscal period of repayment ended, exceeds

(2) the aggregate of all amounts each of which is an amount that, but for this section and if the taxpayer's share of any amount for any fiscal period were the taxpayer's share of that amount, for the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under that section 1029.8.36.105 in respect of the partnership for a particular taxation year referred to in subparagraph 1, or an amount determined under this subparagraph ii in respect of the taxpayer, in relation to the partnership, and on the assumption that the taxpayer's share of any amount for any fiscal period was the taxpayer's share of that amount for the fiscal period of repayment, for a taxation year prior to the taxation year in which the fiscal period of repayment ended;

(b) if the repayment occurs in the fiscal period following the fiscal period in which the particular qualified solicitation expenditure was incurred, the particular amount is deemed, for the application of section 1029.8.36.105 to the taxation year in which the fiscal period following the fiscal period of repayment ended, to be a qualified solicitation expenditure incurred by the partnership in the fiscal period in which the particular qualified solicitation expenditure was incurred; and

(c) where applicable, the partnership is deemed, for the application of section 1029.8.36.105 in respect of the excess amount determined under subparagraph ii of paragraph *a*, to have carried out a qualified international financial transaction and operated an international financial centre in the fiscal period of repayment.

**“1029.8.36.113.** Where, before 1 January 2003, a taxpayer that is a member of a partnership pays in a fiscal period of the partnership, referred to in this section as “fiscal period of repayment”, pursuant to a legal obligation to do so, a particular amount that may reasonably be considered to be a repayment of government assistance or non-government assistance that reduced, by reason of subparagraph ii of paragraph *b* of section 1029.8.36.108, the taxpayer's share, for a fiscal period of the partnership, of the amount of a particular qualified solicitation expenditure of the partnership for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.105, the following rules apply :

(a) the amount that the taxpayer is deemed to have paid to the Minister under that section 1029.8.36.105 in respect of the partnership for the taxation year in which the fiscal period of repayment ended is deemed to be equal to the aggregate of

i. the amount that, had there been no such repayment in the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under that section in respect of the partnership for that taxation year, and

ii. the amount by which

(1) the aggregate of all amounts each of which is the amount that, had there been no such repayment of government assistance or non-government assistance in the fiscal period of repayment or a preceding fiscal period and if the taxpayer's share of any amount for any fiscal period were the taxpayer's share of that amount, for the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under that section 1029.8.36.105 in respect of the partnership for a particular taxation year that is the year in which the fiscal period during which the particular qualified solicitation expenditure was incurred ended or the year in which one of the following two fiscal periods not subsequent to the fiscal period of repayment ended, exceeds

(2) the aggregate of all amounts each of which is an amount that, but for this section and if the taxpayer's share of any amount for any fiscal period were the taxpayer's share of that amount for the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under that section 1029.8.36.105 in respect of the partnership for a particular taxation year referred to in subparagraph 1, or an amount determined under this subparagraph ii in respect of the taxpayer, in relation to the partnership, and on the assumption that the taxpayer's share of any amount for any fiscal period was the taxpayer's share of that amount for the fiscal period of repayment, for a taxation year prior to the taxation year in which the fiscal period of repayment ended;

(b) if the repayment occurs in the fiscal period following the fiscal period in which the particular qualified solicitation expenditure was incurred, the particular amount is deemed, for the application of section 1029.8.36.105 to the taxation year in which the particular fiscal period following the fiscal period of repayment ended, to be the taxpayer's share, for that particular fiscal period, of a qualified solicitation expenditure incurred by the partnership in the fiscal period in which the particular qualified solicitation expenditure was incurred; and

(c) where applicable, the partnership is deemed for the application of section 1029.8.36.105 in respect of the excess amount determined under subparagraph ii of paragraph *a*, to have carried out a qualified international financial transaction and operated an international financial centre in the fiscal period of repayment.

“1029.8.36.114. For the purposes of sections 1029.8.36.111 to 1029.8.36.113, an amount is deemed to be paid, at a particular time, as a repayment of assistance by a taxpayer or a partnership pursuant to a legal obligation to do so where that amount

(a) reduced, by reason of section 1029.8.36.108, the amount of a qualified solicitation expenditure or the taxpayer's share of such an amount, for the purpose of computing the amount that the taxpayer is deemed to have paid to the Minister for a taxation year under section 1029.8.36.104 or 1029.8.36.105;

(b) was not received by the taxpayer or partnership; and

(c) ceased, at the particular time, to be an amount that the taxpayer or partnership could reasonably expect to receive.

## **“DIVISION II.6.11**

### **“CREDIT FOR SPECIALIST TRAINING**

#### **“§1. — *Interpretation***

**“1029.8.36.115.** In this division,

“eligibility period” applicable to an individual in relation to a corporation or partnership, for a taxation year or fiscal period, means a part of the calendar year ending in the taxation year or the fiscal period, for which a certificate, which is valid, has been issued to the corporation or partnership in respect of the individual pursuant to section 22 of the Act respecting international financial centres (1999, chapter 86);

“eligible specialist”, in respect of a calendar year, of a corporation or partnership operating an international financial centre means an employee of the corporation or partnership in whose respect a certificate has been issued to the corporation or partnership pursuant to section 22 of the Act respecting international financial centres for all or any part of the calendar year, is valid, and the certificate relating thereto mentioned in that section 22 was issued before 1 January 2002;

“government assistance” means assistance from a government, municipality or other public authority, whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance or as any other form of assistance, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“non-government assistance” means an amount that would be included in computing the income of a taxpayer by reason of paragraph *w* of section 87 if that paragraph were read without reference to subparagraphs *ii* and *iii* thereof, other than an amount that is deemed to have been paid to the Minister for a taxation year under this division;

“qualified wages” paid to an individual by a corporation and attributed to a taxation year, or by a partnership and attributed to a fiscal period, means, subject to the second paragraph, the lesser of

(a) the amount obtained by multiplying \$62,500 by the proportion that the number of weeks ending in the eligibility period applicable to the individual for the taxation year in relation to the corporation, or for the fiscal period in relation to the partnership, and for which the corporation or partnership paid an amount to the individual as wages, is of 52; and

(b) the amount by which

i. the aggregate of all amounts each of which is an amount of wages paid by the corporation or partnership to the individual for a week ending in the eligibility period applicable to the individual for the year in relation to the corporation, or for the fiscal period in relation to the partnership, exceeds

ii. the aggregate of all amounts each of which is an amount of government assistance or non-government assistance, attributable to such wages, that the corporation or partnership has received, is entitled to receive or may reasonably expect to receive, on or before, in the case of the corporation, the corporation's filing-due date for the year and, in the case of the partnership, on or before the day that is six months after the end of its fiscal period;

“tax-exempt taxpayer” means

(a) a person who is exempt from tax under Book VIII, other than an insurer referred to in paragraph *k* of section 998 not so exempt from tax on the totality of its taxable income by reason of section 999.0.1;

(b) a corporation that would be exempt from tax under section 985 but for section 192; or

(c) a trust under which one of the capital or income beneficiaries is a person described in paragraph *a* or *b*;

“wages” means the income computed under Chapters I and II of Title II of Book III.

For the purposes of the definition of “qualified wages” in the first paragraph, a week ending in the eligibility period applicable to the individual for a taxation year in relation to a corporation, or for a fiscal period in relation to a partnership, is deemed not to be such a week where

(a) the corporation or partnership is not, at any time during that week, a corporation or partnership that operates an international financial centre;

(b) the individual

i. is a specified shareholder of the corporation at any time during that week, or

ii. is, at any time during that week, a member of the partnership whose share, for the fiscal period, of the partnership's income or loss is not less than 10%, or is not dealing at arm's length, at any time during that week, with such a member or with any member of a group of members of the partnership the total of whose shares, for the fiscal period, of the partnership's income or loss is not less than 10% ;

(c) the amount paid by the corporation or partnership to the individual as wages for that week represents less than 26 working hours ; and

(d) the individual is not entitled to the deduction provided for in section 71 of the Act respecting international financial centres in respect of all or part of the wages paid by the corporation or partnership for that week.

“§2. — *Credit*

“1029.8.36.116. A corporation operating an international financial centre in a taxation year that employs an individual as an eligible specialist in the calendar year ending in that year is deemed to have paid to the Minister on the corporation's balance-due day for that taxation year, on account of its tax payable for that year under this Part, an amount equal to 40% of the qualified wages attributed to that taxation year and paid to the individual by the corporation, if the corporation encloses, with the fiscal return the corporation is required to file for that year under section 1000, the prescribed form containing the prescribed information and a copy of the certificate issued to the corporation for all or any part of the calendar year in respect of the individual pursuant to section 22 of the Act respecting international financial centres (1999, chapter 86).

“1029.8.36.117. Where a partnership operating an international financial centre in a fiscal period employs an individual as an eligible specialist in the calendar year ending in that fiscal period, each taxpayer, other than a tax-exempt taxpayer, that is a member of the partnership at the end of that fiscal period is deemed to have paid to the Minister on the taxpayer's balance-due day for the taxpayer's taxation year in which that fiscal period ends, on account of the taxpayer's tax payable for that year under this Part, an amount equal to 40% of the taxpayer's share, for that fiscal period, of the qualified wages attributed to that fiscal period and paid to the individual by the partnership, if the taxpayer encloses, with the fiscal return the individual is required to file for that taxation year under section 1000, the prescribed form containing the prescribed information and a copy of the certificate issued to the partnership for all or any part of the calendar year in respect of the individual pursuant to section 22 of the Act respecting international financial centres (1999, chapter 86).

For the purposes of the first paragraph, the share, for the fiscal period of a partnership, of a taxpayer who is a member of the partnership, of any amount is equal to such proportion of that amount as the taxpayer's share of the income or loss of the partnership for that fiscal period is of the income or loss of the



partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.

“1029.8.36.118. A taxpayer may be deemed to have paid an amount to the Minister on account of the taxpayer's tax payable for a particular taxation year under section 1029.8.36.116 or 1029.8.36.117 only if the taxpayer files with the Minister on or before the day that is 12 months after the taxpayer's filing-due date for the particular year, the prescribed information on the prescribed form and a copy of the certificate provided for therein.

“§3. — *Government assistance, non-government assistance and other particulars*

“1029.8.36.119. Where a taxpayer referred to in section 1029.8.36.117 has received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the fiscal period referred to in that section, government assistance or non-government assistance in respect of wages included in computing the qualified wages attributed to that fiscal period and paid to an individual by the partnership, the qualified wages shall, for the purpose of computing the amount deemed to have been paid to the Minister by the taxpayer under that section 1029.8.36.117 for the taxation year referred to therein in relation to such qualified wages, be determined as if

(a) the assistance had been received by the partnership during the fiscal period; and

(b) the amount of the assistance were equal to the product obtained by multiplying the amount of assistance otherwise determined by the proportion that the partnership's income or loss for the fiscal period is of the taxpayer's share of that income or loss, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for the fiscal period is equal to \$1,000,000.

“1029.8.36.120. Where, in respect of the employment of an individual with a particular corporation or partnership as an eligible specialist, a person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain a benefit or advantage, other than a benefit or advantage that may reasonably be attributed to the employment, whether in the form of a reimbursement, compensation, guarantee, in the form of proceeds of disposition of property which exceed the fair market value of the property, or in any other form or manner, the following rules apply:

(a) for the purpose of computing the amount that the particular corporation is deemed to have paid to the Minister under section 1029.8.36.116 for a particular taxation year, the aggregate referred to in subparagraph ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 1029.8.36.115 in respect of the particular corporation for the particular year, in relation to the individual, shall, except if it has been increased for a preceding taxation year in respect of the amount of the benefit or advantage,

be increased by the amount of the benefit or advantage that the person or partnership has obtained, is entitled to obtain or may reasonably expect to obtain on or before the particular corporation's filing-due date for the particular taxation year; and

(b) for the purpose of computing the amount that is deemed to have been paid to the Minister for a taxation year under section 1029.8.36.117 by a taxpayer that is a member of the particular partnership at the end of the partnership's particular fiscal period ending in the year, the aggregate referred to in subparagraph ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.115 in respect of the partnership for that fiscal period, in relation to the individual, shall, except if it has been increased for a preceding fiscal period in respect of the amount of the benefit or advantage, be increased by

i. the amount of the benefit or advantage that a partnership or a person other than a person referred to in subparagraph ii has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, and

ii. the product obtained by multiplying the amount of the benefit or advantage that the taxpayer or a person with whom the taxpayer is not dealing at arm's length has obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the particular fiscal period, by the proportion that the partnership's income or loss for that fiscal period is of the taxpayer's share of that income or loss, on the assumption that, if the partnership's income and loss for the particular fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.

"1029.8.36.121. Where, in a taxation year referred to as the "repayment year" in this section, a corporation pays, pursuant to a legal obligation to do so, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.115 and that has been taken into consideration for the purpose of computing the qualified wages attributed to a particular taxation year and paid to an individual by the corporation and in respect of which the corporation is deemed to have paid an amount to the Minister under section 1029.8.36.116 for the particular taxation year, the following rules apply:

(a) the corporation is deemed, for the purposes of section 1029.8.36.116, to have employed the individual as an eligible specialist in the calendar year ending in the repayment year and to have paid to the individual qualified wages attributed to the repayment year that is equal to the amount by which

i. the amount that would be the amount of qualified wages attributed to the particular taxation year and paid to the individual by the corporation, if the aggregate referred to in subparagraph ii of paragraph *b* of that definition and

determined in relation to the individual for the particular taxation year were reduced by any amount paid by the corporation, in the repayment year or a preceding taxation year, pursuant to a legal obligation to do so, as a repayment of government assistance or non-government assistance included in that aggregate, exceeds

ii. the aggregate of the qualified wages attributed to the particular taxation year and paid to the individual by the corporation, determined without reference to this section, and of any amount determined under this paragraph, for a taxation year prior to the repayment year, in respect of the qualified wages attributed to the particular taxation year and paid to the individual by the corporation;

(b) section 1029.8.36.116 shall, in respect of the qualified wages deemed to be paid under paragraph *a*, be read without reference to “and a copy of the certificate issued to the corporation for all or any part of the calendar year in respect of the individual pursuant to section 22 of the Act respecting international financial centres (1999, chapter 86)”; and

(c) where applicable, the corporation is deemed, for the application of section 1029.8.36.116 in respect of the qualified wages deemed to be paid under paragraph *a*, to have operated an international financial centre in the repayment year.

“1029.8.36.122. Where, in a fiscal period referred to as the “fiscal period of repayment” in this section, a partnership pays, pursuant to a legal obligation to do so, an amount that may reasonably be considered to be a repayment of government assistance or non-government assistance referred to in subparagraph ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 1029.8.36.115 and that has been taken into consideration for the purpose of computing the qualified wages attributed to a particular fiscal period ending in a particular taxation year and paid to an individual by the partnership and in respect of which a taxpayer who is a member of the partnership at the end of the particular fiscal period is deemed to have paid an amount to the Minister under section 1029.8.36.117 for the particular taxation year, the following rules apply :

(a) the partnership is deemed, for the purposes of the application of section 1029.8.36.117 in respect of the taxpayer, to have employed, in the calendar year ending in the fiscal period of repayment, the individual as an eligible specialist and to have paid to the individual qualified wages attributed to the fiscal period of repayment that is equal to the amount by which

i. the amount that would be the amount of qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, if the aggregate referred to in subparagraph ii of paragraph *b* of that definition and determined in relation to the individual for the particular fiscal period were reduced by any amount paid by the partnership, in the fiscal period of

repayment or a preceding fiscal period, pursuant to a legal obligation to do so, as a repayment of government assistance or non-government assistance included in that aggregate, exceeds

ii. the aggregate of the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, determined without reference to this section, and of any amount determined under this paragraph, for a fiscal period prior to the fiscal period of repayment, in respect of the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership ;

(b) the first paragraph of section 1029.8.36.117 shall, in respect of the qualified wages deemed to be paid under paragraph *a*, be read without reference to “and a copy of the certificate issued to the partnership for all or any part of the calendar year in respect of the individual pursuant to section 22 of the Act respecting international financial centres (1999, chapter 86)” ; and

(c) where applicable, the partnership is deemed, for the application of section 1029.8.36.117 in respect of the qualified wages deemed to be paid under paragraph *a*, to have operated an international financial centre in the fiscal period of repayment.

“1029.8.36.123. Where, in a fiscal period referred to as “fiscal period of repayment” in this section, of a partnership, a taxpayer who is a member of the partnership at the end of that fiscal period pays, pursuant to a legal obligation to do so, an amount that may reasonably be considered to be a repayment of assistance, in respect of wages included in computing the qualified wages attributed to a particular fiscal period of the partnership and paid by the partnership to an individual, which is referred to in the portion of section 1029.8.36.119 before paragraph *a* and which, pursuant to that section, was taken into account in determining the qualified wages for the purpose of computing the amount deemed to have been paid to the Minister by the taxpayer under section 1029.8.36.117, in relation to the qualified wages, for the taxation year in which the particular fiscal period ended, the following rules apply :

(a) the partnership is deemed, for the purposes of the application of section 1029.8.36.117 in respect of the taxpayer, to have employed the individual as an eligible specialist in the calendar year ending in the fiscal period of repayment and to have paid to the individual qualified wages attributed to the fiscal period of repayment that is equal to the amount by which

i. the amount that would be the amount of qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, if the aggregate referred to in subparagraph ii of paragraph *b* of the definition of “qualified wages” in the first paragraph of section 1029.8.36.115 and determined, with reference to section 1029.8.36.119, in relation to the individual for the particular taxation year were reduced by the product obtained by

multiplying the aggregate of all amounts paid by the taxpayer, in the fiscal period of repayment or a preceding fiscal period, pursuant to a legal obligation to do so, as a repayment of such assistance in relation to the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, by the proportion that the partnership's income or loss for the fiscal period of repayment is of the taxpayer's share of that income or loss, on the assumption that, if the partnership's income and loss for the fiscal period of repayment are nil, the partnership's income for that fiscal period is equal to \$1,000,000, exceeds

ii. the aggregate of the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, determined without reference to this section, and of any amount determined under this paragraph, for a fiscal period prior to the fiscal period of repayment, in respect of the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership;

(b) the first paragraph of section 1029.8.36.117 shall, in respect of the qualified wages deemed to be paid under paragraph *a*, be read without reference to "and a copy of the certificate issued to the partnership for all or any part of the calendar year in respect of the individual pursuant to section 22 of the Act respecting international financial centres (1999, chapter 86)"; and

(c) the partnership is deemed, for the application of section 1029.8.36.117 in respect of the qualified wages deemed to be paid under paragraph *a*, to have operated an international financial centre in the fiscal period of repayment.

"1029.8.36.124. For the purposes of sections 1029.8.36.121 to 1029.8.36.123, an amount is deemed to be an amount paid at a particular time as a repayment of assistance by a taxpayer or a partnership pursuant to a legal obligation to do so, where that amount

(a) reduced, by reason of subparagraph ii of paragraph *b* of the definition of "qualified wages" in the first paragraph of section 1029.8.36.115 or section 1029.8.36.119, the amount of qualified wages for the purpose of computing the amount that the taxpayer or a member of the partnership is deemed to have paid to the Minister for a taxation year under section 1029.8.36.116 or 1029.8.36.117;

(b) was not received by the taxpayer or partnership; and

(c) ceased, at the particular time, to be an amount that the taxpayer or partnership could reasonably expect to receive."

(2) Subsection 1, where it enacts Division II.6.10 of Chapter III.1 of Title III of Book IX of Part I of the said Act, applies to taxation years that end after 31 March 1998 and, where it enacts Division II.6.11 of that Chapter III.1, applies to taxation years that end after 30 December 1998. However,

(1) where it applies to taxation years that end between 31 March 1998 and 24 June 1998, the provisions of that Division II.6.10 do not apply to the extent that they concern a partnership operating an international financial centre or a person who is a member of such a partnership;

(2) where paragraph *b* of the definition of “tax-exempt taxpayer” in section 1029.8.36.102 and in the first paragraph of section 1029.8.36.115 of the said Act, enacted by subsection 1, applies to taxation years that begin before 1 January 1999, it shall be read as follows:

“(b) a corporation that would be exempt from tax under section 985, but for section 192 or for the exception provided for in the second paragraph of that section 985 and if the latter section were read with the following paragraph inserted after the second paragraph:

“A subsidiary wholly-owned corporation of a corporation which is itself such a subsidiary of another corporation is deemed, for the purposes of this section, to be a subsidiary wholly-owned corporation of that other corporation.”;”;

(3) for the application of the said Divisions II.6.10 and II.6.11 to a particular taxation year that begins on or before 20 December 1999,

(a) the definition of “qualified international financial transaction” in section 1029.8.36.102 of that Act, enacted by subsection 1, shall be read as if “qualified international financial transaction within the meaning of sections 7 and 8 of the Act respecting international financial centres (1999, chapter 86)” in the portion before paragraph *a* were replaced by “international transaction mentioned in paragraph *b* of the definition of “international financial centre” in section 737.13”;

(b) the definition of “eligibility period” and that of “eligible specialist” in the first paragraph of section 1029.8.36.115 of that Act, enacted by subsection 1, shall be read as follows:

“ “eligibility period” for an individual in relation to a corporation or partnership, for a taxation year or fiscal period, means the part of the calendar year ending in the taxation year or the fiscal period,

(a) in the case of the calendar year 1998, for which a certificate, which is valid, has been issued to that effect by the Minister of Finance to the corporation or partnership in respect of the individual and throughout which the individual’s duties with the corporation or partnership

i. are devoted, in a proportion of at least 75%, to the operations of an international financial centre of the corporation or partnership, where the individual is a member of the personnel of the corporation or partnership who is assigned to the direction and design of the back office activities, within the meaning of section 737.13, of the corporation or partnership in the course of

the operations of the international financial centre or who has specific expertise in the field of back office activities, within the meaning of that section, and is assigned to client solicitation activities in relation to such activities carried on by the corporation or partnership in the course of those operations, or

ii. where subparagraph i does not apply, consist, in a proportion of at least 75%, of one or more of the following activities carried on in the course of the operations of an international financial centre of the corporation or partnership :

(1) carrying out transactions, referred to as “qualified international transactions” in subparagraphs 2 and 3, that are international transactions mentioned in paragraph *b* of the definition of “international financial centre” in section 737.13, other than back office activities, within the meaning of that section,

(2) assisting, by means of specific expertise in the field of international transactions mentioned in paragraph *b* of the definition of “international financial centre” in section 737.13, an individual who carries out qualified international transactions, or

(3) directing or supervising the activities of an individual who carries out qualified international transactions, and

(*b*) in the case of a calendar year subsequent to the calendar year 1998, throughout which the business or part of business referred to in this paragraph constitutes an international financial centre of the corporation or partnership and, as confirmed in a certificate, which is valid, issued to the corporation or partnership by the Minister of Finance in respect of the individual, the individual’s duties with the corporation or partnership

i. are devoted, in a proportion of at least 75%, to the operations of a business or part of business of the corporation or partnership, in respect of which a qualification certificate referred to in paragraph *f* of the definition of “international financial centre” in section 737.13 is valid, where the individual is a member of the personnel of the corporation or partnership who is assigned to the direction and design of the back office activities, within the meaning of that section, of the corporation or partnership in the course of the operations of the business or part of business or who has specific expertise in the field of back office activities, within the meaning of that section, and is assigned to client solicitation activities in relation to such activities carried on by the corporation or partnership in the course of those operations ; or

ii. where paragraph i does not apply, consist, in a proportion of at least 75%, of one or more of the activities described in subparagraphs 1 to 3 of subparagraph ii of paragraph *a* carried on in the course of the operations of the business or part of business described in subparagraph i ;

“ “eligible specialist”, in respect of a calendar year, of a corporation or partnership operating an international financial centre means an individual who is employed by the corporation or partnership in whose respect a

qualification certificate that is valid for all or any part of the calendar year has been issued by the Minister of Finance to the corporation or partnership and includes, in particular, a description of the period for which it is valid and a confirmation to the effect that the individual is the holder of a university diploma in a subject relevant to the field of international transactions, including international insurance, and that, at the beginning of the period covered by the qualification certificate or, if a qualification certificate has previously been issued in respect of the individual or if a qualification certificate has been issued in respect of the individual for the purposes of Division II.6.9, of the period covered by the first such qualification certificate issued in respect of the individual, the individual had not more than four years' experience relevant to that field;" ;

(c) subparagraph *d* of the second paragraph of section 1029.8.36.115 of the said Act, enacted by subsection 1, shall be read as if "section 71 of the Act respecting international financial centres" were replaced by "section 737.16.1" ;

(d) in any other provision of that Division II.6.11, a direct or indirect reference to a certificate issued to a taxpayer or a partnership for all or part of a calendar year in respect of an individual pursuant to section 22 of this Act is a reference to the certificate issued to the corporation or partnership, as the case may be, in respect of the individual by the Minister of Finance in relation to the calendar year and referred to in the definition of "eligibility period" in the first paragraph of section 1029.8.36.115 of the Taxation Act, as enacted by subparagraph *b*.

86. (1) Section 1089 of the said Act, amended by section 237 of chapter 83 of the statutes of 1999, is again amended

(1) by replacing the second paragraph by the following paragraph :

"However, in the case of an individual described in section 66 of the Act respecting international financial centres (1999, chapter 86), the individual's income earned in Québec for a taxation year is the amount by which the amount determined in respect of the individual for the year under the first paragraph exceeds that part of the amount referred to in section 65 of that Act." ;

(2) by adding the following paragraph after the second paragraph :

"In addition, in the case of an individual who is a member of a partnership operating an international financial centre within the meaning of section 1, the individual's share of the income or loss of the partnership from the operations of that centre is deemed to be nil for the purposes of the first paragraph."

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 20 December 1999.

(3) Paragraph 2 of subsection 1 has effect from 24 June 1998.



87. (1) Section 1090 of the said Act, amended by section 238 of chapter 83 of the statutes of 1999, is again amended

(1) by replacing the second paragraph by the following paragraph:

“However, in the case of an individual described in section 66 of the Act respecting international financial centres (1999, chapter 86), the individual’s income earned in Canada for a taxation year is the amount by which the amount determined in respect of the individual for the year under the first paragraph exceeds that part of the amount referred to in section 65 of that Act.”;

(2) by adding the following paragraph after the second paragraph:

“In addition, in the case of an individual who is a member of a partnership operating an international financial centre within the meaning of section 1, the individual’s share of the income or loss of the partnership from the operations of that centre is deemed to be nil for the purposes of the first paragraph.”

(2) Paragraph 1 of subsection 1 applies to taxation years that begin after 20 December 1999.

(3) Paragraph 2 of subsection 1 has effect from 24 June 1998.

88. (1) Section 1091 of the said Act, amended by section 239 of chapter 83 of the statutes of 1999, is again amended by replacing “737.16,” in paragraph c by “737.14, 737.16,”.

(2) Subsection 1 has effect from 24 June 1998.

89. (1) The said Act is amended by inserting, after section 1129.45.16, enacted by section 254 of chapter 83 of the statutes of 1999, the following Part:

**“PART III.10.5**

**“SPECIAL TAX RELATING TO SOLICITATION EXPENDITURE**

“1129.45.17. In this Part,

“balance-due day” has the meaning assigned by section 1;

“fiscal period” has the meaning assigned by Part I;

“Minister” means the Minister of Revenue;

“qualified solicitation expenditure” has the meaning assigned by section 1029.8.36.102;

“taxation year” has the meaning assigned by Part I;

“taxpayer” has the meaning assigned by section 1.

“1129.45.18. Every corporation in respect of which the following conditions are satisfied shall pay, for the subsequent taxation year referred to in subparagraph *b*, on or before the corporation’s balance-due day for that subsequent taxation year, a tax equal to the amount determined under the second paragraph :

(*a*) the corporation incurred a particular qualified solicitation expenditure in a particular taxation year ;

(*b*) in a taxation year, referred to as the “repayment year” in subparagraph *c* and the second paragraph, subsequent to the particular taxation year, an amount relating to the particular qualified solicitation expenditure is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment required to be made by the corporation ; and

(*c*) the corporation is deemed to have paid to the Minister under section 1029.8.36.104 an amount on account of the corporation’s tax payable under Part I for the particular taxation year or for one of the following two taxation years not subsequent to the repayment year.

The tax referred to in the first paragraph is equal to the amount by which

(*a*) the aggregate of all amounts each of which is the amount that the corporation is deemed to have paid to the Minister under section 1029.8.36.104 for a taxation year that is the particular taxation year or one of the following two taxation years not subsequent to the repayment year, exceeds

(*b*) the aggregate of all amounts each of which is

i. the amount that, if the particular qualified solicitation expenditure had been reduced by any amount which, in respect of the expenditure and in the repayment year or a preceding taxation year, was, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment required to be made by the corporation, the corporation would have been deemed to have paid to the Minister under section 1029.8.36.104 for a taxation year that is the particular taxation year or one of the following two taxation years not subsequent to the repayment year, or

ii. the amount of tax payable by the corporation for a taxation year prior to the repayment year, under this section, in relation to an amount which, in respect of the particular qualified solicitation expenditure, was, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment required to be made by the corporation.

“1129.45.19. Every taxpayer in respect of whom the following conditions are satisfied shall pay for the taxation year in which the subsequent fiscal period referred to in subparagraph *b* ends, on or before the taxpayer’s balance-due day for that taxation year, a tax equal to the amount determined under the second paragraph :

(a) the taxpayer is a member of a partnership that incurred a particular qualified solicitation expenditure in a particular fiscal period ending in a particular taxation year ;

(b) in a fiscal period, referred to as “fiscal period of repayment” in subparagraph *c* and the second paragraph, subsequent to the particular fiscal period, an amount relating to the particular qualified solicitation expenditure is, directly or indirectly, refunded or otherwise paid to the taxpayer or partnership or allocated to a payment required to be made by the taxpayer or partnership ;

(c) the taxpayer is deemed to have paid to the Minister under section 1029.8.36.105 in respect of the partnership an amount on account of the taxpayer’s tax payable under Part I for the particular taxation year or a subsequent taxation year in which one of the partnership’s two fiscal periods subsequent to the particular fiscal period but not subsequent to the taxation year in which the fiscal period of repayment ends.

The tax referred to in the first paragraph is equal to the amount by which

(a) the aggregate of all amounts each of which is an amount that, if the taxpayer’s share of any amount, for any fiscal period, were the taxpayer’s share of that amount for the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under section 1029.8.36.105 in respect of the partnership for the particular taxation year or for a subsequent taxation year in which one of the partnership’s two fiscal periods, subsequent to the particular fiscal period but not subsequent to the taxation year in which the fiscal period of repayment ends, exceeds

(b) the aggregate of all amounts each of which is

i. the amount that, if the taxpayer’s share of the particular qualified solicitation expenditure for any fiscal period were reduced by any amount which, in respect of such expenditure and in the fiscal period of repayment or a preceding fiscal period, was, directly or indirectly, refunded or otherwise paid to the taxpayer or allocated to a payment required to be made by the taxpayer, and by the taxpayer’s share of any amount, for such fiscal period which, in respect of such expenditure and in the fiscal period of repayment or a preceding fiscal period, was, directly or indirectly, refunded or otherwise paid to the partnership or allocated to a payment required to be made by the partnership, and if the taxpayer’s share of any amount for any fiscal period were the taxpayer’s share of that amount for the fiscal period of repayment, the taxpayer would have been deemed to have paid to the Minister under section 1029.8.36.105 in respect of the partnership for the particular taxation

year, or for a taxation year in which one of the partnership's two fiscal periods subsequent to the particular fiscal period but not subsequent to the taxation year in which the fiscal period of repayment ends, or

ii. the amount of tax that, if the taxpayer's share of any amount for any fiscal period were the taxpayer's share of that amount for the fiscal period of repayment, should have been paid by the taxpayer for a taxation year prior to the taxation year in which the fiscal period of repayment ends, under this section, in relation to an amount which, in respect of the particular qualified solicitation expenditure, was, directly or indirectly, refunded or otherwise paid to the taxpayer or partnership or allocated to a payment required to be made by the taxpayer or partnership.

For the purposes of the second paragraph, a taxpayer's share, as a member of a partnership, of any amount for a fiscal period of the partnership, is equal to the proportion of the amount that the share of the taxpayer of the income or loss of the partnership for that fiscal period is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.

“1129.45.20. For the purposes of Part I, except Division II.6.10 of Chapter III.1 of Title III of Book IX, the tax paid by a taxpayer to the Minister, at any time, under this Part in relation to a particular expenditure is deemed to be an amount of assistance repaid at that time in respect of that expenditure pursuant to a legal obligation to do so, by

(a) the partnership referred to in section 1129.45.19, where the tax arises from an amount directly or indirectly refunded or otherwise paid to that partnership or allocated to a payment required to be made by the partnership ;  
or

(b) the taxpayer, in all other cases.

“1129.45.21. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564 where it refers to the first paragraph of section 549, and sections 1000 to 1024 and 1037 to 1079.16 apply to this Part, with the necessary modifications.

### **“PART III.10.6**

#### **“SPECIAL TAX RELATING TO SPECIALIST TRAINING**

“1129.45.22. In this Part,

“balance-due day” has the meaning assigned by section 1 ;

“filing-due date” has the meaning assigned by section 1 ;

“fiscal period” has the meaning assigned by Part I;

“Minister” means the Minister of Revenue;

“qualified wages” has the meaning assigned by section 1029.8.36.115;

“taxation year” has the meaning assigned by Part I;

“taxpayer” has the meaning assigned by section 1;

“wages” means the income computed under Chapters I and II of Title II of Book III of Part I.

“1129.45.23. Every corporation in respect of which the following conditions are satisfied shall pay for the subsequent taxation year referred to in subparagraph *b*, on or before the corporation’s balance-due day for that subsequent taxation year, a tax equal to the amount determined under the second paragraph:

(*a*) the corporation is, in relation to the qualified wages attributed to a particular taxation year and paid to an individual by the corporation, deemed to have paid to the Minister, under section 1029.8.36.116, an amount on account of its tax payable under Part I for that taxation year;

(*b*) during a taxation year, referred to as the “repayment year” in the second paragraph, subsequent to the particular taxation year, an amount in respect of wages included in computing the qualified wages attributed to the particular taxation year and paid to the individual by the corporation is, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment required to be made by the corporation.

The tax referred to in the first paragraph is equal to the amount by which

(*a*) the amount that the corporation is deemed to have paid to the Minister, under section 1029.8.36.116, in respect of the individual for the particular taxation year, exceeds

(*b*) the aggregate of

i. the amount that the corporation would have been deemed to have paid to the Minister under section 1029.8.36.116 in respect of the individual for the particular taxation year if every amount that, in the repayment year or a preceding taxation year, in relation to wages included in computing the qualified wages attributed to the particular taxation year and paid to the individual by the corporation, was, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment required to be made by the corporation, was government assistance or non-government assistance received by the corporation in the particular taxation year in respect of those wages, and

ii. the aggregate of all amounts each of which is a tax payable under this section by the corporation for a taxation year prior to the repayment year in relation to an amount that, in respect of wages included in computing the qualified wages attributed to the particular taxation year and paid to the individual by the corporation, was, directly or indirectly, refunded or otherwise paid to the corporation or allocated to a payment required to be made by the corporation.

“1129.45.24. Every taxpayer in respect of whom the following conditions are satisfied shall pay for the taxation year in which the subsequent fiscal period referred to in subparagraph *b* ends, on or before the taxpayer’s balance-due day for that taxation year, a tax equal to the amount determined under the second paragraph :

(*a*) the taxpayer is, in relation to the qualified wages attributed to a particular fiscal period ending in a particular taxation year and paid to an individual by a partnership, deemed to have paid to the Minister, under section 1029.8.36.117, an amount on account of the taxpayer’s tax payable under Part I for that taxation year ; and

(*b*) during a fiscal period, referred to as the “fiscal period of repayment” in the second paragraph, subsequent to the particular fiscal period, an amount in respect of wages included in computing the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership is, directly or indirectly, refunded or otherwise paid to the taxpayer or partnership or allocated to a payment required to be made by the taxpayer or partnership.

The tax referred to in the first paragraph is equal to the amount by which

(*a*) the amount that the taxpayer would have been deemed to have paid to the Minister, under section 1029.8.36.117, in respect of the individual for the particular taxation year if the taxpayer’s share, for the particular fiscal period, of the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership were the taxpayer’s share, for the fiscal period of repayment, of the qualified wages, exceeds

(*b*) the aggregate of

i. the amount that the taxpayer would have been deemed to have paid to the Minister under section 1029.8.36.117 in respect of the individual for the particular taxation year if

(1) the taxpayer’s share, for the particular fiscal period, of the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership was the individual’s share, for the fiscal period of repayment, of the qualified wages ; and

(2) any amount that, in the fiscal period of repayment or a preceding fiscal period in relation to wages included in computing the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, has been, directly or indirectly, refunded or otherwise paid to the taxpayer or the partnership or allocated to a payment required to be made by the taxpayer or the partnership, was government assistance or non-government assistance received by the taxpayer or partnership in the particular fiscal period in respect of the wages ;

ii. the aggregate of all amounts each of which is the amount of the tax that, if the taxpayer's share of any amount for any fiscal period were the taxpayer's share of that amount, for the fiscal period of repayment, should have been paid by the taxpayer for a taxation year prior to the taxation year in which the fiscal period of repayment ends, under this section, in relation to an amount which, in respect of wages included in computing the qualified wages attributed to the particular fiscal period and paid to the individual by the partnership, has been, directly or indirectly, refunded or otherwise paid to the taxpayer or partnership or allocated to a payment required to be made by the taxpayer or partnership.

For the purposes of the second paragraph, a taxpayer's share, as a member of a partnership, of any amount in a fiscal period of the partnership is equal to such proportion of that amount as the taxpayer's share of the income or loss of the partnership for that fiscal period is of the income or loss of the partnership for that fiscal period, on the assumption that, if the income and loss of the partnership for that fiscal period are nil, the partnership's income for that fiscal period is equal to \$1,000,000.

"1129.45.25. For the purposes of Part I, except Division II.6.11 of Chapter III.1 of Title III of Book IX, the tax paid by a taxpayer to the Minister at any time under this Part in relation to a particular expenditure is deemed to be assistance repaid at that time in respect of that expenditure pursuant to a legal obligation to do so, by

(a) the partnership referred to in section 1129.45.24, where the tax arises from an amount directly or indirectly refunded or otherwise paid to that partnership or allocated to a payment required to be made by the partnership ;  
or

(b) the taxpayer, in all other cases.

"1129.45.26. Except where inconsistent with this Part, section 6, the first paragraph of section 549, section 564, where it refers to the first paragraph of section 549, and sections 1000 to 1024 and 1037 to 1079.16 apply to this Part, with the necessary modifications."

(2) Subsection 1, where it enacts Part III.10.5 of the said Act, applies to taxation years that end after 31 March 1998 and, where it enacts Part III.10.6 of the said Act, applies to taxation years that end after 30 December 1998.

However, where Part III.10.5 applies to taxation years that end between 31 March 1998 and 24 June 1998, it shall be read without reference to section 1129.45.19.

90. (1) Section 1135 of the said Act is amended by replacing “a corporation that operates only an international financial centre” by “a corporation referred to in section 61 of the Act respecting international financial centres (1999, chapter 86)”.

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where section 1135 of the said Act, amended by subsection 1, applies to taxation years that end after 23 June 1998, it shall be read as if “a corporation that operates only an international financial centre” were replaced by “a corporation whose operations consist solely in operating, directly or through a partnership, an international financial centre”.

91. (1) Section 1136 of the said Act is amended by replacing paragraph *b.1* of subsection 1 by the following paragraph :

“(b.1) any amount determined in respect of the corporation under section 59 of the Act respecting international financial centres (1999, chapter 86), in relation to an international financial centre ;”.

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

92. (1) Section 1137 of the said Act, amended by section 257 of chapter 83 of the statutes of 1999, is again amended by replacing paragraphs *a* and *c* by the following paragraphs :

“(a) the amount of its deficit ;

“(c) any amount determined in respect of the corporation under section 57 or 58 of the Act respecting international financial centres (1999, chapter 86), in relation to an international financial centre.”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

93. (1) The said Act is amended by inserting, after section 1137, the following section :

“1137.O.O.1. An amount that a corporation may deduct in computing its paid-up capital under section 1137 does not include the portion of that amount determined under section 60 of the Act respecting international financial centres (1999, chapter 86).”



(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

94. (1) Section 1141.1.1 of the said Act is amended by replacing subparagraph *a* of the first paragraph by the following subparagraph:

“(a) the amount determined in respect of the corporation for the year under section 59 of the Act respecting international financial centres (1999, chapter 86), in relation to an international financial centre;”.

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

95. (1) Section 1141.2 of the said Act is replaced by the following section:

“1141.2. A corporation referred to in section 1140, 1141 or 1141.1 may deduct, in computing its paid-up capital, the amount of its deficit and any other amount determined in respect of the corporation under section 57 or 58 of the Act respecting international financial centres (1999, chapter 86).”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

96. (1) The said Act is amended by inserting, after section 1141.2.1, the following section:

“1141.2.1.1. An amount that a corporation may deduct in computing its paid-up capital under section 1141.2 or 1141.2.1 does not include the portion of that amount determined under section 60 of the Act respecting international financial centres (1999, chapter 86).”

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

97. (1) Section 1141.2.4 of the said Act is replaced by the following section:

“1141.2.4. A savings and credit union may deduct in computing its paid-up capital for a taxation year an amount of \$300,000 and, where applicable, any amount determined in respect of the savings and credit union under section 57 of the Act respecting international financial centres (1999, chapter 86), in relation to an international financial centre.”

(2) Subsection 1 applies to taxation years that end after 9 May 1996. However, where section 1141.2.4 of the said Act, enacted by subsection 1, applies to such taxation years that begin on or before 20 December 1999, that section shall, subject to subsection 3, be read as follows:

“1141.2.4. A savings and credit union may deduct in computing its paid-up capital for a taxation year an amount of \$300,000 and, where applicable, any amount included by the savings and credit union in computing such paid-up capital that is attributable to the operations of an international financial centre operated by the savings and credit union directly or through a partnership.”

(3) Notwithstanding subsection 2, where section 1141.2.4 of the said Act, enacted by subsection 2, applies to taxation years that end on or before 23 June 1998, it shall be read as if “directly or through a partnership” were struck out.

98. (1) Section 1167 of the said Act is amended by replacing the portion of the second paragraph before subparagraph *a* by the following:

“The tax payable by an insurance corporation, other than an insurance corporation to which section 61 of the Act respecting international financial centres (1999, chapter 86) applies, shall not be less than”.

(2) Subsection 1 applies to taxation years that begin after 20 December 1999.

(3) In addition, where the portion of the second paragraph of section 1167 of the said Act before subparagraph *a*, replaced by subsection 1, applies after 23 June 1998, it shall be read as follows:

“The tax payable by an insurance corporation, other than an insurance corporation whose operations consist solely in operating, directly or through a partnership, an international financial centre, shall not be less than”.

99. (1) The said Act, amended by chapters 8, 14, 65 and 83 of the statutes of 1999, is again amended

(1) by replacing “almost exclusively” by “exclusively or almost exclusively” in the following provisions:

- subparagraphs ii and iii of paragraph *a* of section 737.19;
- paragraphs *b* and *c* of the definition of “foreign instructor” in section 737.22.0.1;

(2) by replacing “section 737.16” by “section 65 of the Act respecting international financial centres (1999, chapter 86)” in the following provisions:

- paragraph *f* of section 752.0.10;
- the third paragraph of section 767;

(3) by inserting “737.14,” after “726.26,” in the following provisions :

— subparagraph ii of subparagraph *a* of the first paragraph of section 772.7 ;

— subparagraph ii of subparagraph *b* of the first paragraph of section 772.7 ;

— subparagraph 2 of subparagraph ii of paragraph *a* of section 772.9 ;

— subparagraph 2 of subparagraph ii of subparagraph *a* of the second paragraph of section 772.11 ;

(4) by replacing “section 737.8” by “section 737.17” in the following provisions :

— subparagraph i of subparagraph *b* of the first paragraph of section 772.7 ;

— subparagraph 1 of subparagraph ii of paragraph *a* of section 772.9 ;

— subparagraph 1 of subparagraph ii of subparagraph *a* of the second paragraph of section 772.11.

(2) Paragraph 2 of subsection 1 applies to taxation years that begin after 20 December 1999.

(3) Paragraphs 3 and 4 of subsection 1 apply from the taxation year 1998.

#### ACT RESPECTING THE RÉGIE DE L’ASSURANCE-MALADIE DU QUÉBEC

100. (1) Section 33 of the Act respecting the Régie de l’assurance-maladie du Québec (R.S.Q., chapter R-5), amended by section 284 of chapter 83 of the statutes of 1999, is again amended, in the definition of “wages” in the first paragraph, by inserting “salary referred to in section 64 of the Act respecting international financial centres (1999, chapter 86) and” after “excluding”.

(2) Subsection 1 applies to years that begin after 20 December 1999.

101. (1) Section 34.1.4 of the said Act, amended by section 300 of chapter 16 of the statutes of 1998, is again amended

(1) by replacing subparagraph ii of paragraph *a* by the following subparagraph :

“ii. any amount representing the individual’s income for the year from a business or property, computed in accordance with Part I of the Taxation Act but without reference to subsection 2 of section 497 of the said Act, except, where applicable, the individual’s share of the income of a partnership of

which the individual is a member from the operations of an international financial centre, within the meaning of section 1 of that Act, operated by the partnership;”;

(2) by replacing subparagraph i of paragraph *b* by the following subparagraph:

“i. any amount representing the individual’s loss for the year from a business or property, computed in the manner described in subparagraph ii of paragraph *a*, except, where applicable, the individual’s share of the loss of a partnership of which the individual is a member from the operations of an international financial centre, within the meaning of section 1 of the Taxation Act, operated by the partnership;”;

(3) by replacing “737.15” in subparagraph iv of paragraph *b* by “737.16” and “section 737.16 of the said Act” in that subparagraph by “that section”.

(2) Paragraphs 1 and 2 of subsection 1 have effect from 24 June 1998.

(3) Paragraph 3 of subsection 1 applies to years that begin after 20 December 1999.

#### ACT RESPECTING INDUSTRIAL-ALLIANCE, LIFE INSURANCE COMPANY

102. Section 18 of the Act respecting Industrial-Alliance, Life Insurance Company (1999, chapter 106) is amended by replacing “quarterly” in the seventh line of the English text by “half-yearly”.

### CHAPTER VII

#### MISCELLANEOUS PROVISIONS

103. Every qualification certificate or certificate provided for in Title VII.2 of Book IV of Part I of the Taxation Act (R.S.Q., chapter I-3) or in Division II.6.11 of Chapter III.1 of Title III of Book IX of Part I of that Act and issued by the Minister to a corporation or partnership for the purposes of the application of that Title VII.2 or of that Division II.6.11 to a taxation year or fiscal period beginning on or before 20 December 1999 is deemed to be provided for in this Act and to have been issued in accordance with the section of this Act pursuant to which the qualification certificate or certificate would have been issued if that section had been in force.

104. The Minister is deemed to have issued, pursuant to section 14 or 15, a qualification certificate, valid at any particular time, to a corporation or partnership in respect of one of its employees where the employee

(1) was in the employ of the corporation or partnership on 31 December 1999 or, as the case may be, was working on that date for the person or partnership referred to in subparagraph *a* of subparagraph 2 of the first paragraph of section 66 in respect of the employee; and

(2) was holding a valid certificate issued to the corporation or partnership in respect of the employee for the taxation year 1999 and each subsequent taxation year ending before the particular time, pursuant to section 19, in the case of section 14, or pursuant to section 20 or 21, in the case of section 15.

105. Section 6 shall, for a taxation year, a fiscal period or a calendar year that begins on or before 20 December 1999, be read as follows:

“6. In this Act, “international financial centre” has the meaning assigned by sections 737.13 and 737.13.1 of the Taxation Act (R.S.Q., chapter I-3).”

106. For the purpose of determining after 31 December 1999 whether an individual satisfies the condition set out in subparagraph *b* of subparagraph 2 of the first paragraph of section 66, or in subparagraph 4 of that paragraph, in respect of the part of a particular period prior to 1 January 2000, the obligation to hold, for that part of the particular period, a valid certificate issued in respect of the individual pursuant to section 19 in relation to the establishment of an international financial centre or in relation to the individual’s employment, must be replaced by the following obligation:

(1) as regards the condition set out in subparagraph *b* of subparagraph 2 of the first paragraph of section 66, the individual’s duties with the person or partnership referred to in subparagraph *a* of that subparagraph 2 were devoted

(a) for the part of the particular period prior to 1 January 1998, exclusively or almost exclusively to the establishment of an international financial centre,

(b) for the part of the particular period subsequent to 31 December 1997 but prior to 1 January 1999, in a proportion of at least 75%, to the establishment of an international financial centre, or

(c) for the part of the particular period subsequent to 31 December 1998, in a proportion of at least 75%, to the establishment of an international financial centre, as confirmed by the Minister in the certificate provided for in subparagraph *f* of the second paragraph of section 737.15 of the Taxation Act (R.S.Q., chapter I-3), as it read for a taxation year beginning on or before 20 December 1999; and

(2) as regards the condition set out in subparagraph 4 of the first paragraph of section 66, the individual’s duties with the particular corporation or partnership referred to in that section were devoted

(a) for the part of the particular period prior to 1 January 1998, exclusively or almost exclusively to the operations of the international financial centre of that corporation or partnership,

(b) for the part of the particular period subsequent to 31 December 1997 but prior to 1 January 1999,

i. in a proportion of at least 75%, to the operations of the international financial centre of that corporation or partnership other than, after 31 March 1998, back office activities, or

ii. in a proportion of at least 75%, to the operations of the international financial centre of that corporation or partnership, where the individual was a member of the strategic personnel of the international financial centre, or

(c) for the part of the particular period subsequent to 31 December 1998, as confirmed by the Minister in the certificate described in subparagraph *c* of paragraph 1,

i. in a proportion of at least 75%, to the operations of a business of that corporation or partnership, in respect of which a qualification certificate provided for in paragraph *f* of the definition of “international financial centre” in section 737.13 of the Taxation Act, as it read before being repealed was valid, other than back office activities, or

ii. in a proportion of at least 75%, to the operations of the business described in subparagraph *i*, where the individual was a member of the strategic personnel of the business.

For the purposes of subparagraph *c* of subparagraph 2 of the first paragraph, the business to which a certificate referred to therein is related must constitute an international financial centre of the particular corporation or partnership.

107. Paragraph 3 of section 67 and section 68 do not apply in respect of a period or time prior to 1 January 1998.

108. Where the day, referred to in this section as the “particular day”, which corresponds to the earlier of the day on which an individual, for the first time, became an employee of a corporation operating an international financial centre and, where applicable, of the day on which, for the first time, the individual became resident in Canada to establish an international financial centre in Canada, is prior to 1 April 1996, the reference period established in respect of the individual under section 69

(1) shall be established, where the particular day is prior to 1 April 1994, as if that section were read as if “60 months” in paragraph 3 were replaced by “24 months”;

(2) is deemed to correspond, where the particular day is subsequent to 31 March 1994 but prior to 2 January 1995, to the aggregate of

(a) the period that would be established in respect of the individual under that section 69 but for this section and if that section 69 were read as if “60 months” in paragraph 3 were replaced by “24 months”, and

(b) the part of the period which would be established in respect of the individual under that section 69 but for this section and if that section 69 were read as if “60 months” in paragraph 3 were replaced by “48 months”, that is not included in the period referred to in subparagraph *a* and is neither prior to 1 April 1998 nor later than the day preceding the day that is four years after the particular day ;

(3) is deemed to correspond, where the particular day is subsequent to 1 January 1995, to the aggregate of

(a) the period that would be established in respect of the individual under that section 69 but for this section and if that section 69 were read as if “60 months” in paragraph 3 were replaced by “24 months”, and

(b) the part of the period which would be established in respect of the individual under that section 69 but for this section, that is not included in the period referred to in subparagraph *a* and is neither prior to 1 April 1998 nor later than the day preceding the day that is five years after the particular day.

109. The Minister of Finance is responsible for the administration of this Act, except Chapter V which comes under the administration of the Minister of Revenue.

110. Chapters III and V apply to taxation years, fiscal periods or calendar years that begin after 20 December 1999.

111. The first regulation made under sections 35 and 36 is not subject to the publication requirement or the time limits fixed for its coming into force that are provided for in sections 8 and 17 of the Regulations Act (R.S.Q., chapter R-18.1). If the regulation is made after 1 January 2000, it will come into force on the date of its publication in the *Gazette officielle du Québec* and may apply to a period prior to its publication but not prior to 1 January 2000.

112. Division II of Chapter IV has effect from 1 April 1999. The order made before 31 March 2000 pursuant to section 38 may have effect from that same date.

113. This Act comes into force on 20 December 1999.