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

Income Tax Act

1 (1) Subparagraph (iv) in the description of A in paragraph 6(1)(k) of the *Income Tax Act* is replaced by the following:

(iv) where the automobile is used primarily in the performance of the duties of the taxpayer's office or employment during the period or periods referred to in subparagraph (ii) and the taxpayer notifies the payor in writing before the end of the year of the taxpayer's intention to have this subparagraph apply, 1/2 of the amount determined under subparagraph 6(1)(e)(i) in respect of the automobile in computing the taxpayer's income for the year, and

(2) The description of B in paragraph 6(1)(k) of the Act is replaced by the following:

B is the total of all amounts in respect of the operation of the automobile in the year paid in the year or within 45 days after the end of the year to the payor by the taxpayer or by the person who does not deal at arm's length with the taxpayer; and

(3) Paragraph 6(1)(l) of the Act is replaced by the following:

Where standby charge does not apply

(l) the value of a benefit in respect of the operation of an automobile (other than a benefit to which paragraph (k) applies or would apply but for subparagraph (k)(iii)) received or enjoyed by the taxpayer, or by a person who does not deal at arm's length with the taxpayer, in the year in respect of, in the course of or because of, the taxpayer's office or employment.

(4) The portion of paragraph (a) in the description of A in subsection 6(2) of the English version of the Act before subparagraph (i) is replaced by the following:

(a) the lesser of the total kilometres that the automobile is driven (otherwise than in connection with or in the course of the taxpayer's office or employment) during the total available days and the value determined for B for the year in respect of the standby charge for the automobile during the total available days, if

(5) Paragraph (b) in the description of A in subsection 6(2) of the English version of the Act is replaced by the following:

(b) the value determined for B for the year in respect of the standby charge for the automobile during the total available days, in any other case;

(6) Subparagraph (a)(i) in the description of A in subsection 6(2) of the French version of the Act is replaced by the following:

(i) l'employeur exige du contribuable qu'il utilise l'automobile dans l'accomplissement des fonctions de sa charge ou de son emploi,

(7) The description of C in subsection 6(2) of the French version of the Act is replaced by the following:

C le coût de l'automobile pour l'employeur s'il est propriétaire de l'automobile à un moment de l'année;

(8) The description of E in subsection 6(2) of the French version of the Act is replaced by the following:

E le total des montants qu'il est raisonnable de considérer comme payables à un bailleur par l'employeur pour la location de l'automobile, pendant le nombre de jours où l'automobile est louée à l'employeur compris dans le nombre total de jours ci-dessus;

(9) Subsections (1) to (8) apply to the 2026 and subsequent taxation years.

2 (1) Paragraph 12(1)(y) of the Act is replaced by the following:

Automobile provided to partner

(y) where the taxpayer is an individual who is a member of a partnership and the partnership makes an automobile available in the year to the taxpayer or to a person who does not deal at arm's length with the taxpayer, the amounts that would be included by reason of paragraph 6(1)(e) in the income of the taxpayer for the year if the taxpayer were employed by the partnership;

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

3 (1) The portion of subsection 15(2) of the Act before paragraph (a) is replaced by the following:

Shareholder debt

(2) Subject to subsection (2.01), if a person or a partnership is

(2) Section 15 of the Act is amended by adding the following after subsection (2):

Excluded persons and partnerships

(2.01) Subsection (2) does not apply to

(a) a person that is a corporation resident in Canada; or

(b) a partnership, each member of which is a person described in paragraph (a) or another partnership described in this paragraph.

(3) Paragraph 15(2.01)(a) of the Act, as enacted by subsection (2), is replaced by the following:

(a) a person that is

(i) a corporation resident in Canada,

(ii) a foreign affiliate of the particular corporation referred to in subsection (2), or

(iii) a foreign affiliate of a person resident in Canada with which the particular corporation referred to in subsection (2) does not deal at arm's length; or

(4) Subsection 15(2.1) of the Act is replaced by the following:

Meaning of connected

(2.1) For the purpose of subsection (2), a person or partnership is connected with a shareholder of a particular corporation if that person or partnership does not deal at arm's length with, or is affiliated with, the shareholder.

(5) Subsection 15(5) of the Act is replaced by the following:

Automobile benefit

(5) For the purposes of subsection (1), the value of the benefit to be included in computing a shareholder's income for a taxation year with respect to an automobile made available to the shareholder, or a person who does not deal at arm's length with the shareholder, by a corporation shall (except where an amount is determined under subparagraph 6(1)(e)(i) in respect of the automobile in computing the shareholder's income for the year) be computed on the assumption that subsections 6(1), (1.1), (2) and (7) apply, with such modifications as the circumstances require, and as though references therein to "the employer" were read as "the corporation".

(6) Subsections (1) and (2) apply to loans received and indebtedness incurred after October 31, 2011.

(7) Subsections (3) and (4) apply in respect of loans made and indebtedness arising after August 12, 2024.

(8) Subsection (5) applies to the 2026 and subsequent taxation years.

4 (1) Clause (a)(ii)(B) of the description of B in the definition *interest and financing revenues* in subsection 18.2(1) of the Act is replaced by the following:

(B) in relation to a loan or other financing owing to or provided by the taxpayer, or a person or partnership that does not deal at arm's length with the taxpayer, to hedge the loan or other financing or the return in respect of the loan or other financing, and

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

5 (1) The portion of subsection 18.21(2) of the Act before paragraph (a) is replaced by the following:

Allocated group ratio amount

(2) A taxpayer and each corporation or trust that is, in the relevant period, an eligible group entity in respect of that taxpayer and a member of the same consolidated group as the taxpayer (the taxpayer and each of the corporations or trusts being referred to in this subsection and subsection (4) as a "Canadian group member") may, if the taxpayer is a taxpayer described in subsection (7), elect, and otherwise jointly elect in respect of their taxation years ending in the relevant period (each referred to in this subsection and subsection (4) as a "relevant taxation year") to allocate amounts in respect of each relevant taxation year and the amount allocated to a member for a relevant taxation year is the amount determined in respect of that member for that relevant taxation year for the purposes of this section and subsection 18.2(2), if

(2) Subsection (1) applies in respect of taxation years that begin on or after January 1, 2026.

6 Paragraph 20(20)(b) of the French version of the Act is replaced by the following:

b) l'excédent éventuel du coût de base rajusté (au sens de l'article 148) pour lui de cet intérêt, immédiatement avant la disposition, sur le produit de la disposition (au sens de l'article 148) de l'intérêt que le titulaire de la police, un bénéficiaire ou un cessionnaire est devenu en droit de recevoir.

7 (1) Paragraph 28(1)(d) of the Act is replaced by the following:

(d) the total of all amounts each of which is an amount included in computing the taxpayer's income for the year from the business because of subsection 13(1), 80(13) or 80.3(3), (3.2) or (5),

(2) Subsection (1) applies to the 2025 and subsequent taxation years.

8 (1) Subsection 66(13.1) of the Act is replaced by the following:

Short taxation year

(13.1) If a taxpayer has a taxation year that is less than 51 weeks, the amount determined in respect of the year under each of subparagraph (4)(b)(i), paragraphs 66.2(2)(c), (d) and (e), subparagraph (b)(i) of the definition *global foreign resource limit* in subsection 66.21(1), subparagraph 66.21(4)(a)(i), clause 66.21(4)(a)(ii)(B) and paragraphs 66.4(2)(b), (c) and (d) and 66.7(2.3)(a), (4)(a) and (5)(a) shall not exceed that proportion of the amount otherwise determined that the number of days in the year is of 365.

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

9 (1) Subsection 80.3(3) of the Act is replaced by the following:

Inclusion of deferred amount

(3) The amount deducted under subsection (2) in computing the income of a taxpayer from a farming business for a taxation year shall be deemed to be income of the taxpayer from the business for the taxpayer's immediately following taxation year or, if the taxpayer elects, in a later year as permitted under subsection (3.2).

(2) Section 80.3 of the Act is amended by adding the following after subsection (3):

Designated income deferral from the destruction of livestock

(3.1) For the purpose of subsections (3) and (3.2), the Minister of Finance may at any time, in consultation with the Minister of Agriculture and Agri-Food, designate that an amount deducted under subsection (2) in computing the income of a taxpayer from a farming business for a taxation year may be included in computing the taxpayer's income for one or more taxation years following the year in which the amount was deducted, and specify for each such taxation year the minimum portion of that amount that must be included (in this section referred to as the “designated minimum portion”) in the taxpayer’s income for the taxation year or a preceding taxation year.

Inclusion of designated minimum portion

(3.2) If the Minister has specified a designated minimum portion under subsection (3.1) in respect of an amount deducted by a taxpayer under subsection (2) in computing the income of the taxpayer for a particular taxation year from a farming business, to the extent that the taxpayer so elects, all or a portion of the amount may be included in computing the taxpayer’s income from the business for a taxation year ending after the particular taxation year, and is, except to the extent that the amount has been included under this subsection in computing the taxpayer’s income from the business for a preceding taxation year after the particular taxation year, deemed to be income of the taxpayer from the business for the taxation year of the taxpayer that is the earliest of

(a) in respect of a designated minimum portion (within the meaning of subsection (3.1)) of the amount, the year designated by the Minister of Finance for the designated minimum portion,

(b) the first taxation year, following the particular taxation year, at the end of which the taxpayer is

(i) non-resident, and

(ii) not carrying on business through a fixed place of business in Canada, and

(c) the taxation year in which the taxpayer dies.

(3) Subsections (1) and (2) apply to the 2025 and subsequent taxation years.

(4) The Minister of Finance is deemed, in consultation with the Minister of Agriculture and Agri-Food, under subsection 80.3(3.1) of the Act, as enacted by subsection (2), to have designated in the case of a taxpayer that carried on a farming business in Alberta, Saskatchewan or Manitoba that any amount deducted under subsection 80.3(2) of the Act in computing the taxpayer’s income for the 2025 or 2026 taxation year, as the case may be, in respect of the forced destruction of livestock under section 51 of the *Health of Animals Act* due to bovine tuberculosis shall be included in the taxpayer’s income as follows:

(a) by the end of the 2027 taxation year, at least 83% of the amount deducted in 2025 or 2026;

(b) by the end of the 2028 taxation year, at least 92% of the amount deducted in 2025 or 2026;

(c) by the end of the 2029 taxation year, at least 96% of the amount deducted in 2025 or 2026; and

(d) by the end of the 2030 taxation year, 100% of the amount deducted in 2025 or 2026.

10 (1) The portion of subsection 80.4(2) of the Act before paragraph (a) is replaced by the following:

Idem

(2) Subject to subsection (2.01), if a person or a partnership was

(2) Section 80.4 of the Act is amended by adding the following after subsection (2):

Excluded persons and partnerships

(2.01) Subsection (2) does not apply to

(a) a person that is

(i) a corporation resident in Canada,

(ii) a foreign affiliate of the particular corporation referred to in subsection (2), or

(iii) a foreign affiliate of a person resident in Canada with which the particular corporation referred to in subsection (2) does not deal at arm's length; or

(b) a partnership, each member of which is a person described in paragraph (a) or is another partnership described in this paragraph.

(3) Subsection 80.4(8) of the Act is replaced by the following:

Meaning of connected

(8) For the purpose of subsection (2), a person or partnership is connected with a shareholder of a corporation if that person or partnership does not deal at arm's length with, or is affiliated with, the shareholder.

(4) Subsections (1) to (3) apply to loans received and indebtedness incurred after Announcement Date.

11 (1) Paragraph 93.1(1.1)(a) of the Act is replaced by the following:

(a) subsections (2), (5), 15(2.01), 20(12), 39(2.1) and 80.4(2.01), sections 90, 93, 93.3, 93.4 (other than subsection 93.4(2)) and 113, paragraphs 128.1(1)(c.3) and (d), section 212.3, subsection 219.1(2) and section 233.4;

(2) Subsection (1) applies to loans received and indebtedness incurred after Announcement Date.

12 (1) Subparagraph 95(2)(b)(i) of the Act is replaced by the following:

(i) is deemed to be a separate business, other than an active business, carried on by the affiliate, and any income from that business or that pertains to or is incident to that business is deemed to be income from a business other than an active business,

(A) to the extent that the amounts paid or payable in consideration for those services or for the undertaking to provide services are deductible, or can reasonably be considered to relate to amounts that are deductible, in computing the income from a business carried on in Canada, by

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

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

1 the affiliate, or

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

(B) to the extent — as determined by the following formula — of the amounts paid or payable in consideration for those services or for the undertaking to provide services:

$$A \times B$$

where

A is those amounts paid or payable in consideration for those services or for the undertaking to provide services that are deductible, or can reasonably be considered to relate to an amount that is deductible, in computing the foreign accrual property income for a taxation year of a particular foreign affiliate of

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

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

1 the affiliate, or

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

B is the total of all amounts each of which is an amount determined by the formula

$$C \times D$$

where

C is the percentage that would — if the definition *participating percentage* in subsection (1) were read without reference to its paragraph (a) and the portion of its paragraph (b) before subparagraph (i), and the references to “controlled foreign affiliate” in that definition and in section 5904 of the *Income Tax Regulations* were read as “foreign affiliate” — be the participating percentage, in respect of the particular affiliate, of a share of the capital stock of a corporation that is owned by any taxpayer of which the particular affiliate is a foreign affiliate, determined at the end of the year, and

D is

(I) if the taxpayer referred to in the description of C is a partnership, in respect of the income or loss of the partnership, for a fiscal period in which the year ends, from a source or from sources in a particular place that includes the income or loss from the shares of the particular affiliate, the total of all amounts each of which is

1 where a member of the partnership is a taxpayer resident in Canada, the taxpayer’s specified proportion for the fiscal period, if the references in the definition *specified proportion* in subsection 248(1) to “total income or loss” were read as “income or loss from the source, or the source in a particular place”, or

2 where a member of the partnership is a foreign affiliate (referred to in this clause as the “member affiliate”) of any taxpayer, the amount determined by the formula

$$E \times F$$

where

E is the member affiliate’s specified proportion for the fiscal period, if the references in the definition *specified proportion* in subsection 248(1) to “total income or loss” were read as “income or loss from the source, or the source in a particular place”, and

F is the total of all amounts each of which would — if the definition *participating percentage* in subsection (1) were read without reference to its paragraph (a) and the portion of its paragraph (b) before subparagraph (i), and the references to “controlled foreign affiliate” in that definition and in section 5904 of the *Income Tax Regulations* were read as “foreign affiliate” — be the participating percentage, in respect of the member affiliate, of a share of the capital stock of a corporation that is owned by any taxpayer of which the member affiliate is a foreign affiliate, determined at the end of the year, and

(II) in any other case, 1, and

(2) Subsection (1) applies in respect of taxation years of a foreign affiliate of a taxpayer that begin after 2015.

13 (1) Section 104 of the Act is amended by adding the following after subsection (31):

RPAA trusts — deeming rule

(32) For the purposes of the Act, if in a taxation year a trust is an *RPAA trust* (as defined in subsection (33)) at all times during which the trust existed in the year, then for that year

(a) the trust is deemed to not be a trust; and

(b) all funds deposited into the trust are deemed to be loans by an *end-user* (as defined in the *Retail Payment Activities Act*) to the *payment service provider* (as defined in the *Retail Payment Activities Act*) that established and operates the trust, or on behalf of which the trust has been established and is operated by another entity on behalf of the payment service provider.

RPAA trust

(33) In subsection (32), a trust is an ***RPAA trust*** at a particular time, if, at that time,

(a) the trust is

(i) established and operated by a *payment service provider* (as defined in the *Retail Payment Activities Act*), or

(ii) established and operated by an entity on behalf of a *payment service provider* (as defined in the *Retail Payment Activities Act*);

(b) the payment service provider referred to in paragraph (a) either

(i) is registered with the Bank of Canada under the *Retail Payment Activities Act*, or

(ii) has applied for registration, has not withdrawn its application for registration and has not been denied registration with the Bank of Canada under the *Retail Payment Activities Act*; and

(c) the trust satisfies paragraph 20(1)(a) of the *Retail Payment Activities Act*.

(2) Subsection (1) is deemed to have come into force on September 8, 2025.

14 Subsection 116(5.4) of the Act is replaced by the following:

Presumption

(5.4) Where there has been a disposition by a non-resident of a life insurance policy in Canada by virtue of subsection 148(2) or any of paragraphs (a) to (c) and (e) of the definition *disposition* in subsection 148(9), the insurer under the policy shall, for the purposes of subsections 116(5.2) and (5.3) be deemed to be the taxpayer who acquired the property for an amount equal to the proceeds of the disposition as determined under section 148.

15 (1) The definition *Canadian film or video production certificate* in subsection 125.4(1) of the Act is replaced by the following:

Canadian film or video production certificate means a certificate issued in respect of a production by the Minister of Canadian Heritage certifying that the production is a Canadian film or video production in respect of which that Minister is satisfied that

(a) except where the production is a *treaty co-production* (as defined in subsection 1106(3) of the *Income Tax Regulations*), an acceptable share of revenues from the exploitation of the production in non-Canadian markets is, under the terms of any agreement, retained by

(i) a qualified corporation that owns or owned an interest in, or for civil law a right in, the production,

(ii) a prescribed taxable Canadian corporation related to the qualified corporation, or

(iii) any combination of corporations described in subparagraph (a)(i) or (ii); and

(b) the financial information provided to that Minister in respect of the production is sufficient to allow that Minister to

(i) make a determination under paragraph (a), and

(ii) include the estimate of the amounts referred to in subsection (2.1) in respect of the production (regardless of whether that Minister exercises his discretion under that subsection). (*certificat de production cinématographique ou magnétoscopique canadienne*)

(2) Paragraph (a) of the definition *labour expenditure* in subsection 125.4(1) of the Act is replaced by the following:

(a) the total of all amounts directly attributable to the production that are incurred after 1994 and in the taxation year, or the preceding taxation year, by the corporation for the stages of production of the property, from the production commencement time to the end of the post-production stage, and paid by it in the taxation year or within 60 days after the end of the taxation year (other than amounts incurred in that preceding taxation year that were paid within 60 days after the end of that preceding taxation year) as

(i) salary or wages, and

(ii) contributions to a registered pension plan under section 147.2,

(3) Section 125.4 of the Act is amended by adding the following after subsection (2):

Authority to provide an estimate

(2.1) If the Minister of Canadian Heritage issues a ***Canadian film or video production certificate*** in respect of a production, that Minister may include in that certificate an estimate of the amounts relevant for the purpose of determining the amount deemed under subsection (3) to have been paid in respect of the production.

(4) Subsection (2) comes into force on January 1, 2027.

16 (1) Paragraph (a) of the definition *Canadian labour expenditure* in subsection 125.5(1) of the Act is replaced by the following:

(a) the total of all amounts directly attributable to the production that are incurred by the corporation after October 1997, and in the year or the preceding taxation year, and that relate to services rendered in Canada for the stages of production of the production, from the final script stage to the end of the post-production stage, paid by it in the year or within 60 days after the end of the year to or in respect of, as the case may be, employees of the corporation who were resident in Canada at the time the payments were made (other than amounts incurred in that preceding year that were paid within 60 days after the end of that preceding year) as

(i) salary and wages, and

(ii) contributions to a registered pension plan under section 147.2,

(2) Subsection (1) comes into force on January 1, 2027.

17 (1) Subparagraph 138.1(1)(g)(i) of the Act is replaced by the following:

(i) for the purpose of the determination of H in the definition *adjusted cost basis* in subsection 148(9), be deemed to be proceeds of the disposition that the policyholder became entitled to receive at that time,

(2) Subparagraph 138.1(5)(b)(ii) of the English version of the Act is replaced by the following:

(ii) the policyholder’s proceeds of disposition of that interest in the trust

18 (1) The definition *qualifying individual* in subsection 146.6(1) of the Act is replaced by the following:

qualifying individual, at a particular time, means

(a) an individual who

(i) is a resident of Canada,

(ii) is at least 18 years of age, and

(iii) did not, at any prior time in the calendar year or in the preceding four calendar years, inhabit as a principal place of residence a qualifying home (or what would be a qualifying home if it were located in Canada) that was owned, whether jointly with another person or otherwise, by

(A) the individual, or

(B) a person who is the spouse or common-law partner of the individual at the particular time; or

(b) an individual that is a holder of a FHSA and that would be a qualifying individual described in paragraph (a) if that paragraph were read without reference to clause (a)(iii)(B). (*particulier déterminé*)

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

19 (1) The portion of subsection 147.1(1) of the Act before the definition *actuary* is replaced by the following:

Definitions

147.1 (1) In this section and sections 147.2, 147.3 and 147.4,

(2) Subsection (1) is deemed to have come into force on January 1, 2018.

20 (1) The portion of subsection 148(1) of the French version of the Act after paragraph (e) is replaced by the following:

l'excédent éventuel du produit de la disposition de son intérêt dans la police que le titulaire, le bénéficiaire ou le cessionnaire a acquis le droit de recevoir au cours de l'année sur le coût de base rajusté, pour le titulaire de la police, de cet intérêt immédiatement avant la disposition.

(2) The portion of subparagraph 148(2)(a)(ii) of the French version of the Act before clause (A) is replaced by the following:

(ii) avoir obtenu le droit de recevoir le produit de la disposition, d'un montant égal à l'excédent éventuel du montant visé à la division (A) sur le montant visé à la division (B) :

(3) Paragraph 148(2)(d) of the Act is replaced by the following:

(d) where at any time a life insurance policy last acquired after December 1, 1982, or a life insurance policy to which subsection 12.2(9) of the *Income Tax Act*, chapter 148 of the Revised Statutes of Canada, 1952, applies by virtue of paragraph 12.2(9)(b) of that Act, ceases to be an exempt policy (otherwise than as a consequence of the death of an individual whose life is insured under the policy or at a time when that individual is totally and permanently disabled), the policyholder shall be deemed to have disposed of the policyholder's interest in the policy at that time for proceeds of the disposition equal to the accumulating fund with respect to the interest, as determined in prescribed manner, at that time and to have reacquired the interest immediately after that time at a cost equal to those proceeds; and

(4) The portion of paragraph 148(2)(e) of the French version of the Act before subparagraph (i) is replaced by the following:

e) le titulaire de police ayant un intérêt dans une police d'assurance-vie établie après 2016 qui donne lieu à un droit (du titulaire de police, du bénéficiaire ou du cessionnaire, selon le cas) de recevoir la totalité ou une partie d'un excédent visé au sous-alinéa (iv) est réputé, à un moment donné, disposer d'une partie de l'intérêt et avoir droit à un produit de la disposition égal à cet excédent ou à cette partie d'excédent, selon le cas, si les énoncés ci-après se vérifient :

(5) Paragraph 148(3)(b) of the French version of the Act is replaced by the following:

b) le produit de la disposition d'un intérêt dans la police est réputé ne pas comprendre la fraction de ce produit qui est payable sur le fonds réservé.

(6) The description of B in subsection 148(4) of the French version of the Act is replaced by the following:

B le produit de la disposition;

(7) Paragraph 148(4.01)(c) of the French version of the Act is replaced by the following:

c) l'alinéa a) de la définition de *produit de la disposition* au paragraphe (9) s'applique à la détermination du produit de la disposition de l'intérêt;

(8) Subparagraph 148(4.01)(d)(ii) of the French version of the Act is replaced by the following:

(ii) ni visée au sous-alinéa (i) de l'élément C de la formule figurant à l'alinéa a) de la définition de *produit de la disposition* au paragraphe (9);

(9) Paragraph 148(6)(c) of the French version of the Act is replaced by the following:

c) le contrat de rente ou les paiements de rente sont réputés ne pas être un produit de la disposition d'un intérêt dans la police.

(10) The portion of paragraph 148(7)(a) of the French version of the Act before subparagraph (i) is replaced by the following:

a) le titulaire est réputé acquérir le droit de recevoir, au moment de la disposition, un produit de la disposition égal à la plus élevée des sommes suivantes :

(11) The portion of subsection 148(8) of the French version of the Act after paragraph (b) is replaced by the following:

l'intérêt est réputé avoir fait l'objet d'une disposition par le titulaire de la police pour un produit de la disposition égal au coût de base rajusté de l'intérêt pour le titulaire de la police, immédiatement avant le transfert et avoir été acquis pour un coût égal à ce produit par la personne ayant acquis l'intérêt.

(12) The portion of subsection 148(8.1) of the French version of the Act before paragraph (a) is replaced by the following:

Transfert non testamentaire au conjoint

(8.1) Malgré les autres dispositions du présent article, l'intérêt d'un titulaire de police dans une police d'assurance-vie (sauf une police qui est un régime ou un contrat visé à l'un des alinéas (1)a) à e) ou qui est établie aux termes d'un tel régime ou t) qui est l'objet d'un transfert est réputé avoir fait l'objet d'une disposition par le titulaire pour un produit de la disposition égal au coût de base rajusté de l'intérêt pour lui immédiatement avant le transfert et avoir été acquis par le bénéficiaire du transfert à un coût égal à ce produit si les conditions suivantes sont remplies :

(13) Subsection 148(8.2) of the French version of the Act is replaced by the following:

Transfert à l'époux ou au conjoint de fait au décès

(8.2) Malgré les autres dispositions du présent article, l'intérêt d'un titulaire de police dans une police d'assurance-vie (sauf une police qui est un régime ou un contrat visé à l'un des alinéas (1)a) à e) ou qui est établie aux termes d'un tel régime ou contrat) qui est transféré ou distribué à l'époux ou au conjoint de fait du titulaire par suite du décès de ce dernier est réputé, si le titulaire et son époux ou conjoint de fait résidaient au Canada immédiatement avant ce décès, avoir fait l'objet d'une disposition par le titulaire immédiatement avant son décès pour un produit de la disposition égal au coût de base rajusté de l'intérêt pour lui immédiatement avant le transfert et avoir été acquis par l'époux ou le conjoint de fait à un coût égal à ce produit; toutefois, un choix peut être fait dans la déclaration de revenu du titulaire produite en vertu de la présente partie pour l'année d'imposition au cours de laquelle le titulaire est décédé pour que le présent paragraphe ne s'applique pas.

(14) The description of B of the definition *coût de base rajusté* in subsection 148(9) of the French version of the Act is replaced by the following:

B le total des sommes représentant chacune une somme payée par lui ou pour son compte avant ce moment à titre de prime relative à la police, à l'exception des sommes ou montants visés à la division (2)a)(ii)(B), au sous-alinéa (iii) de l'élément C de la formule figurant à l'alinéa a) de la définition de *produit de la disposition* au présent paragraphe ou au sous-alinéa b)(i) de cette définition;

(15) Paragraphs (a) and (b) of the description of E.1 of the definition *coût de base rajusté* in subsection 148(9) of the French version of the Act is replaced by the following:

a) le produit de la disposition à l'égard de cette avance,

b) si la police est établie après 2016 — et, dans le cas où le moment donné de son établissement est déterminé en application du paragraphe (11), que le remboursement est effectué à ce moment ou à un moment postérieur —, la partie de l'avance ayant servi, immédiatement après l'avance, au paiement d'une prime dans le cadre de la police conformément aux modalités de la police, sauf dans la mesure où cette partie est visée à l'alinéa (i) de l'élément C de la formule figurant à l'alinéa a) de la définition de *produit de la disposition* au présent paragraphe,

(16) The description of H in the definition *coût de base rajusté* in subsection 148(9) of the French version of the Act is replaced by the following:

H le total des montants dont chacun correspond au produit de la disposition de son intérêt dans la police qu'il a acquis le droit de recevoir avant ce moment;

(17) The portion of the definition *produit de disposition* in subsection 148(9) of the French version of the Act before paragraph (a) is replaced by the following:

produit de la disposition Relativement à des intérêts dans une police d'assurance-vie, montant du produit que le titulaire, bénéficiaire ou cessionnaire de la police a le droit de recevoir lors de la disposition d'intérêts dans la police; il est entendu que :

21 (1) Paragraph (a) of the definition *covered entity* in subsection 183.3(1) of the Act is replaced by the following:

(a) equity (other than substantive debt) of the entity is listed on a designated stock exchange; and

(2) The portion of the definition *substantive debt* in subsection 183.3(1) of the Act before paragraph (a) is replaced by the following:

substantive debt of an entity means equity that, in accordance with its terms

(3) Paragraph (a) of the definition *substantive debt* in subsection 183.3(1) of the Act is replaced by the following:

(a) is not convertible or exchangeable other than for

(i) equity that if issued would be substantive debt of the same entity,

(ii) a bond, debenture or note of the entity, the fair market value of which does not exceed the total of the amounts referred to in subparagraphs (d)(i) to (iv), or

(iii) equity that would be issued only after the occurrence of a trigger event pursuant to a non-viability contingent capital provision included in the terms of the equity to satisfy regulatory capital requirements applicable to the entity;

(4) Paragraph (b) of the definition *substantive debt* in subsection 183.3(1) of the Act is replaced by the following:

(b) is non-voting in respect of the election of the board of directors, the trustees or the general partner (as applicable) of the entity, except in the event of a failure or default under the terms or conditions of the equity;

(5) The portion of paragraph (d) of the definition *substantive debt* in subsection 183.3(1) of the Act before subparagraph (i) is replaced by the following:

(d) entitles any holder of the equity to receive, on the redemption, cancellation or acquisition of the equity by the entity or by a person or partnership with whom the entity does not deal at arm's length or is affiliated, an amount that does not exceed the total of the following amounts:

(6) The portion of the description of A in subsection 183.3(2) of the Act before paragraph (a) is replaced by the following:

A is the total fair market value of equity (other than substantive debt or equity that is acquired under a securities lending arrangement) of the covered entity that is redeemed, acquired or cancelled in the taxation year by the covered entity, other than equity that is

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

22 The portion of subsection 189(6.3) of the Act before paragraph (a) is replaced by the following:

Reduction of liability for penalties

(6.3) If the Minister has assessed a particular person in respect of the particular person's liability for penalties under section 188.1 for a taxation year, and that liability exceeds $1,000, that liability is, at any particular time, reduced by the total of all amounts, each of which is an amount, in respect of a property transferred by the particular person after the day on which the Minister first assessed that liability and before the particular time to another person that was at the time of the transfer an eligible donee described in paragraph 188(1.3)(a) or subsection 188(1.4) in respect of the particular person, equal to the amount, if any, by which the fair market value of the property, when transferred, exceeds the total of

23 (1) Subparagraph (b)(i) of the definition *refundable tax* in subsection 207.5(1) of the Act is replaced by the following:

(i) the total of all amounts for the year or a preceding taxation year, each of which is

(A) income (determined as if this Act were read without reference to paragraph 82(1)(b)) of an RCA trust under the arrangement from a business or property or a capital gain of the trust, and

(B) an amount received by the RCA trust in respect of a distribution made after December 31, 2026 by a trust in respect of capital gains of the trust that is not already included in clause (A),

(2) Subsection (1) comes into force on January 1, 2027.

24 (1) Section 207.71 of the Act is amended by adding the following after subsection (4):

Interest on refunds

(5) For the purposes of subsections 164(3) and (3.2), if an amount is refunded to an eligible employer under subsection (3), the amount is deemed to be an amount refunded to the eligible employer and not to be an amount refunded to the custodian of the arrangement.

(2) Subsection (1) is deemed to have come into force on Announcement Date.

25 (1) Paragraphs 217(2)(a) and (b) of the Act are replaced by the following:

(a) files with the Minister a return of income under Part I for the year; and

(b) elects in prescribed form and manner, within 6 months after the end of the year, to have this section apply for the year.

(2) Subsection (1) comes into force on Announcement Date.

26 Subsection 219(1.1) of the Act is replaced by the following:

Excluded gains

(1.1) For the purposes of subsection (1), the definition *taxable Canadian property* in subsection 248(1) shall be read without reference to paragraphs (a) and (c) to (e) of that definition and subsection 248(1.2) shall be read as if its reference to "any of paragraphs (a) to (e)" were read as a reference to "paragraph (b)".

27 (1) Paragraph 241(1)(c) of the Act is replaced by the following:

(c) knowingly use any taxpayer information otherwise than in the course of the administration or enforcement of this Act, the *Canada Pension Plan*, the *Employment Insurance Act* or the *Department of Employment and Social Development Act* or for the purpose for which it was provided under this section.

(2) Subsection (1) comes into force on Announcement Date.

28 (1) Paragraphs (d) to (f) of the definition *taxable Canadian property* in subsection 248(1) of the Act are replaced by the following:

(d) a share of the capital stock of a corporation (other than a mutual fund corporation) that is not listed on a designated stock exchange, an interest in a partnership (other than a unit listed on a designated stock exchange) or an interest in a trust (other than a unit of a mutual fund trust or an income interest in a trust resident in Canada), if, at any particular time during the 60-month period that ends at that time, more than 50% of the fair market value of the share or interest, as the case may be, was derived directly or indirectly (otherwise than through a corporation, partnership or trust described in the portion of paragraph (e) before subparagraph (i)) from one or any combination of

(i) real or immovable property situated in Canada,

(ii) Canadian resource properties, and

(iii) timber resource properties, or

(e) a share of the capital stock of a corporation or a unit of a partnership that is listed on a designated stock exchange, a share of the capital stock of a mutual fund corporation or a unit of a mutual fund trust, if, at any particular time during the 60-month period that ends at that time,

(i) 25% or more of the issued shares of any class of the capital stock of the corporation, or 25% or more of the issued units of the trust or partnership, as the case may be, were owned by or belonged to one or any combination of

(A) the taxpayer,

(B) persons with whom the taxpayer did not deal at arm's length, and

(C) partnerships in which the taxpayer or a person referred to in clause (B) holds a membership interest directly or indirectly through one or more partnerships, and

(ii) more than 50% of the fair market value of the share or unit, as the case may be, was derived directly or indirectly from one or any combination of properties described under subparagraphs (d)(i) to (iii),

(2) Section 248 of the Act is amended by adding the following after subsection (1.1):

Taxable Canadian property — option or interest

(1.2) For the purposes of the definition *taxable Canadian property* in subsection (1), a property described in any of paragraphs (a) to (e) of that definition is deemed to include an option in respect of, or an interest in, or for civil law a right in, the property, whether or not the property exists.

(3) Paragraph (g) of subsection 248(37) of the Act is replaced by the following:

(g) of a property that was acquired in circumstances where subsection 70(6) or (9), 73(1), (3) or (4) or 148(8.1) or (8.2) applied, unless subsection (36) would have applied if this subsection were read without reference to this paragraph.

Income Tax Regulations

29 (1) Section 214.2 of the *Income Tax Regulations* is renumbered as section 213.1 and that section is repositioned immediately after section 213 of the Regulations.

(2) Subsection 213.1(2) of the Regulations, as enacted by subsection (1), is replaced by the following:

(2) For greater certainty and for the purposes of subsection (1), amounts contributed to the member's account do not include amounts that have been transferred to the account in accordance with any of subsections 146(16) and (21), 146.3(14) and (14.1), 147(19), 147.3(1), (4) and (5) to (7) and 147.5(21) of the Act.

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

(c) paragraphs 12(2.2)(b), (e) of the definition *excluded interest* and (b) of the definition *specified pre-regime loss* in subsection 18.2(1), 66.7(7)(c), (d) and (e) and (8)(c), (d) and (e), 80.01(4)(c), 84.1(2.31)(h) and (2.32)(i), 86.1(2)(f), 110.61(1)(e), 110.62(1)(e) and 128.1(4)(d), (6)(a) and (c), (7)(d) and (g), (8)(c) and 217(2)(b) of the Act;

(2) Subsection (1) comes into force on Announcement Date.

31 (1) The description of E.1 in subsection 1100(2) of the Regulations is replaced by the following:

E.1 is the amount, if any, by which the amount determined for E exceeds the amount determined for D in the description of B; and

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

32 (1) Paragraph 4802(1.1)(c) of the Regulations is replaced by the following:

(c) it never borrowed money except where

(i) the borrowing was for a term not exceeding 90 days and it is established that the borrowing was not part of a series of loans or other transactions and repayments, or

(ii) the money was borrowed for the purpose of acquiring real property that may reasonably be considered to have been acquired for the purpose of producing income from property;

(2) Subsection (1) is deemed to have come into force on Announcement Date.

33 (1) Section 5600 of the Regulations is amended by striking out "and" at the end of paragraph (m), by adding "and" at the end of paragraph (n) and by adding the following after paragraph (n):

(o) the distribution by Holcim AG, on June 23, 2025 to its common shareholders, of common shares of Amrize AG.

(2) Subsection (1) is deemed to have come into force on June 23, 2025.

34 (1) Subparagraph 8303(6)(a)(i) of the Regulations is replaced by the following:

(i) in accordance with any of subsections 146(16), 146.3(14) and (14.1), 147(19), 147.3(2), (5) and (7), and 147.4(4) of the Act, or

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

35 (1) The portion of paragraph 8502(b) of the English version of the Regulations before subparagraph (iv) is replaced by the following:

(b) each contribution, payment or transfer to the plan after 1990 is an amount that

(i) is a contribution made by a member of the plan in accordance with the plan as registered, where the amount is credited to the member's account under a money purchase provision of the plan or is made in respect of the member's benefits under a defined benefit provision of the plan,

(ii) is a contribution made in accordance with a money purchase provision of the plan as registered, by an employer with respect to the employer's employees or former employees,

(iii) is an eligible contribution made by an employer in respect of a defined benefit provision of the plan with respect to the employer's employees or former employees,

(2) Paragraph 8502(b) of the Regulations is amended by adding the following after subparagraph (v.1):

(v.2) is paid by a member of the plan to reimburse the plan for the cost of actuarial services related to the assignment of benefits on or after the breakdown of the marriage or common-law partnership of the member, as permitted by the *Pension Benefits Standards Act, 1985*, or a similar law of a province,

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

36 (1) Subclause 8503(3)(a)(v)(A)(II) of the French version of the Regulations is replaced by the following:

(II) des prestations imputables à l'emploi du participant auprès d'un ancien employeur sont acquises au participant aux termes de la disposition à prestations déterminées d'un autre régime de pension agréé auquel il cesse d'être un participant,

(2) Clause 8503(3)(a)(v)(B) of the French version of the Regulations is replaced by the following:

(B) des cotisations sont versées par le participant ou pour son compte aux termes de la disposition à cotisations déterminées d'un autre régime de pension agréé auquel il cesse d'être un participant,

37 (1) Section 9000 of the Regulations is amended by adding the following after paragraph (a.1):

(a.2) Canada Infrastructure Bank;

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