LIBRARY of PARLIAMENT
BIBLIOTHÈQUE du PARLEMENT

LEGISLATIVE SUMMARY

Bill C-15:
An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures

Publication No. 42-1-C15-E
27 April 2016

Economics, Resources and International Affairs Division
Legal and Social Affairs Division
Parliamentary Information and Research Service

Library of Parliament ***Legislative Summaries*** summarize government bills currently before Parliament and provide background about them in an objective and impartial manner. They are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations. Legislative Summaries are revised as needed to reflect amendments made to bills as they move through the legislative process.

Notice: For clarity of exposition, the legislative proposals set out in the bill described in this Legislative Summary are stated as if they had already been adopted or were in force. It is important to note, however, that bills may be amended during their consideration by the House of Commons and Senate, and have no force or effect unless and until they are passed by both houses of Parliament, receive Royal Assent, and come into force.

Any substantive changes in this Legislative Summary that have been made since the preceding issue are indicated in **bold print**.

Legislative Summary of Bill C-15:
An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures
(Legislative Summary)

Publication No. 42-1-C15-E

Ce document est également disponible en français.

CONTENTS

LEGISLATIVE SUMMARY OF BILL C-15: AN ACT TO IMPLEMENT CERTAIN PROVISIONS OF THE BUDGET TABLED IN PARLIAMENT ON MARCH 22, 2016 AND OTHER MEASURES*

1 BACKGROUND

Bill C-15, An Act to implement certain provisions of the budget tabled in Parliament on March 22, 2016 and other measures (short title: Budget Implementation Act, 2016, No. 1), was introduced and read for the first time in the House of Commons on 20 April 2016.

The bill is intended to implement the government's overall budget policy, introduced in the House of Commons on 22 March 2016. Bill C-15 is the first implementation bill of the March 2016 budget. Consistent with established legislative practice, a second such bill may follow in the fall.

Bill C-15 has four parts. Part 1 implements certain income tax measures, such as the elimination of the family tax cut credit and the introduction of the new Canada child benefit, as well as measures permitting the sharing of taxpayer information (clauses 2 to 62). Parts 2 and 3 implement measures concerning the goods and services tax and the harmonized sales tax (clauses 63 to 71) as well as excise tax (clauses 72 to 78). Part 4 implements various measures by enacting and amending several Acts, including the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*, the *Bank Act*, the *Old Age Security Act* and the *Employment Insurance Act* (clauses 79 to 238).

This document summarizes the main measures proposed in each part of the bill. For ease of reference, the information is presented in the order in which it appears in the summary of the bill.

2 DESCRIPTION AND ANALYSIS

2.1 Part 1: Implementation of Certain Income Tax Measures Proposed in the 2016 Budget

2.1.1 Repeal of the Education Tax Credit

Section 118.6(2) of the *Income Tax Act* (ITA) currently permits an eligible student to claim a 15% non-refundable education tax credit for each calendar month during which he or she is enrolled at a designated educational institution in either a specified educational program (part-time) or a qualifying educational program (full-time). The relevant monthly amounts for this tax credit are $120 and $400, respectively. Subject to certain requirements, section 118.6(3) permits part-time students with disabilities to claim the full-time amount.

Clauses 16 through 20 of Bill C-15 repeal this tax credit as of 1 January 2017 through amendments to sections 118.6, 118.61, 118.8, 118.81 and 118.9 of the ITA. Unused education tax credit amounts carried forward from before 2017 may be claimed in 2017 and subsequent years by the student (s. 118.61), or the student's spouse or common-law partner (s. 118.8), or a parent or grandparent of either the student or the student's spouse or common-law partner (s. 118.9).

In addition to changes to remove references to the education tax credit, consequential amendments are made to a number of provisions. For example, changes are made in relation to the tax exemption for scholarship, fellowship and bursary income that relies on eligibility for the education tax credit, and to provisions that use terms defined for the purpose of the education tax credit. A new definition – "qualifying student" – is also created.

2.1.2 Repeal of the Textbook Tax Credit

Section 118.6(2.1) of the ITA currently permits an eligible student to claim a 15% non-refundable textbook tax credit for each calendar month during which he or she is able to claim an education tax credit. The relevant monthly amounts for this tax credit are $20 for studies in a specified educational program (part-time) at a designated educational institution and $65 for studies in a qualifying educational program (full-time) at such an institution. Subject to certain requirements, section 118.6(3) permits part-time students with disabilities to claim the full-time amount.

Clauses 16 through 20 of Bill C-15 repeal this tax credit as of 1 January 2017 through amendments to sections 118.6, 118.61, 118.8, 118.81 and 118.9 of the ITA. Unused textbook tax credit amounts carried forward from before 2017 may be claimed in 2017 and subsequent years by the student (s. 118.61), or the student's spouse or common-law partner (s. 118.8), or a parent or grandparent of either the student or the student's spouse or common-law partner (s. 118.9).

Consequential amendments are made to remove all references to the textbook tax credit.

2.1.3 Exemption of Amounts Received Under the Ontario Electricity Support Program from Taxable Income

Clause 8 amends section 81(1) of the ITA by adding to the list of amounts not included in computing taxable income amounts received under the Ontario Electricity Support Program. This amendment applies to the 2016 and subsequent taxation years.

2.1.4 Amendments to the Small-Business Deduction

Clause 34 amends section 125(1.1) of the ITA, which specifies the small-business deduction rate for a taxation year, to ensure that this rate remains at 17.5%. The rate is pro-rated for a corporation with a taxation year that overlaps 2015 and 2016.

In essence, the clause repeals sections 125(1.1)(c) through 125(1.1)(e), which currently provide for 0.5-percentage-point increases to the small business deduction rate to take effect for the 2017, 2018, and 2019 and subsequent taxation years. Consequently, Canadian-controlled private corporations are entitled to a small-business deduction that reduces their federal corporate tax rate from 28.0% to 10.5% on the first $500,000 per year of qualifying active business income for 2016 and subsequent taxation years.

Clauses 9 and 26 make consequential amendments to sections 82(1)(b)(i) and 121(a), respectively, which relate to taxable dividends. The first change adjusts the gross-up amount of taxable dividends that are not eligible dividends; these must be included in the income of an individual. The second change adjusts the corresponding tax credit for these dividends. The amendments, which remove yearly changes consequential to the repeal of sections 125(1.1)(c) through 125(1.1)(e) and thereby maintain the dividend gross-up regime, apply to the 2016 and subsequent taxation years.

2.1.5 Increase in the Maximum Deduction for the Northern Residents Deduction

Clause 13 amends section 110.7(1)(b)(ii) of the ITA to increase the amount used to compute the maximum for the northern residents deduction from $8.25 to $11.00.[1] This amendment applies to the 2016 and subsequent taxation years.

2.1.6 Repeal of the Children's Arts Tax Credit

Section 118.031 of the ITA currently provides a 15% non-refundable tax credit on up to $500 in eligible art expenses paid in a taxation year for each qualifying child of the taxpayer. An additional credit amount of $500 is available for children eligible for the disability tax credit.

Clause 15 amends section 118.031 of the ITA to reduce the maximum amount of eligible expenses for certain children in relation to the children's arts tax credit for the 2016 taxation year, and to eliminate the credit for subsequent taxation years.

For children eligible for the disability tax credit, the $500 additional amount is available for the 2016 taxation year but will be eliminated for the 2017 and subsequent taxation years, when the credit ceases to exist. For other qualifying children, the $500 limit is reduced to $250 for the 2016 taxation year, and section 118.031 is repealed for the 2017 and subsequent taxation years.

2.1.7 Elimination of the Family Tax Cut Credit

Section 119.1 of the ITA currently provides a non-refundable income splitting tax credit to couples with children under age 18. A spouse or common-law partner can transfer up to $50,000 of taxable income to his or her spouse or common-law partner in a lower tax bracket to reduce tax payable by up to $2,000.

Clause 25 eliminates the family tax cut credit for 2016 and beyond by repealing section 119.1 of the ITA. Clauses 22, 37 and 42 make consequential amendments to sections 118.92, 128(2) and 153(1.3), respectively, to remove references to section 119.1.

2.1.8 Replacement of the Canada Child Tax Benefit and Universal Child Care Benefit with the New Canada Child Benefit

Clause 27 amends subdivision A.1 of Part I, Division E of the ITA by replacing the heading "Canada Child Tax Benefit" with "Canada Child Benefit," effective 1 July 2016.

Clause 28 amends section 122.6(e) of the ITA, which provides certain residency requirements that must be met for an individual to be eligible for the Canada child benefit, by adding a new section 122.6(e)(v) to include individuals who are "Indians" as defined under the *Indian Act* to the list of persons who are eligible to receive this benefit if they meet all the other eligibility requirements. This amendment applies as of 1 July 2016.

Clause 29 amends section 122.61(1) of the ITA to introduce the new Canada child benefit and provide the formula for its calculation. Under the amended section, an eligible individual is entitled to a maximum annual benefit of $6,400 per child under the age of 6 and $5,400 per child aged 6 through 17. On the portion of adjusted family net income between $30,000 and $65,000, the benefit is phased out at a rate of 7% for a one-child family, 13.5% for a two-child family, 19% for a three-child family and 23% for larger families. For families with a net income greater than $65,000, remaining benefits are phased out at rates of 3.2% for a one-child family, 5.7% for a two-child family, 8% for a three-child family and 9.5% for families with four or more children, on the portion of income above $65,000. The benefit is paid in equal monthly instalments. The national child benefit supplement remains a subcomponent of the computation of the Canada child benefit for the period from 1 July 2016 to 30 June 2017, after which it will be repealed. The benefit also provides an additional annual amount of up to $2,730 per child eligible for the disability tax credit. When the adjusted net income is above $65,000, this amount is phased out at a rate of 3.2% for families with one eligible child and 5.7% for families with more than one eligible child, on the portion of the adjusted income above $65,000, effective 1 July 2016.

Clause 29 also repeals, as of 1 July 2016, section 122.61(5), which provides for the indexing of dollar amounts in section 122.61(1), and section 122.6(7), which sets out rules for rounding amounts determined under section 122.61(5).

Clause 30 amends section 122.62(2) of the ITA to enable the Minister of National Revenue to grant an extension for filing the notice required by section 122.62(1) of the ITA in order for a person to be considered an eligible individual in respect of a particular qualified dependant; the minister may grant such an extension of time to file the notice for a particular month only if the request for the extension is made no more than 10 years after the beginning of that month. This amendment applies to requests made after June 2016.

Clause 31 repeals section 122.63 of the ITA as of 1 July 2016. Effective 1 July 2017, the ITA is amended to add new sections 122.63(1), 122.63(2) and 122.63(3). Section 122.63(1) permits the Minister of Finance to enter into an agreement with a province to modify the Canada child benefit with respect to residents of that province. Section 122.63(2) stipulates that the benefit amount may be modified by such an agreement only on the basis of the number and/or age of qualified dependants and that, in all cases, the modified amount may not be less than 85% of that which would otherwise apply. Section 122.63(3) provides that if a province enters into such an agreement and the total amounts paid to its residents exceed by more than 1% the total of the amounts that would have been paid in the absence of such an agreement, that province must reimburse the Government of Canada.

Clauses 50 to 53 make changes to other Acts that are consequential to the introduction of the Canada child benefit. In particular, clause 50 repeals section 2.1 of the *Children's Special Allowances Act* (CSA) as of 1 July 2017. Clause 51 amends sections 3.1(1)(a)(ii) and 3.1(1)(b) of the CSA to provide that no special allowance supplements are payable under that Act for months after June 2016. Section 3.1 of the CSA is repealed as of 1 July 2017. Clause 52 amends section 8(1) of the CSA to provide a monthly special allowance payable in respect of a child in the amount determined by the description of E in section 122.61(1) of the ITA in respect of that child. Clause 52 also amends section 8(1)(c) of the CSA to clarify that the deduction under section 118.3 of the ITA is calculated on an annual basis. Clause 53 amends sections 4(1.1) and 4(1.2) of the *Universal Child Care Benefit Act* to provide that no benefits are payable under that Act in respect of any month after June 2016. Clauses 51, 52 and 53 come into force on 1 July 2016.

2.1.9 Repeal of the Child Fitness Tax Credit

Section 122.8 of the ITA currently provides a 15% refundable tax credit on up to $1,000 in eligible fitness expenses paid in a taxation year for each qualifying child of the taxpayer. An additional credit amount of $500 is available in respect of children eligible for the disability tax credit for whom there was at least $100 of eligible expenses.

Clause 32 amends section 122.8 of the ITA to reduce the maximum amount of eligible expenses for certain children in relation to the child fitness tax credit for the 2016 taxation year, and to eliminate the credit for subsequent taxation years.

In relation to children eligible for the disability tax credit, the $500 additional amount is available for the 2016 taxation year but will be eliminated for the 2017 and subsequent taxation years, when the credit ceases to exist. For other qualifying children, the $1,000 limit is reduced to $500 for the 2016 taxation year, and section 122.8 is repealed for the 2017 and subsequent taxation years.

2.1.10 School Supplies Tax Credit

Clause 33 amends the ITA to set out the specifics of the new school supplies tax credit.

New section 122.9(1) of the ITA provides that under the new school supplies tax credit eligible expenses include the purchase of teaching supplies by an individual who holds a recognized teaching or early childhood education credential for the purpose of teaching or facilitating students' learning. Expenses for which a reimbursement or allowance was received are not eligible.

New section 122.9(2) of the ITA provides that eligible expenses are limited to a total of $1,000 per year.

New section 122.9(3) adds that, to receive the credit, an eligible educator must, if the minister so demands, provide a written certificate from his or her employer or a delegated official of the employer attesting to the eligible expenses.

Finally, new sections 122.9(4), 122.9(5) and 122.9(6) set out provisions that apply to eligible educators who became bankrupt or who were non-residents of Canada during the year.

This amendment applies to the 2016 and subsequent tax years.

2.1.11 Extension of the Mineral Exploration Tax Credit

Clause 35 amends section 127(9) of the ITA, which defines the term "flow-through mining expenditure," to extend the eligibility period of the mineral exploration tax credit by one year. With this change, the tax credit is available for eligible mineral exploration expenses incurred by a corporation after March 2016 and before 2018 under a flow-through share agreement entered into after March 2016 and before April 2017.

Mineral resource corporations typically incur exploration expenses long before income is generated from commercial production, with the result that they may have to wait several years before they can deduct exploration and development expenses from income to reduce their tax payable. With flow-through shares,[2] these corporations can raise funds by transferring certain unused exploration and development expenses to the purchaser of a flow-through share. Such investors can claim the 15% non-refundable mineral exploration tax credit and these unused expenses against their income.[3]

The mineral exploration tax credit was first announced in the Economic Statement and Budget Update of 18 October 2000. It has since been extended several times, most recently on 1 March 2015.[4]

2.1.12 Restoration of the Labour-Sponsored Venture Capital Corporation Tax Credit

Clause 36 amends the ITA to restore the labour-sponsored venture capital corporation (LSVCC) tax credit to 15% for share purchases of provincially registered LSVCCs for the 2016 and subsequent taxation years. Currently, initial purchases of up to $5,000 in LSVCC shares are eligible for a 5% refundable tax credit, to a maximum of $250 in 2016.

The credit for federally registered LSVCCs will remain at 5% for 2016 and will be eliminated for 2017. As a result, starting in 2017, purchases of shares in provincially registered LSVCCs will alone be eligible for the tax credit, which has a maximum value of $750.

2.1.13 Introducing Changes Consequential to the Introduction of the New 33% Individual Tax Rate

On 7 December 2015, the federal government announced a reduction of the second personal income tax rate to 20.5% from 22%, and the introduction of a 33% personal income tax rate on individual taxable income in excess of $200,000, effective for the taxation years after 2015.[5] These proposals were included as part of Bill C-2, An Act to amend the Income Tax Act, which was tabled on 9 December 2015.[6] Clause 62 amends the ITA to make various changes consequential to the introduction of the new 33% individual tax rate.

In particular, clause 62(1) states that the clauses 62(2) to 62(17) apply only if Bill C-2 receives Royal Assent.

Clause 62(2) amends paragraph (b) of the definition of the “relevant tax factor” in the controlled foreign affiliate rules – found in section 95(1) of the ITA – to reduce that factor from 2.2 to 1.9.

Clause 62(3) amends section 118.1(3) of the ITA to provide a 33% charitable donation tax credit on donations above $200 to individuals or certain trusts that are subject to the 33% tax rate on all of their taxable income.

Clause 62(4) amends the description of A for the purposes of the formula set out in section 122(1)(c)(i) of the ITA for tax payable by trust, to replace the percentage of 29% with “the highest individual percentage for the taxation year.”

Clause 62(5) amends the ITA by adding after section 123.4 a new section 123.5, “Tax on personal service business income,” which states that there shall be added to the tax otherwise payable under Part I of the ITA for each taxation year by a corporation an amount equal to 5% of the corporation’s taxable income for the year from a personal services business.

Clause 62(6) amends sections 132(1)(a)(i)(A) and 132(1)(a)(i)(B) of the ITA to modify the capital gains refund mechanism for mutual fund trusts to reflect the new 33% individual tax rate.

Clause 62(7) amends the description of C in the definition of the “capital gains redemptions” in section 132(4) of the ITA to provide that C will represent 100/16.5 instead of 100/14.5 of the trust’s refundable capital gains tax on hand at the end of the year.

Clause 62(8) amends sections (a) and (b) of the description of A in the definition of the “refundable capital gains tax on hand” in section 132(4) of the ITA to replace the percentage of 29% with “the highest individual percentage for the year.”

Clauses 62(9) and 62(10) amend sections 143.1(3)(c) and 143.1(4)(a), respectively, of the ITA to modify the percentage of deemed distributions for the termination of amateur athlete trusts to reflect the new 33% individual tax rate.

Clause 62(11) amends the description of A, the portion of the total of all amounts paid to a trust governed by an employees' profit-sharing plan, in section 207.8(2) of the ITA, to provide that this portion is "the highest individual percentage for the year" instead of 29%.

Clause 62(12) amends section 210.2(1) of the ITA to increase the tax rate on distributed income of certain trusts from 36% to 40%. Clause 62(13) amends section 210.2(1)(c) of the ITA to change the amount deducted in computing the trust's income under Part I of the ITA for the year from 100/64 to 100/60.

Clause 62(14) replaces section 210.2(2) of the ITA, such that an amateur athlete trust shall pay a tax under Part I of the ITA in respect of a particular taxation year equal to two thirds, rather than 56.25% previously, of the amount required by section 143.1(2) to be included in computing the income under Part I of the ITA for a taxation year of a beneficiary under the trust, if the beneficiary is at any time during the taxation year a designated beneficiary under the trust, and the particular taxation year ends in the taxation year of the beneficiary.

Clause 62(15) states that sections 62(2), 62(4) and 62(6) to 62(14) apply to the 2016 and subsequent taxation years. Clause 62(15) also clarifies that, for the purpose of determining the amount for A in section 132(4) of the ITA, as amended by clause 62(8), the references to "the highest individual percentage for the year" are to be read as 29% for the taxation years before 2016.

Clause 62(16) states that section 118.1(3) of the ITA, as amended by clause 62(3), applies to the 2016 and subsequent taxation years. Clause 62(16) also clarifies, that, for the purpose of calculating the amount determined for D in section 118.1(3) of the ITA, as amended by clause 62(3), an individual's total gifts for the year are determined without reference to gifts made before the 2016 taxation year.

Clause 62(17) states that section 62(5) applies to taxation years that end after 2015 except that, for taxation years that end after 2015 and begin before 2016, the reference to 5% in section 123.5 of the ITA, "Tax on personal service business income," is to be read as a reference to a percentage based on a different formula.

2.2 Part 1: Implementation of Other Income Tax Measures Confirmed in the 2016 Budget

2.2.1 Amendments to the Anti-avoidance Rules that Prevent the Conversion of Capital Gains into Tax-Deductible Intercorporate Dividends ("Capital Gains Stripping")

Clause 5 amends section 55 of the ITA to ensure that dividends that exceed the amount of "safe income" – that is, income that has already been taxed – may not be used to significantly:

- reduce the capital gain on the sale of shares;
- decrease the fair market value of a share; or
- increase the total cost amounts of the dividend recipient's properties.

This change responds to the Tax Court of Canada case of *D & D Livestock Ltd. v. The Queen*.[7] In general, if a corporation receives a tax-deductible dividend that results in a reduced capital gain on the sale of a share, and the income from which the dividend is paid has not been taxed in Canada, section 55(2) of the ITA recharacterizes the dividend received as either proceeds of disposition of the share or a capital gain. "Safe income" can be distributed to a company without such recharacterization. In *D & D Livestock Ltd. v. The Queen*, the court did not recharacterize the dividend received by a subsidiary corporation because the "safe income" of the parent corporation was considered for purposes of the subsidiary's sale of the shares received as a dividend in kind from the parent corporation.

Clauses 2, 3, 4 and 10 make consequential amendments to sections 52(3)(a), 53(1)(b)(ii), 54(j), and 89(1) of the ITA, respectively, to ensure the proper calculation and treatment of stock dividends, the adjusted cost base and proceeds of disposition of a share, and the amount of capital gains that can be distributed to shareholders tax-free as a capital dividend.

The amendments apply to dividends received after 20 April 2015.

2.2.2 Amendments to the "Canadian Exploration Expense"

Clause 7 amends section 66.1(6)(a) and 66.1(6)(f) of the ITA to include in the definition of "Canadian exploration expense" the costs of conducting environmental studies or community consultations for the purpose of obtaining a licence or permit. Currently, when environmental studies and community consultations are a precondition for obtaining a permit or licence to explore for resources, those expenses may be treated as part of the cost of the permit or licence and are therefore not considered exploration expenses. This amendment now makes these costs eligible expenses within the definition of a "Canadian exploration expense."

2.2.3 The Tax Treatment of Insurance Profits from Canadian Risks (Captive Insurance)

Clause 12 amends section 95(2)(a.2) of the ITA to prevent taxpayers from shifting income from the insurance of Canadian risks offshore through arrangements with a foreign affiliate and a third party. These rules attribute certain forms of income earned by a Canadian parent company's foreign affiliate to the parent company for Canadian tax purposes.

In particular, sections 95(2)(a.2) and 95(2)(a.21) are amended by the addition of a reference to the term "specified Canadian risks," which is explained in new section 95(2)(a.23). (The definition was previously given in sections 95(2)(a.2)(i) and 95(2)(a.2)(iii).) A "specified Canadian risk" is a risk assumed by a person, property or business located in Canada. Moreover, sections 95(2)(a.2)(iii) and 95(2)(a.2)(iv) are added to include the affiliate's reported or imputed income from services in respect of the ceding or transfer of specified Canadian risks for the purposes of the foreign accrual property income rules. Such income will now be taxable in Canada.

The amendments apply to taxation years beginning after 20 April 2015.

2.2.4 Dividend Rental Agreements

Clause 14 amends section 112(2.3) of the ITA to prevent a corporation from claiming a deduction in respect of dividends received through a dividend rental arrangement (DRA) of a partnership or trust in which the corporation is, respectively, a member or a beneficiary. In general, a DRA is entered into by a corporation to enable it to receive a dividend while another corporation bears the risk of loss – or has the opportunity for gain or profit – with respect to the share in relation to which the dividend is paid.

Moreover, clause 14 adds sections 112(2.31) to 112(2.34) to provide, under certain conditions, an exception to the general denial of a dividend deduction. For example, the taxpayer must establish that substantially all of the risk of loss or opportunity for gain or profit in relation to the DRA does not accrue to a party that is exempt from Canadian tax, and that the party with the risk or opportunity does not intend to eliminate all or substantially all of that risk or opportunity in respect of the share.

In addition, clause 14 adds section 112(10) to prevent taxpayers from avoiding the application of new section 112(2.3) and the denial of a dividend deduction through the purchase of identical shares mentioned in a DRA.

Clause 48 amends section 248 to expand the definition of the term "dividend rental arrangement" to include a "synthetic equity arrangement" in respect of a person's "DRA share."[8] Clause 48 also adds definitions for the following terms: "DRA share"; "recognized derivatives exchange"; "specified mutual fund trust"; "specified synthetic equity arrangement"; "synthetic equity arrangement chain"; and "tax-indifferent investor."

Clause 48 also adds section 248(42) to ensure that DRAs involving shares in a portfolio are treated as separate DRAs for each type of identical share.

Clause 58 makes a consequential amendment to the definition of the term "permanent establishment" in section 8201 of the *Income Tax Regulations* to add a reference to "tax-indifferent investor."

These amendments apply to dividends that are paid or become payable after April 2017, as well as to dividends that are paid or become payable at any time after October 2015 and before May 2017 if the arrangement is materially changed after 21 April 2015 and before the time that the dividends are paid or become payable.

2.2.5 Tax Treatment of Transactions in Relation to the Canadian Wheat Board

Clause 38 adds section 135.2 to the ITA to provide tax-deferred treatment for transactions related to the continuation of the Canadian Wheat Board (CWB) as a corporation with shares and in connection with the establishment of a trust with unit holders.

The term "participating farmer" is defined in section 135.2(1) as an individual, corporation or partnership that delivered grain under contract with the CWB on or after 1 August 2013 and was engaged in, or entitled to, the production of such grain. If a participating farmer dies, section 135.2(8) applies the provisions in relation to a "participating farmer" to the farmer's common-law partner or spouse.

Section 135.2(5) deems the cost amount of units of the trust received by a participating farmer to be $0, and excludes the sale amount from the farmer's taxable income. According to sections 135.2(7) and 135.2(9), the farmer's sale of his or her units is deemed to occur at the units' fair market value immediately before the sale, and to result in taxable income or a taxable loss – not a capital gain or a capital loss – for the farmer.

In respect of the tax consequences of the trust created in connection with the continuation of the CWB, section 135.2(2) states that the debt of the CWB acquired by the trust is not included in the trust's income. According to section 135.2(3), the exchange of debt for the shares of the CWB has no tax consequences for the trust.

Regarding the CWB's reorganization of capital, sections 135.2(13) and 135.2(14) deem the fair market value of the new shares issued to the trust to be equal to the fair market value of the old shares.

For purposes of dissolution of the trust, section 135.2(10) states that in a wind-up distribution of trust property to a person, the cost of acquiring the property will be deemed to be equal to the trust's proceeds from the distribution.

Sections 135.2(15) and 135.2(16) require the trust to file a return with the Minister of National Revenue on or before the trust's filing date; a penalty of $1,000 per day is applied if the return is not filed on time. Furthermore, the trust loses its preferential tax status if it fails to file a return within 30 days of a demand letter being sent by the minister.

For the most part, these amendments are deemed to come into force on 1 July 2015.

2.2.6 Limited Partnership Interests of Registered Charities and Registered Canadian Amateur Athletic Associations

Clause 49 adds section 253.1(2) to the ITA. Provided that two requirements are met, this section permits registered charities and registered Canadian amateur athletic associations to be limited members of a business partnership without violating the restrictions on business activity imposed on them by sections 149.1 and 188.1. In particular, a registered charity or athletic association must not hold more than 20% of the fair market value of the interests of all members in the business partnership together with other non–arm's-length persons and other partnerships; in addition, it must deal at arm's length with each general partner.

Clause 40 is a consequential amendment that adds section 149.1(11). In relation to a business partnership, each member is deemed to own property equal in value to the member's proportionate share in the fair market value of all interests.

2.2.7 Exemption to Withholding Tax Requirements for Non-resident Employers

Clause 42 amends section 153(1)(a) of the ITA to remove the requirement for a non-resident employer to remit income tax to the Receiver General in relation to salary, wages and other remuneration, provided that the employer is a "qualifying non-resident employer" and the employee receiving the compensation is a "qualifying non-resident employee." Section 153(6) is amended to add definitions for the terms "qualifying non-resident employee" and "qualifying non-resident employer."

A "qualifying non-resident employee" must meet two requirements: at the time of payment, he or she must reside in a country with which Canada has a tax treaty that exempts him or her from payment of tax under Part 1 of the ITA; and he or she must work for fewer than 45 days in the calendar year in Canada, or must be present in Canada for fewer than 90 days in any 12-month period.

A "qualifying non-resident employer" must meet two requirements: it must be certified by the Minister of National Revenue under new section 153(7); and it must be resident in a country with which Canada has a tax treaty. Employers in jurisdictions that do not treat them as residents for tax purposes are deemed resident for the purposes of section 153(7). An employer that is a partnership must have at least 90% of the partnership income or loss for the relevant fiscal period allocated to members that are resident in a treaty country; however, if an employer is not resident in that treaty country for tax purposes, it will be deemed resident. Partnerships whose income is nil for the fiscal period are deemed to have an income of $1 million for the purpose of determining a member's share of the partnership income.

Clause 46 makes a consequential amendment to section 227 to exempt a qualifying non-resident employer from the penalty for failure to withhold tax if it had no reason to believe that the employee was not a qualifying non-resident employee at the time that the compensation was paid.

Clause 55 makes a consequential amendment to section 200(1) of the *Income Tax Regulations* to exempt a qualifying non-resident employer from filing an information return if it believes that a qualifying non-resident employee earned no more than $10,000 in income in Canada that was tax-exempt under the terms of a tax treaty.

Clause 56 makes a consequential amendment to section 210 of the *Income Tax Regulations* to ensure that a qualifying non-resident employer that withholds tax on behalf of an employee is required to file an information return when the Minister of National Revenue so requests.

These amendments apply to payments made after 2015.

2.2.8 Penalties for Repeated Failure to Report Income

Clause 43 amends section 163(1) of the ITA to ensure that the penalty for repeated failures to report income on a tax return does not apply to unreported income of less than $500 in each of the three preceding taxation years. The amendment applies to taxation years that begin after 2014.

In addition, clause 43 adds section 163(1.1), which amends the penalty for repeated failure to report income. The penalty is equal to the lesser of two amounts: 10% of the unreported amount, or 50% of the difference between the understatement of tax or overstatement of tax credits related to the unreported amount and the amount of any tax paid in respect of the unreported amount. The amendment applies to taxation years that begin after 2014.

Finally, clause 43 amends sections 163(2)(c.4) and 163(2)(c.5) consequential to, respectively, the repeal of the child fitness tax credit for the 2017 and subsequent years, and the introduction of the school supplies tax credit for the 2016 and subsequent years.

2.2.9 Sharing of Taxpayer Information Within the Canada Revenue Agency and with the Office of the Chief Actuary

Government officials are prohibited under section 241 of the ITA from communicating taxpayer information obtained under the Act unless exceptions allow for such disclosure.[9] Clause 47 of Bill C-15 adds section 241(4)(d)(xviii) to the ITA so that taxpayer information can be shared with officials of the Canada Revenue Agency for the purpose of enabling an official to collect amounts owed to the Government of Canada or a provincial government under the *Government Employees Compensation Act*, the *Canada Labour Code*, the *Merchant Seamen Compensation Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Postal Services Continuation Act, 1997*, the *Wage Earner Protection Program Act*, the *Apprentice Loans Act*, or a law of a province governing the granting of financial assistance to students at the post-secondary school level.[10]

Clause 47 also adds section 241(4)(t) to the ITA to enable the Chief Actuary to use taxpayers' information to conduct actuarial reviews of certain pension plans.[11]

These amendments come into force on Royal Assent.

2.3 Part 2: Implementation of Certain Goods and Services Tax/Harmonized Sales Tax Measures Proposed in the 2016 Budget

2.3.1 Addition of Certain Devices to the List of Zero-Rated Medical and Assistive Devices

Clauses 69 and 70 amend Part II of Schedule VI of the *Excise Tax Act* (ETA), which concerns zero-rated supplies, i.e., supplies that are exempt from the goods and service tax (GST) or harmonized sales tax (HST). These amendments add insulin pens, insulin pen needles and intermittent urinary catheters to the list of zero-rated medical and assistive devices and for the most part apply to any supply made after 22 March 2016.

2.3.2 Application of the Goods and Services Tax/Harmonized Sales Tax to Supplies of Purely Cosmetic Procedures

Clause 68 amends Part V.1 of Schedule V of the ETA, which concerns the exemption of property and services provided by charities from the GST/HST, by adding to the list of supplies excluded from the exemption services rendered to an individual for the purpose of enhancing or otherwise altering the individual's physical appearance and not for medical or reconstructive purposes (such as liposuction, hair replacement procedures, hair removal, botulinum toxin injections and teeth whitening). This amendment applies to any service performed after 22 March 2016.

2.3.3 Relief from the Goods and Services Tax/Harmonized Sales Tax on the Portion of a Donation Whose Value Exceeds that of the Goods and Services Supplied

Clause 64 amends the ETA by adding section 164. This provision stipulates that, if a charity or a public institution makes a taxable supply of property or a service to another person and, in exchange, this person makes a gift to the charity or public institution exceeding the value of that property or service, and if a receipt referred to in sections 110.1(2) or 118.1(2) of the ITA may be issued for that gift, the tax payable under Part IX of the ETA applies only to the part of the gift equal in value to the property or service supplied. This amendment essentially applies to any supply made after 22 March 2016.

2.3.4 Deposit Interest Income and the Determination of Whether a Taxpayer Is a Financial Institution for Goods and Services Tax/Harmonized Sales Tax Purposes

Financial institutions are unable to claim input tax credits for the GST/HST paid on business expenses related to the provision of financial services, since such services are exempt supplies for GST/HST purposes. According to section 149(1)(c) of the ETA, a GST/HST registrant with more than $1 million in interest income, pro-rated for the number of days of the previous fiscal year that are in the calendar year, is required to apportion input tax credits between GST/HST-exempt financial services and non-exempt commercial activities. This rule is known as the de minimis financial institution rule.

Clause 63 adds sections 149(4.02) and 149(4.03) to exclude, for purposes of the de minimis rule in section 149(1)(c), interest earned on certain deposits. The following requirements must be met for the interest not to be included in the calculation of interest income for the purposes of the rule:

- The deposit must be held by an institution in the usual course of its deposit-taking business.
- The deposit must be held by a bank, credit union, a Canadian corporation providing trustee services, or a Canadian corporation that accepts deposits from the public and provides mortgages or invests in mortgage-related debt.
- The depositor may not demand repayment, or the institution may not be obliged to repay the deposit, within a year after the deposit is made.

The date on which the depositor may demand repayment or that the institution is obligated to repay the deposit is the later of the day fixed in a contract between the institution and the depositor or, in situations where this date can be changed, the date selected by the depositor.

This amendment applies for the purpose of determining whether an entity is a financial institution throughout the entity's taxation years beginning after 21 March 2016. It also applies for the purpose of determining whether an entity is a reporting institution under section 273.2 of the ETA throughout the entity's fiscal year beginning before 22 March 2016 and ending on or after that day.

2.3.5 Clarification of the Tax Treatment of Imported Reinsurance Services

Division IV of Part IX of the ETA applies to the importation of taxable supplies and provides for the calculation of the amount that is used by a Canadian entity to self-assess the GST/HST payable on those supplies.

Clauses 65 and 66 amend sections 217 and 217.1 to clarify the definitions of the terms "external charge," "loading," "permitted deduction" and "qualifying consideration," and to add definitions for the terms "ceding commission" and "margin for risk transfer." These amendments apply to imported taxable supplies of a financial institution that is a qualifying taxpayer, where those supplies are the issuance, renewal, variation or transfer of ownership of a policy of reinsurance for the purposes of sections 217.1, 217.2, 218.01 and 218.1(1.2).[12]

In general, the amendments adjust the amount paid by a Canadian entity to a related foreign entity so that the amount calculated for self-assessment purposes includes the "arm's-length" value and excludes the margin for risk transfer of issuing, renewing, varying or transferring the ownership of a reinsurance policy and any returned commissions. A returned commission is defined as a “ceding commission” that is not included in the taxable income of the Canadian entity.

The amendments apply to the relevant taxation year, fiscal year or calendar year of a financial institution ending after 16 November 2005, with special transitional rules and the right to request an assessment, reassessment or additional assessment.

2.4 Part 2: Also Implements Other Goods and Services Tax/ Harmonized Sales Tax Measures Confirmed in the 2016 Budget

2.4.1 Addition of Feminine Hygiene Products to the List of Zero-Rated Products

Clause 71 amends Schedule VI of the ETA, which concerns zero-rated supplies (supplies exempt from GST/HST) by adding Part II.1: Other Products. This provision adds to the list of zero-rated products those marketed exclusively for feminine hygiene purposes, i.e., sanitary napkins, tampons, sanitary belts, menstrual cups or other similar products. This amendment applies to any supply made after June 2015.

2.4.2 Sharing Taxpayer Information Within the Canada Revenue Agency

Section 295(5) of the ETA currently authorizes a government official to communicate confidential information in specific circumstances. Clause 67 of Bill C-15 adds section 295(5)(d)(ix) to the Act so that confidential information may be provided to an official of the Canada Revenue Agency specifically for the purpose of enabling the official to collect amounts owed to the Government of Canada or a provincial government under the *Government Employees Compensation Act*, the *Canada Labour Code*, the *Merchant Seamen Compensation Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Postal Services Continuation Act, 1997*, the *Wage Earner Protection Program Act*, the *Apprentice Loans Act* or a law of a province governing the granting of financial assistance to students at the post-secondary school level.[13]

Under current section 211(6) of the *Excise Act, 2001*, a government official can communicate confidential information in specific circumstances. Clause 75 adds section 211(6)(e) to the Act to allow an official from the Canada Revenue Agency to provide confidential information specifically for the purpose of enabling the collection of amounts owed to the Government of Canada or a provincial government under the *Government Employees Compensation Act*, the *Canada Labour Code*, the *Merchant Seamen Compensation Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Postal Services Continuation Act, 1997*, the *Wage Earner Protection Program Act*, the *Apprentice Loans Act* or a law of a province governing the granting of financial assistance to students at the post-secondary school level.[14]

In addition, to ensure greater consistency in the information-sharing rules in federal tax statutes, section 295(5) of the ETA and section 211(6) of the *Excise Act, 2001* are amended by Clauses 67 and 75, respectively, to permit information sharing regarding certain programs where such information sharing is permitted under these Acts.[15]

These amendments come into force on Royal Assent.

2.5 Part 3: Implementation of Certain Excise Measures Proposed in the 2016 Budget

2.5.1 Tax Relief Exclusively for Fuel Used for Heating Homes and Buildings

Clause 72 amends section 2(1) of the ETA to define heating oil as fuel used exclusively to heat a home or a building, and not fuel used to generate heat in industrial processing. This is to clarify that excise tax relief is applied only to fuel use for space heating. The new definition comes into force on 1 July 2016.

Clause 72 also amends sections 23(9.1) and 68.01(1)(a) of the ETA to provide transition rules for the purchase or importation of diesel fuel before 1 July 2016. This is to ensure that all fuel that is sold or appropriated, as defined within the new definition of "heating oil," after June 2016 is treated equally from an excise tax perspective.

2.5.2 Enhancing Certain Collection Provisions in the *Excise Act, 2001*

Clause 76 adds section 286.1 to the *Excise Act, 2001* to allow the Minister of National Revenue to require security for the payment of a person's unpaid assessed amounts and penalties exceeding $10 million that are not otherwise collected under the Act. This provision applies to assessed amounts and penalties after the day of Royal Assent.

Section 286.1(1) sets out the method for calculating the amount of security that the minister may require. The acceptable types of security are outlined in section 286.1(3) and are identical to those that are acceptable for the purpose of section 23(3)(b) of the Act. In particular, the acceptable types of security include cash, a certified cheque, a transferable bond issued by the Government of Canada, and a bond issued by certain financial institutions.

Section 286.1(2) gives the person 60 days within which to provide the required security to the minister. If it is not provided, section 286.1(4) allows the minister to collect an amount equal to the amount of the security required. The collection restrictions in sections 286(1) to 286(7) of the Act do not apply in relation to section 286.1(4).

Without this change, the Canada Revenue Agency would continue to be unable to take certain collection actions while a decision or judgment in relation to a person's objection to – or appeal of – an assessed amount payable under the *Excise Act, 2001* is pending.

2.5.3 Removing the Tax Exemption for Fuel Used in the Generation of Electricity in Vehicles

Clause 73 amends section 23(8) of the ETA to remove the excise tax relief for diesel fuel used to produce electricity in or by a vehicle, or in any conveyance attached to a vehicle, in any mode of transportation (including trains, ships and airplanes). This amendment comes into force on 1 July 2016.

Although excise taxes normally apply to diesel consumed for transportation purposes, exemptions are currently available for fuel used to produce electricity in vehicles under certain conditions, such as if the electricity is used primarily to heat or cool a vehicle or to prepare meals. The amendment to section 23(8) of the ETA eliminates the need for these conditions by removing the tax relief for fuel used to produce electricity for any purpose in or by any vehicle.

Clause 73 also amends section 23(9.1) of the ETA to provide transition rules to ensure that all diesel fuel used in the generation of electricity in or by a vehicle after June 2016 is treated equally from an excise tax perspective.

Clause 74 amends section 68.01(1)(b) of the ETA to clarify that no refund is payable under that section in respect to fuel used to produce electricity in any vehicle or any conveyance attached to the vehicle, regardless of the purpose for which the electricity is used.

2.6 Part 4: Implementation of Various Other Measures

2.6.1 Division 1: Repeal of the *Federal Balanced Budget Act*

In the event of a recorded deficit, or a deficit forecast in a budget plan, the *Federal Balanced Budget Act* requires the Minister of Finance to present a plan to balance the budget. The Act requires the plan to contain, among other measures, an operating budget freeze on government entities and a pay freeze or reduction for ministers and deputy ministers.

Clause 79 repeals the *Federal Balanced Budget Act* and deems it never to have come into force.

2.6.2 Division 2: Amendments to the *Canadian Forces Members and Veterans Re-establishment and Compensation Act*

Division 2 of Part 4 of Bill C-15 reprises in their entirety the 37 clauses of Bill C-12, An Act to amend the Canadian Forces Members and Veterans Re-establishment and Compensation Act, and to make consequential amendments to other Acts, which was introduced in the House of Commons on 24 March 2016. The key changes made to the Canadian Forces Members and Veterans Re-establishment and Compensation Act (the Act) are as follows:

- The term “permanent impairment allowance” is replaced with “career impact allowance” to better reflect the main purpose of this allowance.

- The term “totally and permanently incapacitated,” which is used as an eligibility criterion for certain services and benefits provided under the Act, is replaced with “diminished earning capacity,” which differs from the original term in ways that will be clarified by regulation.
- The earnings loss benefit is increased from 75% to 90% of the member’s gross income at the time of the member’s release.
- The disability award is increased as of 1 April 2017.
- The time when a disability award becomes payable is specified, and the formula used to calculate the amount of a disability award is clarified.
- The death benefit is increased as of 1 April 2017.
- The terms and conditions for retroactive payment of the increase in the amount of the disability award or death benefit for any person who received a disability award or a death benefit between 1 April 2006 and 31 March 2017 are set out.

2.6.2.1 Replacement of “Permanent Impairment Allowance” with “Career Impact Allowance”

Bill C-15 changes the name “permanent impairment allowance” to “career impact allowance” to better reflect the main purpose of the allowance; this change is made in clauses 85, 86, 94, 97, 113, 114 and 115.

At present, the permanent impairment allowance may be paid to a veteran with a “permanent and severe impairment,” the terms of which are defined by regulation. In 2016, a taxable amount of $592, $1,185 or $1,777 per month may be paid for life, depending on the severity of the impairment. Since October 2011, veterans who receive the permanent impairment allowance and who are “totally and permanently incapacitated” have been eligible for a “permanent impairment allowance supplement.” The value of the supplement is $1,089 per month.

The name change is accompanied by the addition of a new criterion for the “career impact allowance.” Clause 85(2) (section 38(2) of the Act) stipulates that the determination of one of the three possible amounts of the allowance must take into account, in addition to the permanent and severe impairment, “the potential impact of the permanent and severe impairment on the veteran’s career advancement opportunities.”

In addition, the “permanent impairment allowance supplement” becomes the “career impact allowance supplement.” Clause 85(2) stipulates that the eligibility criterion is no longer that the veteran is “totally and permanently incapacitated,” but is based on the potential impact of the permanent and severe impairment on the veteran’s career advancement opportunities; the amount of the allowance is within a range set out in Schedule 2. Clause 85(2), which amends section 38(3) of the Act, allows the Minister of Veterans Affairs to increase the career impact allowance if the veteran has a diminished earning capacity.

The provisions concerning the career impact allowance come into force on 1 April 2017.

2.6.2.2 Replacement of "Totally and Permanently Incapacitated" with "Diminished Earning Capacity"

In clauses 80, 81, 83, 85(3), 87(1) and 94, the term "totally and permanently incapacitated" – an eligibility criterion for certain services and benefits – is replaced by "diminished earning capacity."

Clause 87(1) (section 41(b) of the Act) also provides that the meaning of "diminished earning capacity" may be specified by regulation.

2.6.2.3 Increase in the Amount of the Earnings Loss Benefit

The earnings loss benefit is paid to veterans who take part in a physical, psychosocial or vocational rehabilitation program approved by the Minister of Veterans Affairs. Currently, this benefit provides participants with 75% of their gross income at the time of their release from the Canadian Forces, or the minimum of $42,850 established by regulation, until they completed the program. The veteran can continue to be paid until the age of 65 if the minister determines that he or she is "unable to engage in suitable gainful employment as a result of being totally and permanently incapacitated." If the veteran receiving the benefit dies of an injury or disease related to or aggravated by his or her military service, the benefit can be paid to the survivors (spouse or orphan) until the date on which the veteran would have attained the age of 65 years.

Clause 82 (section 19(1) of the Act) increases the percentage of pre-release gross income from 75% to 90%, which constitutes an increase of up to 20% for veterans whose income was above that required to obtain the minimum benefit.

Clause 84 (section 23(1) of the Act) specifies that, if the veteran dies of an injury or disease that is related to his or her military service or aggravated by that service, the amount of the benefit paid to the survivors also increases from 75% to 90% of the veteran's gross income at the time of the veteran's release from the Canadian Forces.

Clauses 98(1), 98(2) and 116(2) increase the benefit amount as of 1 October 2016. Individuals who currently receive this benefit will therefore continue to receive the same amount until that date. If an individual applies after 1 October 2016, but the benefit was payable before that date, the benefit amount will not include the increase for the portion of the amount paid for the period preceding the coming into force of the increase.

Pursuant to the amendments described above, the earnings loss benefit may be paid until the age of 65 years if the minister determines that the veteran's disability results in a "diminished earning capacity," as will be defined by regulation.

Clause 87(1) amends the scope of the regulations the government may make by replacing the criterion of being unable to obtain "suitable gainful employment" as a result of total and permanent incapacity with the criterion of having "diminished earning capacity."

2.6.2.4 Clarification of Certain Elements Concerning the Disability Award

Section 53 of the Act currently stipulates that for a disability award to become payable the minister must be of the opinion that the disability has stabilized. Clause 85(1) and clause 89 of the bill amend sections 38 and 53 of the Act to the effect that the disability award is payable if the disability has been determined to be permanent *and* the assessment of the extent of the disability, from 0% to 100%, has been made.

This amendment necessitates clause 88, which amends the formula for calculating the amount of the disability award.

2.6.2.5 Increase in the Amount of the Disability Award

The disability award is paid to members of the Canadian Forces or veterans whose in-service injury or disease resulted in a permanent disability, whether minor or severe. Since October 2011, this award has been payable as a lump sum, as annual payments, or as a combination of the two. The maximum amount, indicated in Schedule 3 of the Act, is $310,379 for 2016. This is the amount paid for a disability whose extent has been assessed as 100%. Schedule 3 of the Act has 24 classes, corresponding to 24 extent-of-disability intervals. A veteran whose extent of disability established by the department is 50% would therefore receive half the maximum amount.

Clause 96 replaces Schedule 3 of the Act. It increases the maximum disability award amount to $360,000, a 16% increase over the maximum amount for 2016. The 24 extent-of-disability intervals are retained, but the “classes,” which are currently numbered 1 to 24, are replaced by 24 “rates of award” corresponding to the disability percentage in the middle of each interval. For example, Class 11 currently covers the extent of disability from 48% to 52% and is equivalent to 50% of the maximum amount. Class 11 is replaced by “50% rate of award,” which applies to the same extent-of-disability interval and is also equivalent to 50% of the maximum amount.

The change from “class” to “rate of award” entails a corresponding amendment to the *Children of Deceased Veterans Education Assistance Act*, set out in clause 112.

The provisions concerning the increase in the disability award come into force on 1 April 2017.

2.6.2.6 Increase in the Amount of the Death Benefit

Clause 95 amends item 3 of Schedule 2 of the Act. It increases the amount of the death benefit to $360,000. When the Act was passed in 2005, the amount of the death benefit was fixed at $250,000, the same amount as the maximum disability award, and was indexed thereafter, reaching $310,379 in 2016. The amendment therefore constitutes an increase of 16%.

The provisions concerning the increase in the amount of the death benefit come into force on 1 April 2017.

2.6.2.7 Retroactive Payment of the Increase in the Amount of the Disability Award and Death Benefit

Clauses 99 to 111 set out the transitional provisions that apply to the retroactive payment of the increase in the amount of the disability award and death benefit.

Clause 99 specifies the definitions that apply in sections 99 to 111.

Clause 100(1) stipulates that, for any person who received a disability award before 1 April 2017 and is still alive on that date, the amount of the increase will be the difference between (1) the amount the person would have received under new Schedule 3 according to the extent of the disability for which the person already received a disability award, reduced retroactively by the sum of the indexation rates applicable since the person received the disability award, and (2) the amount of the disability award actually received. Clause 100(2) provides that, if the person dies before receiving the increase, that amount must be paid to the surviving spouse or dependent children.

Using the same terms as clause 100(1), clause 101 provides for retroactive payment of the increase in the amount of the disability award to the spouse or dependent children if the member or veteran who received a disability award dies before 1 April 2017.

The calculation for the retroactive payment of the increase in the amount of the death benefit is set out in clause 103 and follows the same terms stipulated for the disability award in clause 100(1).

Clause 102 provides for the same retroactive payment when the disability award was paid to the surviving spouse or dependent children because of the death of the member or veteran who otherwise would have received it.

Clause 104 provides that if the member or veteran received more than one disability award, retroactive payment of the increase is made for each award according to the applicable method for calculating each amount payable.

Clause 105 provides that a person is considered to have received a disability award or a death benefit even if the amount paid to him or her was zero.

Clause 106 stipulates that retroactive payments of the increase in the amount of the disability award or death benefit must be paid as a lump sum.

Clauses 107 and 108 impose on individuals who may receive retroactive payments of the increase in the amount of the disability benefit or death benefit the same obligation as that already included in the Act to provide information to the minister and to give the minister access to the specified personal information as authorized by federal legislation.

Clause 109 stipulates that the entitlement to the amounts received by a surviving spouse or dependent children is not transferable in the case of death.

Clause 110 adds the amounts received as retroactive payments of the increase in the amount of the disability award or death benefit to the list of payments included in the definition of "compensation" in section 2(1) of the Act.

Clause 111 specifies that the amounts received as retroactive payments of the increase in the amount of the disability award or death benefit are not taxable.

2.6.2.8 Other Provisions

Clause 87(2) corrects a minor inconsistency between the English and French versions of the Act.

Clause 90 imposes on the spouse or child of a deceased veteran the same obligation to provide information to the minister for the transfer of the earnings loss benefit. It also provides for the reimbursement of fees for financial advice for the surviving spouse or orphan child to whom the earnings loss benefit is transferred.

Clause 91 repeals the spent transitional provisions of the Act, and clauses 92 and 93 consequently remove the references to the repealed section found in the schedules.

2.6.3 Division 3: Financial Institutions (Sunset Provisions)

The governing statutes for Canada's financial institutions contain sunset provisions that specify a date on which these laws will cease to have effect. Clauses 117 to 122 amend the sunset provisions in the *Trust and Loan Companies Act*, the *Bank Act*, the *Insurance Companies Act* and the *Cooperative Credit Associations Act* to replace "29 March 2017" with "29 March 2019." This change will enable a review of the governing legislation of these financial institutions to occur.

2.6.4 Division 4: Amendments to the *Bank Act* (Federal Credit Unions)

Clauses 123(3) and 124 of Bill C-15 amend section 35.1 of the *Bank Act* and add section 39.01(1) to allow the Minister of Finance, for the purpose of facilitating the continuance of a local cooperative credit society as a federal credit union, to exempt the cooperative credit society from any requirements or regulations arising from Part III or Part VI[16] of the Act. However, the minister must be satisfied that the local cooperative credit society has complied with the applicable requirements and regulations.

Clause 124 of the bill also allows the minister to guarantee the repayment of a loan that a federal financial institution makes to the federal credit union for the purpose of supporting a federal credit union during the three-year period after the issuance of the federal credit union's letters patent.

2.6.5 Division 5: Bank Recapitalization Regime (Bail-In Regime)

Division 5 creates a bank recapitalization – or bail-in – regime that would attempt to restore a Canadian bank to viability in the event that it has reached or is approaching non-viability. Bail-in regimes aim to limit taxpayer exposure – known as "bail-out" exposure – by having a failing systemically important financial institution's shareholders and creditors absorb any losses. Domestic systemically important banks (D-SIBs) are said to be "too big to fail," meaning that they cannot be wound down using a conventional bankruptcy and liquidation process without imposing significant costs on the country's financial system and its economy.[17]

In particular, Division 5 contains three main components that establish and implement a bail-in regime for Canada:

- the maintenance, by D-SIBs, of a minimum capacity to absorb losses;
- the ability of the Canada Deposit Insurance Corporation (CDIC) to control a D-SIB on a temporary basis; and
- the ability of the CDIC to recapitalize a D-SIB by converting its non-common shares, subordinated debt and prescribed senior liabilities into common shares.

Clauses 156 to 162 comprise the first component of the regime. They amend the *Bank Act* to allow the Superintendent of Financial Institutions to designate or revoke a bank's status as a D-SIB; require D-SIBs to maintain a minimum capacity to absorb losses; and outline the measures that the superintendent may take in the event that a D-SIB does not maintain the required minimum capacity to absorb losses. The amount and type of capital that constitutes the required minimum capacity to absorb losses will be prescribed in forthcoming regulations.

Division 5 also amends the *Canada Deposit Insurance Corporation Act*. Clauses 127 to 129 provide the CDIC with the ability to assess and report on the capacity of a member institution – which may be a D-SIB – to absorb losses and on its legislative and regulatory compliance. They also enable the CDIC to assume a member institution's liabilities.

Clauses 133(4) and 142 relate to the second component of the regime. The clauses amend the *Canada Deposit Insurance Corporation Act* to broaden the CDIC's powers to control a D-SIB on a temporary basis when the Superintendent of Financial Institutions believes that the D-SIB has reached or is approaching non-viability. Following an order by the Governor in Council, the CDIC is appointed as receiver in relation to the D-SIB during a stabilization process that can last up to five years. Clause 133(4) provides the CDIC with the power to remove or appoint directors to the D-SIB's board after the order for receivership has been made. Clause 142 sets out the compensation owed to the member institution that is under receivership in transactions that the CDIC carries out on the institution's behalf.

Finally, clauses 131(2), 131(3) and 139 are focused on the regime's third component. The clauses amend the *Canada Deposit Insurance Corporation Act* to allow the CDIC to recapitalize the D-SIB by converting non-common shares, subordinated debt and prescribed senior liabilities into common shares only when the Governor in Council has made a vesting or receivership order. These clauses also give the CDIC the power to convert the member institution’s shares and liabilities into common shares.

Clauses 130, 131(1), 131(4) to 131(11), 132, 133(1) to 133(3), 133(5) to 133(7), 134 to 138, 143 to 145 and 149 relate to vesting, receivership or bridge institution orders. Once an order has been made, the following actions take place:

- The CDIC manages the shares and subordinated debt subject to the order, gives directions to the member institution’s board of directors, makes or amends the member institution’s bylaws, and recovers costs incurred in operating the member institution.
- The rights of the member institution’s shareholders are suspended.
- The powers of any party that holds an interest in the member institution, including its directors, are limited so as not to interfere with the powers of the CDIC.

Clauses 131(5) to 131(11) identify the means by which the member institution’s shareholders holding converted capital may seek compensation for financial loss occurring as a result of the conversion after a vesting, receivership or winding-up order has been issued.

Clause 137 specifies that a federal member institution that becomes a subsidiary or a bridge institution of CDIC as a result of an order is not an agent of CDIC or a Crown corporation.

Clause 138 sets out the monitoring and reporting roles of the Office of the Superintendent of Financial Institutions once an order has been made.

Clause 149 mandates the Treasury Board to assume liability for the financial loss that, acting lawfully or in good faith, the directors and officers of a CDIC member institution under a vesting or receivership order might suffer in any domestic or international civil or criminal action against them.

Clauses 141 and 142 set out the conditions, timing and compensation owed to shareholders, creditors and other interested parties with respect to the winding-up of a CDIC member institution.

Clause 148 adds the Crown to the list of parties exempted from liability with respect to actions taken in good faith in executing the powers, duties and functions of the *Canada Deposit Insurance Corporation Act*.

Finally, Division 5 makes consequential amendments to the *Financial Administration Act*, the *Winding-up and Restructuring Act* and the *Payment Clearing and Settlement Act* to implement the various aspects of the bail-in regime.

2.6.6 Division 6: Chief Executive Officer of the Canada Deposit Insurance Corporation

Division 6 amends various Acts to replace references to the chairperson of the CDIC with references to the CDIC's chief executive officer.

Clause 169 amends the *Office of the Superintendent of Financial Institutions Act* to alter the membership of the committee established under section 18 of that Act. With this change, the CDIC's chief executive officer, rather than its chairperson, is a member of the committee.

Division 6 also amends a number of Acts to provide that information obtained under these statutes can be shared with the CDIC's chief executive officer, rather than with its chairperson. In particular, clause 170 amends the *Canadian Payments Act*, clauses 171, 172 and 173 amend the *National Housing Act*, clause 178 amends the *Payment Clearing and Settlement Act* and clause 179 amends the *Protection of Residential Mortgage or Hypothecary Insurance Act*.

Clauses 174, 175, 176 and 177 amend the *Trust and Loan Companies Act*, the *Bank Act*, the *Insurance Companies Act* and the *Cooperative Credit Associations Act*, respectively, to provide that the CDIC's chief executive officer, instead of its chairperson, is to be consulted by the Minister of Finance before he or she makes certain recommendations to the Governor in Council.

2.6.7 Division 7: *Federal–Provincial Fiscal Arrangements Act*

Clause 180 replaces, in section 4(1)(a) of the *Federal–Provincial Fiscal Arrangements Act* (FPFAA), the amounts that correspond to the definition of gross expenditure base of the territories for calculating the territorial formula financing (TFF) payments for the fiscal year beginning on 1 April 2013, with new amounts for the fiscal year beginning on 1 April 2015:

- $1,065,524,388 instead $931,907,459 for Yukon;
- $1,551,787,629 instead of $1,339,030,641 for the Northwest Territories; and
- $1,579,969,113 instead of $1,465,334,373 for Nunavut.

In addition, clause 180 replaces section 4(2) of the ITA, which defines the powers of the Minister of Finance in relation to the TFF, with a new section that, for the purposes of the definition of gross expenditure base in section 4(1), allows the Minister of Finance to recalculate, at any time during the fiscal year beginning on 1 April 2016, the amount determined to be the gross expenditure base in respect of a territory for that fiscal year using the following population-adjusted gross expenditure escalator:

- 1.02497 for Yukon;
- 1.01377 for the Northwest Territories; and
- 1.02833 for Nunavut.

Clause 181 amends the FPFAA by adding a new section 4.11, which allows the Minister of Finance to provide the territories with additional payments for 2016–2017 equal to the difference between the following two amounts:

- the TFF payment that would have been paid to a territory for the fiscal year beginning on 1 April 2016, if that amount had been determined using the amount determined to be the gross expenditure base under section 4(2) of the FPFAA; and
- $878,040,329 for Yukon, $1,195,799,238 for the Northwest Territories, and $1,462,488,258 for Nunavut.

2.6.8 Division 8: Restrictions on Borrowing Without Legislative Approval

Clauses 182 and 183 repeal the general borrowing authority provided to the Minister of Finance under section 43.1 of the *Financial Administration Act* and replace it with a ministerial borrowing authority that can be used only in the following circumstances:

- The amount is required to be paid as a result of past borrowing by the government.
- The aim of borrowing is the reduction of any government liability outstanding.
- The required payment is necessary in extraordinary circumstances, including in the event of a natural disaster, or to promote the stability or maintain the efficiency of the financial system.

In circumstances not specified above, and for amounts beyond the existing $4 billion of non-lapsing borrowing authority,[18] legislative approval by Parliament of any new borrowing by the government is required.

2.6.9 Division 9: *Old Age Security Act*

2.6.9.1 Age of Eligibility for Benefits

Clause 188 repeals section 2.2 of the *Old Age Security Act*. Under section 2.2, over a six-year period from 2023 to 2029 the age of eligibility for the Old Age Security pension and the Guaranteed Income Supplement was to increase gradually from 65 to 67, and the age of eligibility for the Allowance and Allowance for the Survivor was to increase gradually from 60 to 62.

Repealing section 2.2 of the *Old Age Security Act* therefore restores the age of eligibility for the Old Age Security pension and the Guaranteed Income Supplement to 65, and the age of eligibility for Allowances to 60.

2.6.9.2 Top-Up for the Guaranteed Income Supplement

Clause 189 amends section 12.1 of the *Old Age Security Act*. Section 12.1 sets out two formulas for calculating the monthly amount that may be added to the Guaranteed Income Supplement received by pensioners, depending on whether they have a spouse to whom a pension may be paid. Clause 189 adds section 12.1(2.1) to the *Old Age Security Act*, stipulating that, beginning on 1 July 2016, element A, which appears in each formula and was set at $50 in 2011, will be increased by $78.92 for pensioners who do not have a spouse to whom a pension may be paid, and for pensioners whose spouse or common-law partner is not eligible for Old Age Security benefits.

Clause 190 of the bill amends section 22.1 of the *Old Age Security Act* by adding section 22.1(3.1), which states that, beginning on 1 July 2016, one of the elements of the formula used to determine the monthly amount that can be added to an allowance paid to a survivor will also be increased by $78.92.

This monthly amount of $78.92 increases, by up to $947 annually, the top-up benefits for the Guaranteed Income Supplement and for the Allowance for the Survivor, in the case of seniors who cannot count on a second pension income from a spouse.

Clauses 189 and 190 also amend sections 12.1 and 22.1 of the *Old Age Security Act* to ensure that the increase of $78.92 is included in the indexation of the top-up benefits, where applicable.

Clause 191 stipulates that clauses 189 and 190, which increase benefits under the Guaranteed Income Supplement and Allowance for the Survivor programs, come into force or are deemed to have come into force on 1 July 2016. Clause 188, which restores the age of eligibility for the Old Age Security pension, the Guaranteed Income Supplement, and the Allowances, comes into force when Bill C-15 receives Royal Assent.

2.6.10 Division 10: Amendments to the *Special Import Measures Act*

Division 10 of Part 4 amends the *Special Import Measures Act*, which governs trade remedies in relation to dumped and subsidized goods. Under that Act, the Canada Border Services Agency (CBSA) conducts investigations and makes preliminary determinations of injury or dumping or subsidizing, including with respect to provisional duties payable, after which the Canadian International Trade Tribunal (CITT) may conduct inquiries, make orders for payment of anti-dumping or countervailing duties, or make factual findings, including with regard to injury. The amendments in Bill C-15 alter measures in three areas: preliminary determinations; provisional duties; and the expiry of CITT orders or findings. These amendments apply only to goods entering Canada from the United States and Mexico.

Clause 192 amends an exception contained in the definition of the term “negligible.” In particular, the total volume of a particular good coming from a country cannot be found to be negligible if the country is among a group of three countries that separately export a negligible volume of a good to Canada but together export more than 7% of the total volume of that good imported into Canada from all countries.

Clause 193 adds section 7.2, which provides for the return of anti-dumping duties or countervailing duties to the importer. These amounts must be returned within five years after the most recent order by the CITT.

Clause 194 adds section 8(1.3) to require that, if the CBSA makes a preliminary determination that the margin of dumping or subsidy amount is insignificant, no provisional duties are payable by an importer of goods that are of the same description as the good in question.

Clause 195 amends section 30.1, regarding the calculation of a margin of dumping, to incorporate references to sections that have been added or amended by other clauses in the bill.

Clause 196 amends section 35(1)(a) to require that, if the CBSA determines that the actual or potential volume of a dumped or subsidized good is negligible, a preliminary investigation by the CBSA and/or an inquiry by the CITT must be terminated before completion. In addition, the clause eliminates "lack of evidence" and "insignificant margin of dumping or amount of subsidy" as potential reasons for terminating an investigation or inquiry before a preliminary determination is made.

Clause 197 amends section 38 to allow the CBSA to make a preliminary determination regarding whether the margin of dumping or the subsidy amount is "insignificant," including a provision deeming a margin of dumping or subsidy amount of 0% of the export price of the good to be "insignificant."

Clause 199 amends section 76.03(2) to reduce from 10 months to 2 months the deadline for publishing a notice in relation to the expiration of a CITT order or finding in the *Canada Gazette*.

Clause 199 lengthens the CBSA's timeline for determining whether the expiration of the CITT's order or finding is likely to result in the continuation or resumption of dumping or subsidies from 120 days to 150 days after receiving notification that the CITT will conduct a review of the order or finding in question. Moreover, once the CBSA's determination is received, the CITT has a new time frame of 160 days in which to examine whether any continuation or resumption of dumping or subsidies would result in injury to, or would reduce or delay, domestic production.

2.6.11 Division 11: Amendments to the *Pension Benefits Standards Act, 1985*

Clause 201 repeals the definition of a multilateral agreement in section 2(1) of the *Pension Benefits Standards Act, 1985* (PBSA) and amends the PBSA by adding the term "federal–provincial agreement," which it defines as an agreement entered into under section 6.1(1).

Clause 202 replaces section 5(2)(d) of the PBSA with a new provision that allows the Superintendent of Financial Institutions to collect information from a pension supervisory authority of a designated province and disclose information to that authority for the purposes of implementing a federal–provincial agreement.

Clause 203 repeals section 6 of the PBSA, which concerns bilateral agreements between the federal government and a province.

Clause 204 replaces section 6.1(1) of the PBSA to allow the Minister of Finance, with the approval of the Governor in Council, to enter into an agreement with one or more designated provinces, rather than two or more designated provinces, concerning any matter relating to pension plans that are subject to the pension legislation of at least one designated province that is a party to the agreement. Clause 204 also amends sections 6.1(2) to 6.1(5) to replace all mentions of a "multilateral agreement" with the words "federal–provincial agreement."

Clause 205 amends sections 6.2 to 6.3 of the PBSA to replace each mention of a "multilateral agreement" with the words "federal–provincial agreement." Clause 205 also amends section 6.4 of that Act to allow the Minister of Finance, with the approval of the Governor in Council, to enter into an agreement with one or more designated provinces, rather than with a single designated province, concerning the establishment and operation in Canada of an association of pension supervisory authorities.

Clause 206 amends sections 39(1)(b.1) to 39(1)(b.3) of the PBSA to replace all mentions of a "multilateral agreement" with the words "federal–provincial agreement."

2.6.12 Division 12: Amendments to the *Employment Insurance Act*

2.6.12.1 Extending Benefit Periods and Increasing the Maximum Number of Weeks of Benefits Until 8 July 2017

Clause 207(1) amends section 2(1) of the *Employment Insurance Act* by adding the term "long-tenured worker," which is defined as a claimant who was paid regular benefits for less than 36 weeks in the 260 weeks (5 years) before the beginning of a benefit period, and who paid at least 30% of the maximum annual employee's premium in 7 of the 10 years before the benefit period.

Clause 211(1) extends the benefit period, and clause 212(1) increases the maximum number of weeks of benefits for certain claimants. All increases in the number of weeks of benefits are in addition to the number of weeks of benefits set out in the table in Schedule I of the *Employment Insurance Act*. The extended benefit period and the increase to the maximum number of weeks of benefits are available only to claimants for whom regular benefits under section 12(2) were paid or payable for at least one week, and who ordinarily reside in one of the 12 regions listed in new section 12(2.8) at the beginning of the benefit period. The regions are described in specific sections of Schedule I of the *Employment Insurance Regulations*:

- the region of northern Ontario described in section 2(3);
- the region of Sudbury described in section 2(14);
- the region of northern Manitoba described in section 6(3);
- the region of northern British Columbia described in section 7(5);
- the region of Saskatoon described in section 9(2);
- the region of northern Saskatchewan described in section 9(4);
- the region of Calgary described in section 10(1);
- the region of southern Alberta described in section 10(3);

- the region of northern Alberta described in section 10(4);
- the region of Newfoundland and Labrador described in section 11(2);
- the region of Whitehorse described in section 12(1); and
- the region of Nunavut described in section 14(2).

Specifically, clause 211(1) replaces current section 10(14) of the *Employment Insurance Act*, which provides that extensions to benefit periods cannot result in a benefit period in excess of 104 weeks, with new sections 10(13.1) to 10(13.6), which extend certain claimants' benefit period. Clause 212(1) increases the maximum number of weeks of benefits by adding sections 12(2.1) to 12(2.6) to the Act. Different increases are provided, depending on whether the individual is a long-tenured worker and when the benefit period began. The combined effect of these new sections is as follows:

- New section 12(2.1) provides that a claimant who is not a long-tenured worker and whose benefit period began between 4 January 2015 and 8 July 2017, and has not ended before 3 July 2016, will have an increase of five weeks of benefits. New section 10(13.1) extends his or her benefit period by 17 weeks.
    - If this claimant's benefit period ended before 3 July 2016, new section 10(13.2) deems it not to have ended and extends it by 17 weeks. However, that claimant may be paid no more than the 5 additional weeks for weeks beginning on or after 3 July 2016, and may not be paid the additional five weeks of benefits for any week that began before 3 July 2016.
- New section 12(2.3) provides that a claimant who is a long-tenured worker and whose benefit period began between 4 January 2015 and 29 October 2016, and has not ended before 3 July 2016, will have an increase of 25 weeks of benefits. New section 10(13.3) extends his or her benefit period by 37 weeks.
    - If this claimant's benefit period ended before 3 July 2016, new section 10(13.4) deems it not to have ended and extends it by 37 weeks. However, that claimant may be paid no more than the 25 additional weeks for weeks beginning on or after 3 July 2016, and cannot be paid those additional 25 weeks of benefits for any week that began before 3 July 2016.
- New section 12(2.5) provides that the number of weeks of benefits is increased by 17 weeks for a long-tenured worker whose benefit period began between 30 October 2016 and 25 February 2017. New section 10(13.5) extends his or her benefit period by 29 weeks.
- New section 12(2.6) provides that the number of weeks of benefits is increased by 10 weeks for a long-tenured worker whose benefit period began between 26 February 2017 and 8 July 2017. New section 10(13.6) extends his or her benefit period by 22 weeks.

Table 1 – Extended Benefit Periods and Increased Weeks of Benefits

Claimant	Date Range for Beginning of Benefit Period	Benefit Period Extension	Increase in Weeks of Benefits
Not a long-tenured worker	4 January 2015 to 8 July 2017	17 weeks	5 weeks
Long-tenured worker	4 January 2015 to 29 October 2016	37 weeks	25 weeks
Long-tenured worker	30 October 2016 to 25 February 2017	29 weeks	17 weeks
Long-tenured worker	26 February 2017 to 8 July 2017	22 weeks	10 weeks

Clause 211(1) also adds new section 10(14) to the *Employment Insurance Act*, which states that the extension of benefit periods provided for in sections 10(10) to 10(13.6) cannot result in a benefit period of more than 104 weeks, subject to sections 10(14.1) and 10(15).

Clause 212(1) adds new section 12(2.7), which provides that if a claimant has more than one benefit period that began before 3 July 2016, the increase in weeks of benefits will apply for only one of those periods, whichever began on the day closest to 3 July 2016.

2.6.12.1.1 Temporary Extension and Increase

The increases in the benefit periods in clause 211(1), which comes into force on 3 July 2016, are temporary. Clause 211(2) comes into force on 9 July 2017 and eliminates the new sections 10(13.1) to 10(14.1) created by clause 211(1). Clause 211(2) replaces them with a single section 10(14), which states that extensions cannot result in a benefit period of more than 104 weeks.

The increase in weeks of benefits contained in clause 212(1), which comes into force on 3 July 2016, is also temporary. Clause 212(2) comes into force on 9 July 2017, and replaces the new sections 12(2) to 12(2.8) created by clause 212(1) by a single new section 12(2), the text of which is identical to the text of section 12(2) of the *Employment Insurance Act* before the coming into force of Bill C-15. Further, Schedule I of the Act sets out in a table the maximum number of weeks of benefits. Clauses 222 (which comes into force on 3 July 2016) and 223 (which comes into force one year later on 9 July 2017) modify Schedule I of Act accordingly, specifying the sections to which the table applies.

Finally, the definition of “long-tenured worker” added by clause 207(1) comes into force on 3 July 2016. Clause 207(2), which comes into force one year later, on 9 July 2017, will repeal that definition.

2.6.12.1.2 Combining Increased Regular Benefits with Special Benefits

Clause 212(3), which comes into force on 3 July 2016, replaces section 12(6) of the *Employment Insurance Act*, which enables regular and special benefits to be combined. Specifically, new section 12(6) provides that a claimant may combine weeks of benefits to which he or she is entitled under sections 12(2) and 12(3) (special benefits) up to a maximum of 50, or if new sections 12(2.1), 12(2.3), 12(2.5) or 12(2.6) apply to the claimant and result in a maximum number of weeks of regular benefits that is greater than 45 weeks, then the maximum is that number, increased by five weeks. Clause 212(4), which comes into force one year later, on 9 July 2017, returns the text of section 12(6) of the Act to provide that a claimant may combine weeks of benefits to which he or she is entitled up to a maximum of 50 weeks.

2.6.12.1.3 Transitional Provisions

Clause 225 provides that the definition of "long-tenured worker," the extension to the benefit period in sections 10(13.1) to 10(14.1), the increase in weeks of benefits in sections 12(2) to 12(2.8), and the combination of these increased regular benefits with special benefits in section 12(6) will continue to apply to claimants whose benefit period began and has not ended before 9 July 2017.

2.6.12.2 Eliminating the Category of Claimants Who Are New Entrants and Re-entrants to the Labour Force

Clauses 209 and 210 eliminate the "new entrants and re-entrants" category of claimants. Clause 209(1) removes reference to new entrants and re-entrants from section 7(2) of the *Employment Insurance Act*, which includes a table setting out the number of hours of insurable employment required to qualify for benefits in relation to the regional rate of unemployment. This table did not apply to new entrants and re-entrants. Clause 209(2) repeals sections 7(3) to 7(5) of the Act, which defined the category of new entrants or re-entrants and set out specific qualification requirements for them.

Clause 207(3) replaces section 2(5) of the Act so that it no longer makes reference to section 7(4.1), which is repealed by clause 209(2). Section 2(5) allows the Canada Employment Insurance Commission to make regulations for establishing the number of weeks of benefits a claimant was paid in order to take into account benefit reductions or deductions. Section 2(5) still allows the Commission to make such regulations, but not for the category of new entrant or re-entrant, which is eliminated.

Clause 210(1) removes the reference to new entrants or re-entrants from section 7.1(1) of the Act. The table in this section sets out the required number of hours that a person must accumulate to qualify for benefits if he or she accumulates one or more violations, but did not apply to a new entrant or re-entrant to the labour force. The increased number of hours that new entrants or re-entrants had to accumulate if they had violations was instead set out in section 7.1(2) of the Act, which clause 210(2) repeals. Clause 210(3) removes reference to repealed section 7.1(2) from section 7.1(3) of the Act, which sets out a limit on taking into account violations for section 7.1(1). Clause 220 similarly amends section 152.07(7) of the Act, which sets out a limit on taking into account violations for self-employed persons, such that it no longer makes reference to repealed section 7.1(2).

Clause 216 amends section 58 of the Act, which defines an "insured participant" for the purposes of Part II of the Act: Employment Benefits and National Employment Service. The Canada Employment Insurance Commission can establish employment benefits that enable insured participants to obtain employment, such as benefits that offer temporary earnings supplements or benefits that help them start businesses or become self-employed. The new definition of “insured participant” no longer refers to new entrants or re-entrants.

2.6.12.2.1 Transitional Provisions and Regulations

Clause 226 provides that new sections 2(5), 7(2), 7.1(1), 7.1(3) and 152.07(7), which no longer refer to new entrants or re-entrants, apply to a claimant whose benefit period begins on or after the day fixed by order of the Governor in Council.

Clause 229 provides that sections 153(3) and 153(4) of the Act, which concern self-employed persons engaged in fishing and contain procedural requirements for the making of regulations, do not apply to regulations that the Canada Employment Insurance Commission thinks are necessary as a result of the amendments eliminating the category of new entrants and re-entrants.

2.6.12.3 Reducing the Waiting Period from Two Weeks to One Week

Clause 208 amends section 6(1) of the *Employment Insurance Act* to change the definition of “waiting period” from two weeks to one week. Consequently, clause 213 replaces section 13 of the Act to provide that a claimant is not entitled to receive benefits until he or she has served the one-week waiting period, instead of the previous two-week period. Similarly, clause 219 amends the definition of “waiting period” in section 152.01(1) and clause 221 amends section 152.15 of the Act, both of which apply to self-employed persons.

Clause 214 replaces section 22(4) of the Act to reflect the reduction in the waiting period from two weeks to one week. Section 22 relates to pregnancy benefits, and section 22(4) states that for the purposes of the section 13 waiting period, the requirement that claimants be capable and available for work does not apply to the week (instead of the two weeks) preceding the period when pregnancy benefits are payable.

2.6.12.3.1 Coming into Force and Transitional Provisions

Clause 227 provides that the definition of “waiting period” in sections 6(1) and 152.01(1), as well as sections 13, 22(4) and 152.15 of the Act as they read before the coming into force of the amendments in this bill continue to apply to a claimant whose benefit period began before the day of coming into force.

Clause 231(4) provides that the changes to the waiting period found in clauses 208, 213, 214, 219 and 221 come into force on a date fixed by order of the Governor in Council, but no earlier than 1 January 2017. Clause 228 enables the Canada Employment Insurance Commission to make regulations that it thinks are necessary as a result of the amendments to the waiting period. These regulations may be retroactive.

2.6.12.4 Other Amendments to the *Employment Insurance Act*

Clause 215 amends section 54 of the *Employment Insurance Act* to provide that the Canada Employment Insurance Commission may make regulations eliminating the special benefits payable to a claimant during an elimination period during which no benefit is payable under a plan, other than a plan established by provincial legislation.

Clause 217 amends section 63(2) of the Act to indicate that the relevant definition of an "insured participant" to whom employment benefits are provided, and for which costs can be paid under agreements between the Canada Employment Insurance Commission and a government, is the one in section 58 of the Act "as it read immediately before June 23, 2015, the text of which is set out in Schedule III." Similarly, clause 218 amends section 63.1 of the Act to refer to this definition of an insured participant. Clause 224 adds Schedule III to the Act, which contains the text of section 58 at the relevant time.

2.6.13 Division 13: Amendments to the *Canada Marine Act*

Bill C-15 adds new section 25.2 to the *Canada Marine Act* to allow the Minister of Canadian Heritage to make payments to Canada Place Corporation for celebrations related to Canada Day and the 150th anniversary of Confederation. Canada Place Corporation is part of the Vancouver Fraser Port Authority; it is also a hotel, a convention centre, a cruise ship terminal and a major public landmark in downtown Vancouver. Section 25 of the *Canada Marine Act* prohibits, with specified exceptions, appropriations by Parliament for port authorities or their subsidiaries, as these entities are required to be self-financing.

2.6.14 Division 14: Amendments to the *Jobs, Growth and Long-term Prosperity Act*

Clauses 233 to 236 transfer responsibility for PPP Canada Inc. from the Minister of Finance to the Minister of Infrastructure and Communities.

Clause 233 amends the *Jobs, Growth and Long-term Prosperity Act* (JGLTPA) by adding after section 209 new sections 209.1(1) to 209.1(5), which for the purposes of section 90(1)(b) of the *Financial Administration Act* allow the Minister of Infrastructure, Communities and Intergovernmental Affairs to acquire the shares of PPP Canada Inc., a federal Crown corporation that provides expertise and advice in assessing and executing public–private partnership opportunities in Canada.

Clause 233 also allows the minister to conduct, with the approval of the Governor in Council, any transaction referred to in any of sections 90(1)(c) to 90(1)(e) of the FAA in respect of PPP Canada Inc., and allows PPP Canada Inc. or its wholly owned subsidiaries to sell or otherwise dispose of its assets, with the approval of the Governor in Council.

Clause 234 amends section 211 of the JGLTPA by adding a fourth category of activities for which PPP Canada Inc. may be an agent of Her Majesty in right of Canada, namely any activity specified in an order made under section 211.1 of that Act.

Clause 235 amends the JGLTPA by adding new section 211.1, which allows the Governor in Council to specify, by order, any activity in relation to which PPP Canada Inc. is an agent of Her Majesty in right of Canada.

Clause 236 repeals section 213 of the JGLTPA, which restricts PPP Canada Inc. as well as its shareholders and directors from applying, without the Governor in Council's prior approval given on the recommendation of the appropriate minister and the Treasury Board, for continuance in another jurisdiction or for articles that would add to, or otherwise make a material change in, the objects or purposes for which PPP Canada Inc. was incorporated, or the restrictions on the businesses or activities that PPP Canada Inc. may carry on, as set out in its articles of incorporation.

2.6.15 Division 15: Amendments to the *Canada Foundation for Sustainable Development Technology Act*

Division 15 of Part 4 amends the process by which members of the board of directors of the Canada Foundation for Sustainable Development Technology (the foundation) are appointed under the *Canada Foundation for Sustainable Development Technology Act*.

Currently, board members are appointed by the Governor in Council on the recommendation of the designated minister, as proposed by the ministers of Natural Resources and of the Environment, after consultation with the Minister of Industry. The Act is modified to remove the roles of the ministers of Natural Resources and of the Environment in the appointment process. As amended by the bill, board members are appointed by the Governor in Council "on the Minister's recommendation." Accordingly, the Minister of Industry, now called the Minister of Innovation, Science and Economic Development, is the only minister responsible for recommendations for board appointments.

This Part also amends the *Budget Implementation Act, 2007* to permit a maximum payment of $200 million to be paid out of the Consolidated Revenue Fund to the foundation for its use on the requisition of the Minister of Industry. This coordinates the text of the *Budget Implementation Act, 2007* with Bill C-15 to reflect that appointments are made "on the Minister's recommendation" and to remove the authority of the ministers of the Environment and of Natural Resources to requisition funds for the foundation. It also clarifies that the maximum amount the foundation can receive from the Consolidated Revenue Fund is $200 million.

NOTES

* This Legislative Summary was prepared by the following authors:

• Karine Azoulay	Section 2.6.10
• Sam N. K. Banks	Sections 2.2.2 and 2.6.15
• Brett Capstick and Brett Stuckey	Sections 2.6.3 and 2.6.5
• June M. Dewetering	Sections 2.1.1, 2.1.2, 2.1.4, 2.1.6, 2.1.9 and 2.5.2
• Dominique Fleury	Section 2.6.9

• Mathieu Frigon	Sections 2.2.9, 2.4.2, 2.6.4 and 2.6.8
• Dylan Gowans	Section 2.6.6
• Michaël Lambert-Racine	Sections 2.1.7, 2.1.11 and 2.6.1
• Marc LeBlanc	Sections 2.5.1 and 2.5.3
• Mark Mahabir	Sections 2.2.1, 2.2.3, 2.2.4, 2.2.5, 2.2.6, 2.2.7, 2.2.8, 2.3.4 and 2.3.5
• Patrice Martineau	Sections 2.1.3, 2.1.5, 2.1.10, 2.1.12, 2.3.1, 2.3.2, 2.3.3 and 2.4.1
• Allison Padova	Section 2.6.13
• Jean-Rodrigue Paré	Section 2.6.2
• Caroline Quesnel	Section 2.6.12
• Édison Roy-César	Sections 2.1.8, 2.1.13, 2.6.7, 2.6.11 and 2.6.14
• Dominique Valiquet	Section 1

1. To calculate the maximum deduction for the northern residents deduction, the amount of $11.00 is multiplied by the applicable rate – 100% for the prescribed northern zones and 50% for the prescribed intermediate zones – and by the number of days that the individual lived in an eligible region and the number of days that the individual maintained and lived in a self-contained domestic establishment in an eligible region.

2. Through a flow-through share, an investor enters into an agreement with a corporation to purchase shares; the corporation then uses the proceeds from the share offering to incur eligible exploration expenses. These expenses are then "renounced" or transferred to the investor. "Renouncing" in this context means that the corporation transfers to the investor the right to apply eligible exploration expenses against income, which reduces his or her tax payable in a given year.

3. Expenses eligible for the mineral exploration tax credit are specified surface grassroots exploration expenses (i.e., seeking new resources away from an existing mine site) in respect of a mineral resource (other than a coal or oil sands deposit) in Canada. See Department of Finance Canada, *Report on Federal Tax Expenditures – Concepts, Estimates and Evaluations 2016*, 23 February 2016, p. 176.

4. Department of Finance, "Harper Government Announces New Measures to Support Canadian Mining," News release, 1 March 2015.

5. Department of Finance, *Budget 2016*, p. 56.

6. Bill C-2: An Act to amend the Income Tax Act, 1st Session, 42nd Parliament.

7. *D & D Livestock Ltd. v. The Queen*, 2013 TCC 318.

8. In general, a "synthetic equity arrangement" is defined as a derivative such as a total return exposure arrangement, swap, forward contract, put-call arrangement or other similar agreement or arrangement between related parties for the purpose of shifting all or substantially all of the risk of loss or the opportunity for gain or profit of a DRA to a specific party mentioned in the arrangement. A synthetic equity arrangement does not include derivatives traded on a recognized derivatives exchange unless the party receiving the benefit of the arrangement is not taxable in Canada and is defined as a "tax-indifferent investor."

9. Department of Finance Canada, *Explanatory Notes Relating to the Income Tax Act, Excise Tax Act, Excise Act, 2001, Universal Child Care Benefit Act, Children's Special Allowances Act and Related Legislation*, 2016, p. 57.

10. Ibid., p. 58.

11. Ibid.

12. For a review of reinsurance and its regulation in Canada, see Office of the Superintendent of Financial Institutions, *Discussion Paper on OSFI's Regulatory and Supervisory Approach to Reinsurance*, December 2008.

13. Department of Finance Canada (2016), p. 89.

14. Ibid., p. 95.

15. Ibid., p. 89 and p. 95.

16. As it relates to voting in the case of Part VI of the Act. The order related to requirements or regulations stemming from Part VI of the Act must also specify the period of the exemption, which should not exceed three years.

17. The Office of the Superintendent of Financial Institutions has identified Canada's domestic systemically important banks to be the Bank of Montreal, the Bank of Nova Scotia, the Canadian Imperial Bank of Commerce, the National Bank of Canada, the Royal Bank of Canada and Toronto-Dominion Bank. For additional information, see Office of the Superintendent of Financial Institutions, *Final Guideline D-11 – Public Disclosure Requirements for Domestic Systemically Important Banks on Liquidity Coverage Ratio*, 16 July 2014.

18. As provided by the *Borrowing Authority Act, 1996–97*.