

(b) where the property transferred was land of the taxpayer, the taxpayer shall be deemed to have disposed of the property at the time of the transfer and to have received proceeds of disposition therefor equal to

(i) in any case to which neither subparagraph (ii) nor subparagraph (iii) applies, the proceeds of disposition otherwise determined,

(ii) if the proceeds of disposition otherwise determined exceeded the greater of

(A) the fair market value of the land immediately before the time of transfer, and

(B) the adjusted cost base to the taxpayer of the land immediately before the time of the transfer,

the greater of the amounts referred to in the clauses (A) and (B), or

(iii) if the proceeds of disposition otherwise determined were less than the lesser of the amounts referred to in clauses (ii)

(A) and (B), the lesser of those amounts;

(c) section 69 does not apply in determining the proceeds of disposition of the depreciable property or the land;

(d) the child shall be deemed to have acquired the depreciable property or the land, as the case may be, for an amount equal to the proceeds of disposition deemed to have been received under paragraph (a) or (b), respectively; and

(e) where the child is deemed to have acquired depreciable property of a prescribed class of the taxpayer for an amount determined under paragraph (d) and the capital cost to the taxpayer of the property exceeds the amount determined under that paragraph, for the purposes of sections 13 and 20 and any regulations made under paragraph 20(1)(a)

(i) the capital cost to the child of the property shall be deemed to be the amount that was the capital cost to the taxpayer thereof, and

(ii) the excess shall be deemed to have been allowed to the child in respect of the property under regulations made under paragraph 20(1)(a) in computing income for taxation years before the acquisition thereof.

(4) For the purposes of subsection (3), "child" of a taxpayer includes a child of his child and a child of his child's child."

"Gain or loss deemed that of transferor

Extended meaning of "child"

(2) This section is applicable to the 1972 and subsequent taxation years.

20.2 (1) The said Act is further amended by adding thereto, immediately after section 75 thereof, the following section:

75.1 (1) Where

(a) a taxpayer has, after 1971, transferred property (which property is referred to in this subsection as "transferred property") to a child of his in circumstances such that subsection 73(3) applied in respect of the transfer,

(b) the transfer was made at less than the fair market value of the transferred property immediately before the time of the transfer, and

(c) in a taxation year, the transferee disposed of the transferred property and did not, before the end of that year, attain the age of 18 years,

in computing the transferor's income for any taxation year the amount, if any, by which

(d) the aggregate of the transferee's taxable capital gains for the year from the disposition of the transferred property, exceeds

(e) the aggregate of the transferee's allowable capital losses for the year from the disposition of the transferred property,

shall, during the lifetime of the transferor while the transferor is resident in Canada, be deemed to be a taxable capital gain of the transferor for the year from the disposition of property, and any gain or loss taken into account in computing the aggregate described in paragraph (d) or the aggregate described in paragraph (e) shall, for the purposes of computing the income of the transferee for a taxation year, be deemed not to have been a gain or loss of the transferee.

(2) For the purposes of this section, "child" of a taxpayer includes a child of his child and a child of his child's child."

(2) This section is applicable to the 1972 and subsequent taxation years.' (English and French).—Sessional Paper No. 291-1/308B.

WAYS AND MEANS MOTION

That the Income Tax Application Rules, 1971 be further amended by adding thereto the following paragraph:

"(26) That the said Rules shall be amended to include therein a provision to the following effect:

Extended meaning of "child"