

CONTRIBUTIONS TO REGISTERED PLANS BY RELATED EMPLOYERS Effective for taxation years commencing after November 12, 1981, the deduction by an employer who is a member of a related group in respect of a contribution to a Registered Pension Plan for an employee will be limited to the lesser of the amount otherwise determined and \$3,500, minus all amounts deducted in respect of that employee by any other member of that group. With respect to special contributions made pursuant to an actuarial recommendation to discharge an unfunded liability, the amount deductible will be based upon the member's portion having regard to the remuneration received by the employee and his eligible service with the employer.

Therefore, the aggregate deductions allowed to the related group for contributions made with respect to one employee cannot exceed the amount that would be deductible if all contributions had been made by one employer. Consistent with this change, the draft legislation also provides that the amount deductible by an employer with respect to a contribution to a Deferred Profit Sharing Plan will be limited to \$3,500, minus any amount required to be paid to an RPP of the employer or related persons with respect to services rendered in the year.

PERSONS RELATED TO EMPLOYER EXCLUDED FROM DEFERRED PROFIT SHARING PLANS After November 12, 1981 a Deferred Profit Sharing Plan will not be accepted for registration if a beneficiary under the plan is an individual who is related to the employer, related to a specified shareholder of the employer, related to a partner of the employer or related to a beneficiary of a trust that is the employer. The November Budget announced that the deduction for all contributions made after 1981 would be denied if any related person was a member of an old plan. However, this will not be the case, and only the contributions made in respect of such a person will be disallowed.

Impact of DPSP Contribution on RRSP Limits Where a contribution to a Deferred Profit Sharing Plan is made in the year by either the individual or his employer, the maximum amount deductible by the individual in respect of a contribution to a Registered Retirement Savings Plan will be reduced from \$5,500 to \$3,500. This reduction is effective for the 1982 and subsequent taxation years. Contributions made prior to 1982 by an employer with a non-calendar fiscal period will not reduce the employee's RRSP limit for 1982.

SMALL BUSINESS DEVELOPMENT BONDS As originally announced, the draft legislation provides for the extension of Small Business Development Bonds (SBDB) to December 31, 1982 for corporations in financial difficulty. Although now somewhat academic, the deadline for SBDB's to finance specified property or scientific research was also extended to acquisitions and expenditures made prior to February 1, 1982 where the SBDB was issued prior to that date.

Group of Related Persons Under the present legislation, a corporation is not eligible to issue a SBDB if that corporation or any associated corporation has previously issued a SBDB. The draft legislation expands this to take into account the possibility that a related individual or partnership may issue a Small Business Bond under the new rules, but is slightly more flexible in that the related group may issue more than one such bond. A small business corporation will be eligible if the issue price of its bond does not exceed \$500,000 less the issue price of any such bonds previously issued by that corporation, any associated corporation, an individual who controls the corporation or a member of a controlling related group, a partnership of which a shareholder is a member or a partner of such partnership for use in the partnership business. As is currently the case, a joint election in prescribed form must be filed by the holder of the qualifying debt within 90 days of the date of issue. The draft legislation contains a provision to permit late filing of this election in limited circumstances and where it is reasonable to consider that the parties intended the SBDB provisions to apply.