

-- See Notes to 53(1)(b) and 84(3) -- 84(1)(c.3)(i) , (ii) and (iii) seem to apply differently in English and French. The words “shares of another class for which shares of that class were substituted” refer to a predecessor class, but “actions d'une autre catégorie ayant remplacé les actions de la catégorie donnée” refer to a successor class. This has been pointed out to Finance. ...

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Notes

See Notes to [53\(1\)\(b\)](#) and [84\(3\)](#).

[84\(1\)\(c.3\)\(i\)](#), [\(ii\)](#) and [\(iii\)](#) seem to apply differently in English and French. The words “shares of another class for which shares of that class were substituted” refer to a *predecessor* class, but “actions d'une autre catégorie ayant remplacé les actions de la catégorie donnée” refer to a *successor* class. This has been pointed out to Finance.

In *Faraggi* (2529-1915 Québec, 2530-1284 Québec), 2008 FCA 398 (leave to appeal denied 2009 CarswellNat 1152 (SCC)), a complex scheme to create capital dividends was held to be a sham and thus ineffective.

On the interaction of the PUC reductions in [51\(3\)](#), [85\(2.1\)](#) and [86\(2.1\)](#) with [84\(1\)](#), see VIEWS doc [2008-0293401E5](#).

For rulings on [84\(1\)](#) see VIEWS docs [2006-0173771R3](#) and [2015-0584151R3](#) ([84\(1\)\(c.3\)](#)); [2008-0284591R3](#) (split-up butterfly); [2010-0359981R3](#), [2010-0360501R3](#), [2010-0364531R3](#), [2011-0399121R3](#) and [2012-0471921R3](#) (interactions with Canada-US tax treaty); [2021-0916821R3](#) (continuance from CBCA to Ont. *Cooperative Corporations Act*); [2022-0923451R3](#) (internal reorg). See also [2016-0625001E5](#) (transaction using [84\(1\)](#) and a trust is considered surplus stripping and GAAR would apply).

[84\(1\)\(c.1\)-\(c.2\)](#), and [\(c.3\)](#) before [\(ii\)](#), amended by 2018 budget bill #2, for transactions or events after Feb. 26, 2018, effectively to exclude any portion of a corporation's contributed surplus that arose when it was non-resident. Before the amendment, read:

(c.1) if the corporation is an insurance corporation, any action by which it converts contributed surplus related to its insurance business (other than any portion of that contributed surplus that arose in connection with an investment, as defined in subsection 212.3(10), to which subsection 212.3(2) applies) into paid-up capital in respect of the shares of its capital stock,

(c.2) if the corporation is a bank, any action by which it converts any of its contributed surplus that arose on the issuance of shares of its capital stock (other than any portion of that contributed surplus that arose in connection with an investment, as defined in subsection 212.3(10), to which subsection 212.3(2) applies) into paid-up capital in respect of shares of its capital stock, or

(c.3) if the corporation is neither an insurance corporation nor a bank, any action by which it converts into paid-up capital in respect of a class of shares of its capital stock any of its contributed surplus that arose after March 31, 1977 (other than any portion of that contributed surplus that arose in connection with an investment, as defined in subsection 212.3(10), to which subsection 212.3(2) applies)

(i) on the issuance of shares of that class or shares of another class for which the shares of that class were substituted (other than an issuance to which section 51, 66.3, 84.1, 85, 85.1, 86 or 87 or subsection 192(4.1), 194(4.1) or 212.1(1.1) applied),

84(1)(c.3)(i) amended by 2016 budget bill #2 to change “212.1” to “212.1(1.1)”, effective March 22, 2016.

84(1)(c.1), (c.2), and (c.3) opening words amended by 2012 budget bill #2, effective March 29, 2012, to add parenthesized exclusions re 212.3.

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