

INDEX

All entries refer to page numbers.

ABIL, *see* Allowable business investment loss

Accrual of interest, 2-24–2-26

- calculating on prescribed debt obligations, 2-33–2-36
- disposition of debt obligation, 2-109–2-112
- overaccrual of interest, 2-112–2-113

Accrued but unrealized gains and losses, 2-57–2-84, *see also* Unrealized gains and losses

Accrued gains and losses

- reserves, 5-109
- sections 9 and 10 gains and losses, 5-108–5-109

Acquisition of debt obligations, *see* Cost of debt obligations

Acting in concert, 3-19–3-24

Adjusted cost base of debt obligations, 2-84–2-90

Affiliated persons, 2-129–2-132

Allowable business investment loss, 2-92–2-93

Arm's length

- as a factual matter, 3-16–3-28
- defined, 3-6

Bad debts, *see also* Doubtful and bad debts

- defined for purpose of deduction, 2-77–2-80
- paragraph 20(1)(p) deductions, 2-77–2-80
- recovery of, inclusions, 2-80
- subsection 50(1) loss, 2-80–2-84

Back-to-back loans, 3-31–3-35

Badges of trade, 1-35

Index

Balloon interest obligation, 2-30

Beneficial ownership impact, options, 8-78–8-81

Bifurcation, 1-16–1-19

Blended payments, 2-15–2-20

Bonus or premium, 2-31, 2-55

Canada Savings Bonds bonus, 2-54–2-55

Canadian security, defined, 1-48–1-49

Capital account factors, 1-35–1-46

- treatment, 8-72–5-75

Capital dividends, 5-39–5-41

- treatment of, 5-95–5-97

Capital gains, deemed dividends, 5-94–5-95

Capitalization of interest, 4-69–4-73

Cash method, 2-21–2-23

Cash-settled options, 8-77–8-78

Circularity, 4-36–4-37

Collateral, 7-38–7-40

Collateralized preferred shares, 5-75–5-77

Combination of transactions, 1-12–1-16

Commercial debt obligation, defined, 4-123–4-125

Common mind, 3-17–3-18

Compensation payments, 7-3, 7-33–7-37

Index

Compound interest, paragraph 20(1)(d), 4-46–4-47

Contingent value rights, 1-22–1-23

Contributed surplus, defined, 5-7

Control

- *de facto*, 3-24–3-28
- defined, 3-8
- *de jure*, 3-10–3-15
 - • *Duha Printers*, 3-10
 - • group of persons, 3-15–3-16
- right, deeming rules, 3-8–3-10

Conversions and exchanges, 2-115–2-117, 4-158–4-165, 5-123–5-138

- convertibles, 4-159–4-160
- exchangeables, 4-160–4-164
- property exceeds face value, 4-159–4-164
- property less than face amount, 4-164–4-165
- section 51, 2-121–2-124, 5-135–5-138
- section 51.1, 2-125–2-126
- section 85, 5-123–5-126
- subsections 85(1) and (2), 2-117–2-121
- section 85.1, 5-126–5-130
 - • domestic transactions, 5-126–5-129
 - • foreign transactions, 5-129–5-130
- section 86 (reorganizations), 5-130–5-133
- section 86.1 (foreign spin-offs), 5-133–5-135

Convertible debt

- impact of subsection 214(7), 3-54–3-61

Convertibles, 4-158–4-160

Corporations

- private, defined, 5-40
- public, defined, 5-40–5-41

Cost of debt obligations, 2-84–2-90

- adjusted cost base, 2-84–2-90
- conversion or exchange, 2-115–2-126
 - • section 51, 2-121–2-124

Index

- • section 51.1, 2-125–2-126
- • subsections 85(1) and (2), 2-117–2-121
- foreign currency, 2-86
- identical properties, 2-88–2-90
- indexed, 2-85
- non-arm's length, 2-90

Coupon stripping, 3-31–3-35

Currency swaps, 8-61–8-64

Debt forgiveness rules

- application of, 4-131–4-155
 - • directing forgiven amount to other taxpayers, 4-151–4-154
 - • grinding tax attributes, 4-136–4-149
 - • partnership debtors, 4-149–4-151
 - • ultimate income inclusion, 4-136–4-149
- application to distress preferred shares, 4-154–4-155
- events that trigger, 4-125–4-131
- forgiven amount, 4-131–4-136
- generally, 4-122
- obligations to which rules apply, 4-123–4-125
 - • commercial debt obligation, defined, 4-123–4-125
 - • forgiven amount, 4-131
 - • unpaid interest, 4-121, 4-124
- section 9 (income) inclusion, 4-156–4-157
- settlement or extinguishment, 4-116–4-172

Debt obligations, *see also* Prescribed debt obligations

- cost of, *see* Cost of debt obligations
- character of to issuer, 1-58–1-85
- defined, 1-2–1-5
- disposition, *see* Disposition of debt obligations
- held by non-residents, 3-1–3-96
- held by residents, 2-1–2-145
- indexed, 2-42–2-45, 2-85
- nature of, 1-2–1-5
- seizure of property, 4-168–4-172

Debtor, whether income or capital, 1-58–1-85

- British authorities, 1-61–1-70
- Canadian authorities pre-*Gifford*, 1-70–1-78

Index

- *Gifford*, 1-58–1-61, 1-78–1-85

Deemed dividends, 5-12–5-25

- capital gains, 5-94–5-95
- distributions on a winding-up, 5-16–5-17
- paid-up capital increased, 5-12–5-15
- paid-up capital reduced, 5-15
- PUC grinds under sections 84.1 and 212.1, 5-23–5-25
- redemptions and repurchases, 5-17–5-21
- under subsections 84(4.2) and (4.3), 5-22

***De facto* control**, 3-24–3-28

***De jure* control**, 3-10–3-15

Depository receipts, 1-20

Deposit insurance corporation, 6-11

Derivatives

- form and documentation, 8-2–8-3
- futures and forward contracts, *see* Futures and forward contracts
- generally, 8-1
- income or capital?, 8-6–8-24
 - • case law, 8-6–8-16
- legislative and CRA guidance, 8-16–8-24
- matchable expenditure rules, 8-36–8-41
- nature of, 8-3–8-6
- options, *see* Options
- paragraph 20(1)(e) financing expenses, 8-32–8-34
- realization or mark-to-market, 8-24–8-32
- reporting requirements, 8-41–8-42
- reserves for provision of a service, 8-34–8-36
- swaps, *see* Swaps

Direct eligible use, 4-17–4-36

- “income” and “purpose”, 4-23–4-29
- purpose of use, 4-18–4-23
- remoteness, 4-35–4-36
- tracing/linking, 4-29–4-35

Discounts, 2-46–2-53, 4-89–4-91

Index

Disposition of debt obligations

- accrued interest treatment, 2-109–2-112
 - • overaccrual of interest, 2-112–2-113
- allowable business investment loss (ABIL), 2-92–2-93
- definition of disposition, 2-90–2-91
- foreign currency, 2-93–2-94
- future period interest, 2-114
- generally, 2-90–2-95
- maturity or early redemption, 2-95–2-96
- novation, 2-96–2-106
- prescribed debt obligations, 2-114–2-115
- proceeds, deeming rules, 2-126–2-127
 - • subsection 69(1), 2-126
 - • subsection 69(11), 2-126–2-127
- seizure of property by creditor, 2-106–2-108
- stop-loss rules, 2-127–2-143
- tax treatment, 2-90–2-95

Dispositions of shares, 5-114–5-168

- conversions and exchanges, 5-123–5-138
 - • section 51 (conversions), 5-135–5-138
 - • section 85, 5-123–5-129
 - • section 85.1, 5-126–5-130
 - • • domestic transactions, 5-126–5-129
 - • • foreign transactions, 5-129–5-130
 - • section 86 (reorganizations), 5-130–5-133
 - • section 86.1 (foreign spin-offs), 5-133–5-135
- deemed disposition of bankrupt corporation shares, 5-142–5-143
- fees and expenses, 5-158
- generally, 5-114–5-168
- non-residents, 5-159–5-167
 - • clearance certificates, 5-162–5-167
 - • tax on dispositions, 5-159–5-162
- redemptions and repurchases, 5-120
- secondary market transactions, 5-120–5-122
- synthetic disposition arrangements, 5-138–5-142
 - • 365 day test, 5-153–5-154

Distress preferred shares, debt forgiveness rules application, 4-154–4-155

Dividend rental arrangements, 5-72–5-75

Index

Dividends

- capital, 5-39–5-41
- collateralized preferred shares, 5-75–5-77
- deemed, 5-12–5-25, *see also* Deemed dividends
- defined, 5-1–5-4
- distribution is a dividend, 5-2–5-3
 - • foreign, 5-3
- from non-resident corporations, 5-104
- in kind, 5-183
- paid to non-residents, 5-104–5-105
- Part II.1 tax, 5-193–5-196
- Part III tax, 5-196–5-202
- Part III.1 tax, 5-203–5-204
- Part IV tax, 5-97–5-103
 - • application, 5-97–5-101
 - • refunds, 5-101–5-103
- Part VI.1 tax, 5-183–5-204
- returns of capital and contributed surplus, 5-105–5-106
- split-share structure, 5-4
- taxable, 5-25–5-38, *see also* Taxable dividends
- taxable preferred shares, Part IV.1 tax, 5-77–5-92
- taxable RFI shares, Part IV.1 tax, 5-92–5-94
- tax treatment to shareholder, 5-41–5-107
 - • generally, 5-41–5-43
 - • received by resident corporations from resident corporations, 5-46–5-47
 - • received by resident individuals (including trusts) from resident corporations, 5-44–5-46
 - • term preferred shares, 5-47–5-69

Documentation requirements on debt issuer, 4-172–4-174

- ownership certificate, 4-173

Doubtful and bad debts, 2-61–2-84

- defined, 2-61
- doubtful debt reserve, 2-62–2-77
- generally, 2-61
- reserve for financial institutions and moneylenders, 2-65–2-77

Doubtful debt reserve, 2-63–2-79

Election re subsection 39(4), capital property, 1-47–1-54

Index

Eligible dividends, 5-25–5-31

- paid by CCPCs and deposit insurance corporations, 5-32–5-36
- paid by other corporations, 5-36–5-38

Eligible use test, 4-18–4-23

Escalator obligation, 2-30

Exchangeables, 4-160–4-164

Fair value property, 6-28–6-30

Financial institution, *see also* Specified debt obligation and mark-to-market property rules

- bank, defined, 6-4
- defined, 6-3
- restricted, defined, 6-3–6-5

Financial institutions and moneylenders reserve

- amortized cost, 2-75–2-77
- amount of reserve, 2-73–2-77
- factors to determine whether moneylender, 2-70–2-74
- lag to liquidation method, 2-77
- reserve for doubtful debts, 2-65–2-77
- sectoral reserve, 2-77

Financing expenses

- paragraph 20(1)(e) financing expenses, 4-100–4-112
- paragraph 20(1)(e.1) annual fees, 4-98–4-100
- paragraph 20(1)(e.2) premiums, 4-113–4-114
- unpaid amounts, section 78 inclusions, 4-114–4-115

Fixed payment obligation, 6-44

Foreign currency debt

- acquisitions, 2-86
- dispositions, 2-94
- settlement or extinguishment, 4-165–4-168

Foreign exchange adjustment, 6-51–6-53

Index

Forgiven amount, 4-131–4-136

Futures and forward contracts

- cash settlement, 8-55
- description, 8-42–8-44
- income or capital, 8-44–8-46
- physical settlement, 8-46–8-49
- character conversion transactions, 8-49-8-55
- qualified investments, 8-49

Gains and losses, sections 9 and 10, 5-108–5-109

Gifford case, 1-58–1-61

- interpretation of in subsequent cases, 1-78–1-85

Gilt lock, 8-34

GRIP calculation, 5-32–5-36

Guaranteed shares, 5-70–5-72

Guarantee fees, 3-86–3-94

- between non-arm's length parties, 3-86–3-88
- inclusion in income, 3-86
- guarantor tax treatment, 3-89–3-93
 - deductibility of interest on funds borrowed to make payment, 3-92–3-93
 - recognition of the loss, 3-89–3-92
- recipient tax treatment, 3-93–3-94
- reserves for guarantors, 3-88

Hedge, defined, 8-16–8-17

Hybrid securities

- COPS, 1-11
- debt or equity, 1-6–1-11
- defined, 1-6–1-11
- LYONs, 1-11

IDS, *see* Income deposit securities

IPS, *see* Income participating securities

Index

Identical properties, cost of debt acquisitions, 2-88–2-90

Inclusion rules, 2-20–2-45

Income account factors, 1-30–1-37

- treatment, 8-75-8-76

Income deposit securities, 1-25–1-26

Income participating securities, 1-25–1-26

Income vs capital, 1-30–1-85

- factors determining, 1-35–1-47
- *Gifford* case, 1-58–1-61
- taxpayers other than moneylenders, 1-78–1-82
- taxpayers that are moneylenders, 1-82–1-85
- tracing approach, 1-83

Indexed debt obligations, 2-43–2-45

- defined, 2-43
- inclusion rules, 2-43–2-45
- real return bond, 2-43

Indirect eligible uses, 4-37–4-43

- low or no interest loans, 4-42
- pay on a guarantee, 4-42–4-43
- share redemptions, purchases for cancellation and dividends, 4-38–4-41

Instalment receipts, 1-21

Interest expense

- accrued before issuance, 4-88
- capitalization of interest, 4-79–4-82
- circularity, 4-36–4-37
- compound interest, paragraph 20(1)(d), 4-46–4-47
- deductibility, bars to, 4-53–4-78
 - • contingent amounts, 4-74–4-76
 - • other limitations, 4-76–4-78
 - • reasonableness, 4-73–4-74
 - • thin capitalization rules, 4-57–4-73
 - • weak currency loans, 4-53–4-57
- deductibility under paragraph 20(1)(c), 4-5

Index

- deductibility under subparagraph 20(1)(c)(i), 4-15–4-43
 - • borrowed money requirement, 4-15–4-17
- deductibility under subparagraph 20(1)(c)(ii) and paragraph 20(1)(c) remainder, 4-43–4-46
- deductibility under section 9, 4-4–4-5
- direct eligible use, 4-17–4-36
 - • change of source, 4-47–4-52
 - • “income” and “purpose”, 4-23–4-29
 - • purpose of use, 4-18–4-23
 - • remoteness, 4-35–4-37
 - • tracing/linking, 4-29–4-35
- discounts, 4-89–4-91
- foreign banks and life insurance companies, 4-87
- indirect eligible uses, 4-37–4-43
 - • low or no interest loans, 4-42
 - • pay on a guarantee, 4-42–4-43
 - • share redemptions, purchases for cancellation and dividends, 4-38–4-41
- legal obligation to pay interest, 4-6–4-7
- “paid” or “payable”, 4-7–4-9
- “payable in respect of the year”, 4-9–4-15
- prepayments of interest, 4-82–4-87
 - • premiums and buy-downs, 4-91–4-96
- refinancing, 4-52–4-53
- up-front premiums, 4-96–4-98

Interest income

- accrued, 2-24–2-26
- “as” defined, 2-9
- blended payments, 2-15–2-20
- defined, 2-1–2-9
- fully exempt interest, 3-28–3-30
- inclusion rules, 2-20–2-45
- “in lieu of”, 2-10–2-15
- “in satisfaction of”, 2-9–2-10
- “on account of”, 2-9
- prepayment of, 2-53
- “receivable”, 2-23
- “received”, 2-21–2-23

Interest rate buydown (rate reduction), 2-54

Interest rate swaps, 8-56, 8-60–8-61

Index

Investment corporation, 6-9

- mortgage, 6-9–6-10

Investment counselling fees, 2-139–2-142

Investment dealer, 6-5–6-6

Inventory, defined, 2-59

Investment contract, 2-24–2-26

Level-yield method, 6-42–6-43

Linkage principle, defined, 8-6

Linked debt obligations, 2-30, 2-38–2-42

Long-term debt, 1-23–1-24

LRIP calculation, 5-37–5-38

LYONs, 1-11, 2-124

Mark-to-market property rules, *see also* Specified debt obligation and mark-to-market property rules

- basic rules, 6-32–6-36
- derivatives, 8-24–8-32
- supporting rules, 6-39
- treatment of dividends, 6-36–6-38
- treatment of interest, 6-38–6-39

Matchable expenditure rules, 8-36–8-41

“Method regularly followed”, 2-21

Monetizations, 8-20–8-11

Moneylenders and non-moneylenders, 1-78–1-85

Mutual fund corporation, 6-10–6-11

Index

Non-arm's length, *see also* Arm's length

- as a factual matter, 3-16–3-28
- acting in concert, 3-19–3-24
- common mind, 3-17–3-18
- *de facto* control, 3-24–3-28
- *de jure* control, 3-10–3-15
- fully exempt interest, 3-28–3-30
- guarantee fees, 3-86–3-88

Non-fair market value acquisitions, 5-176

Non-residents

- authorized foreign banks, 3-46–3-47
- back-to-back loans and coupon stripping, 3-31–3-35, 3-48
- Canadian resident custodian, 3-66
- certain loans from non-resident parents, 3-48
- deeming rules for payer, 3-44–3-45
- dispositions treatment, 3-49–3-61
 - • gains or losses, 3-49
 - • shares, 5-153–5-158
 - • • clearance certificates, 5-162–5-167
 - • • tax on dispositions, 5-159–5-162
 - • withholding tax on, 3-50–3-61
- dividends
 - • from non-resident corporations, 5-103
 - • paid to non-residents, 5-104–5-105
- payments to partnerships that are non-resident, 3-42–3-44
- registered non-resident insurers, 3-46–3-47
- treatment of debt held, 3-1–3-96
- withholding tax, 3-1–3-49, 3-50–3-61, *see also* Withholding tax
 - • procedural and administrative matters, 3-61–3-68

Novation of debt obligation, 2-96–2-106

Options

- beneficial ownership impact, 8-78–8-81
- cash-settled, 8-77–8-78
- description, 8-69–8-83
- impact of section 143.3 on grantor, 8-76–8-77
- physically-settled, 8-70–8-77
 - • capital account treatment, 8-72–8-75
 - • capital or income account?, 8-70–8-71

Index

- • income account treatment, 8-75–8-76
- qualified and prohibited investments, 8-81–8-83

PERL, *see* Principal exchange rate linked security

PRPP, *see* Pooled registered pension plans

Paid-up capital, 5-5–5-7

- class-by-class calculation, 5-6–5-7
- deemed dividends, 5-12–5-25
- defined, 5-5–5-7
- reductions in, 5-15–5-16

Paragraph 40(2)(e.1) related parties disposition of debt, 2-136

Paragraph 40(2)(e.2) disposition, 2-137

Participating debt interest, 3-35–3-39

- impact of subsection 214(7), 3-54–3-61

Participation payments, 4-1–4-4, 4-109, 4-157

Part II.1 tax, 5-193–5-196

Part III tax, 5-196–5-202

Part III.1 tax, 5-203–5-204

Part IV tax, 5-97–5-103

- application, 5-97
- refunds, 5-101–5-103

Part IV.1 tax

- on taxable preferred shares, 5-77–5-103
- on taxable RFI shares, 5-92–5-94

Part VI.1 tax, 5-189–5-193

Partnership payments to non-residents, 3-42–3-44

Pension plans, prohibited investments, 3-83–3-84

Perpetual debt, 1-23–1-24

Physical settlement

- futures and forward contracts, 8-42–8-56
- options, 8-70–8-77

Pooled registered pension plans, 3-85–3-86

- defined, 3-85
- restricted investment, 3-85–3-86

Premiums, 2-53–2-56

- bonus on Canada Savings Bonds, 2-54–2-55
- bonus on early redemption of debt, 2-54
- defined, 2-53
- other premiums, 2-55–2-56
- paid by holder, 2-56–2-57
- prepayment of interest, 2-53, 4-81–4-87
- up-front premiums, 4-96–4-98

Prepayment premiums and buy-downs, 4-91–4-96

Prescribed debt obligations

- calculating accrued interest, 2-33–2-36
- disposition of, 2-114–2-115
- types, 2-28–2-33
 - • linked debt, 2-38–2-42
 - • stripped bonds and coupons, 2-37–2-38
 - • zero coupon bonds, 2-37

Prescribed shares, 6-17–6-19

Principal exchange rate linked security, 2-42

Prohibited investments

- pension plans, 3-83–3-84, 5-176
- RCA, 3-83
- RRIF, 3-80–3-83
- RRSP, 3-80–3-83
- TFSAs, 3-80–3-83, 5-173–5-176

PUC grinds under sections 84.1 and 212.1, 5-23–5-25

Index

Qualified investments

- futures and forward contracts, 8-56
- options, 8-81–8-83
- tax-exempts, 3-68–3-86, 5-168–5-173

Quantum of the gain or loss, 6-53–6-58

Repo, *see* Repurchase transactions

ROC notes, *see* Return of capital notes

Real return bond, 2-43

Redemptions and repurchases

- deemed dividends, 5-17–5-21
- for cancellation, 5-204–5-207

Registered securities dealer, 6-5–6-6

Related persons, defined, 3-7–3-16

Reporting obligations, securities transactions, 2-142–2-143, 5-167–5-168

Repurchase transactions

- defined, 7-5–7-6
- not SLAs, 7-58–7-60

Reserves, *see* Derivatives, *see* Doubtful and bad debts, *see* Financial institutions and moneylenders

Residents of Canada, treatment of debt held, 2-1–2-145

Return of capital notes, 2-42

Right, deeming rules, 3-8–3-10

Rights offering, 5-106–5-107

Right to receive production, 8-36–8-37

SLA, *see* Securities lending arrangements

Index

Salary deferral arrangement, 2-25

Sections 9 and 10 accrued gains and losses, 5-108–5-109

Section 51 conversions, 2-121–2-124

Section 51.1 conversions, 2-125–2-126

Securities

- character of to holder, 1-30–1-47
- reporting obligations, 2-142–2-143, 5-164, 8-41–8-42
- types, 1-20–1-30

Securities lending arrangements

- arrangements to avoid or defer income inclusions, 7-16–7-19
- collateral, 7-38–7-40
- compensation payments, 7-10–7-12, 7-21–7-30
- defined, 7-2, 7-3–7-4, 7-6–7-7
- fees, 7-30–7-31
- non-arm's length SLAs, 7-14–7-16
- reasonable expectation of profit, 7-9–7-10
- risk of loss and opportunity for profit, 7-12–7-14
- transfer or loan of qualified security, 7-7–7-9
- treatment of securities lenders or repo vendors, 7-19–7-31
 - non-resident lenders, 7-25–7-31
 - resident securities lenders or vendors, 7-21–7-25
 - treatment of transfer and return, 7-19–7-21
- treatment of securities borrowers, 7-32–7-37
 - compensation payments, 7-33–7-37
 - treatment of the transfer and return of the security, 7-32–7-33

Securities loans, *see also* Securities lending arrangements

- defined, 7-3–7-5
- non-SLAs, 7-40–7-58
 - compensation payments and fees, 7-54–7-58
 - deductibility to payer, 7-54–7-56
 - withholding tax, 7-56–7-58
 - treatment of the transfer and the return, 7-40–7-53

Securities loans and repurchase transactions, *see also* Repurchase transactions, *see also* Securities loans

- introduction, 7-1–7-2

Index

Securities transfer acts, 1-29–1-30

Seizure of property by creditor, 2-106–2-108

Settlement or extinguishment of debt, 4-116–4-172, 4-125–4-131

- debt forgiveness rules, *see* Debt forgiveness rules
- foreign exchange considerations, 4-156–4-168
- paragraph 20(1)(f) deduction, 4-117–4-122
- seizure of property, 4-168–4-172
- subsection 39(3) gain re purchase by issuer, 4-116–4-117

Shareholder, defined, 5-8

Shares

- acquisitions, 5-110–5-114
 - fees and expenses, 5-158
- adjusted cost base, 5-110–5-114
- character of to issuer, 1-54–1-58
- collateralized preferred shares, 5-75–5-77
- contribution to capital, 5-180
- defined, 1-5–1-6
- dispositions, 5-114–5-168, *see also* Dispositions of shares
- financing costs, 5-181–5-183
 - other costs, 5-182
 - paragraph 20(1)(e) expenses, 5-181
 - section 9 deductibility, 5-181
 - share transfer, listing and reporting fees, 5-181–5-182
- guaranteed, 5-70–5-72
- issuance of, 5-177–5-180
- issuer, treatment of, 5-177–5-180
- nature of, 1-5–1-6
- redemptions and purchases for cancellation, 5-204–5-207
- subject to dividend rental arrangements, 5-72–5-75
- taxable preferred shares, Part IV.1 tax, 5-77–5-92
- term preferred shares, 5-47–5-69

Short sale, 7-3

Significant interest rule, 6-13–6-17

Special warrants, 1-21–1-22

Specified cost, 2-34

Specified debt obligations, defined, 6-20

Specified debt obligations that are not mark-to-market property

- dispositions of, 6-53–6-64
 - • quantum of the gain or loss, 6-53–6-58
 - • supporting rules, 6-64
 - • timing of recognition of gain or loss, 6-58–6-63
- income from, 6-39–6-53
 - • accrual adjustment, 6-46–6-50
 - • accrued return, 6-41–6-45, 6-46–6-50
 - • foreign exchange adjustments, 6-51–6-53
 - • special cases, 6-49–6-50
 - • transitional rules, 6-50–6-51

Specified debt obligation and mark-to-market property rules, *see also* Mark-to-market property rules

- changes in accounting treatment, transitional rules, 6-67–6-69
- debt obligations
 - • exclusions, 6-27–6-28
 - • inclusions, 6-20–6-27
 - • that are mark-to-market property, 6-28–6-30
- financial institution, becoming or ceasing to be, 6-64–6-67
- introduction, 6-1–6-3
- property in a Canadian business, beginning or ceasing to use, 6-64–6-67
- property to which rules apply, 6-12–6-32
- shares
 - • defined, 6-12–6-13
 - • excluded property, 6-13–6-17, 6-19–6-20
 - • prescribed, 6-17–6-19
 - • significant interest rule, 6-13–6-17
- timing, 6-12
- tracking property, 6-31–6-32
- transitional rules
 - • changes in accounting treatment, 6-67–6-69
 - • coming into force of regime, 6-69–6-71
- who is subject to regime, 6-3
 - • corporations, 6-3–6-8
 - • exclusions, 6-9–6-12
 - • trusts and partnerships, 6-8–6-9

Index

Specified financial institution, defined, 5-47

Specified interest rate, 2-34

Split-share structure, 5-4

Stapled securities, 1-25–1-29

Step-up obligation, 2-30

Stock consolidation, 5-11

Stock dividend, 5-8–5-11

Stock split, 5-8–5-11

- reverse, 5-11

Stop-loss rules, 2-127–2-136

- affiliated and certain other transferees, 5-154–5-158
- defined, 2-127–2-128
- disposition in exchange for other debts, 2-137
- dividends for shares, 5-143–5-154
- loss suspension rule, subsection 18(15), 2-137–2-139
- paragraph 40(2)(e.1) disposition, 2-136
- paragraph 40(2)(e.2) disposition, 2-137
- related parties disposition of debt, 2-136
- subparagraph 40(2)(g)(i) losses, 2-134–2-136
- subparagraph 40(2)(g)(ii) losses, 2-132–134
- subsection 18(15) loss suspension rule, 2-137
- subsections 40(3.3) and (3.4) dispositions, 2-128–2-132
- superficial losses, 2-134–2-136

Stripped bond, 2-37–2-38

Stripped coupon, 2-37

Subparagraph 40(2)(g)(i) losses, 2-134–2-136

Subparagraph 40(2)(g)(ii) losses, 2-132–134

Subsection 39(4) election, 1-47–1-54

Index

Subsections 40(3.3) and (3.4), 2-128–2-132

Subsection 69(1) deemed proceeds, 2-126

Subsection 69(11) deemed proceeds, 2-126–2-127

Subsections 85(1) and (2) transfers, 2-117–2-121

Superficial losses, 2-134–2-136

Swaps

- currency swaps, 8-61–8-64
- deductions and inclusions, 8-59–8-60
- description and types, 8-69–8-70
- interest rate swaps, 8-60–8-61
- other types of swaps, 8-64–8-66
- withholding tax, 8-67–8-69

TFSAs, *see* Tax-free savings accounts

Taxable dividends, 5-25–5-38

- eligible dividends, 5-25–5-31
 - • excessive eligible dividend designation, 5-32
- defined, 5-25
- paid by CCPCs and deposit insurance corporations, 5-32–5-36
 - • GRIP calculation, 5-32–5-34
- paid by other corporations, 5-36–5-38
 - • LRIP calculation, 5-37–5-38

Tax-exempts, 3-83–3-84

- pension plans, prohibited investments, 3-83–3-84, 5-170
- qualified investments, 3-69–3-80, 5-168–5-173
- TFSAs, prohibited investments, 3-68–3-80, 5-173–5-176

Tax-free savings accounts

- prohibited investments, 3-80–3-83, 5-173–5-176

Term preferred shares, 5-47–5-69

- defined, 5-49–5-59
- exceptions, 5-59–5-69
- specified financial institution, defined, 5-47–5-48

Index

Thin capitalization rules, 4-57–4-73

- specified beneficiary, defined, 4-65
- specified non-resident beneficiary, defined, 4-66

Tracking property, 6-31–6-32

Trader or dealer, defined, 1-49–1-53

Unrealized gains and losses, 2-57–2-84

- doubtful and bad debts, 2-61–2-84, *see also* Doubtful and bad debts
- inventory, 2-59–2-61
- sections 9 and 10 provisions, 2-57–2-61

Up-front interest premiums, 4-96–4-98

Weak currency loans, 4-57–4-53

Winding-up, distributions on, 5-16–5-17

Withholding tax

- defined and charging provision, 3-1–3-3
- dispositions, 3-50–3-61
 - • deemed interest provisions, 3-50–3-53
 - • deemed residency rule, 3-54
 - • section 116 regime, 3-50
 - • subsection 214(7) on participating and convertible debt, 3-54–3-61
- fully exempt interest, 3-28–3-30
- non-arm's length interest, 3-6–3-35
- on other financing costs, 3-39–3-41
- participating debt interest, 3-35–3-39
- pays or credits, 3-3–3-5
- procedural and administrative matters, 3-61–3-68
- securities loans that are not SLAs, 7-58–7-60
- share issuance costs, 5-181
- swaps, 8-56–8-69

Zero coupon bond, 2-29, 2-37