

1996

CHAPTER 49

An Act to amend *The Labour-sponsored Venture Capital Corporations Act*

(Assented to June 25, 1996)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts as follows:

Short title

1 This Act may be cited as *The Labour-sponsored Venture Capital Corporations Amendment Act, 1996*.

S.S. 1986, c.L-0.2 amended

2 *The Labour-sponsored Venture Capital Corporations Act* is amended in the manner set forth in this Act.

Section 2 amended

3 Clause 2(1)(o) is repealed and the following substituted:

“(o) ‘labour association’ means:

(i) respecting a Type A corporation, a trade union as defined in *The Trade Union Act* and includes a federation of those trade unions; and

(ii) respecting a Type B corporation:

(A) a labour organization as defined in *The Trade Union Act*;

(B) a corporation incorporated or continued pursuant to *The Non-profit Corporations Act, 1995* all of whose shareholders are employees of the same employer;

(C) an investment co-operative; or

(D) any other association of employees or class of association of employees that is prescribed in the regulations”.

Section 5 amended

4 Subclause 5(e)(xii) is repealed and the following substituted:

“(xii) in the case of an application for a Type A certificate of registration, the shares may be redeemed prior to the period prescribed in the regulations during which a corporation shall not redeem its eligible equity shares but only if:

(A) the tax credit issued to the shareholder at the time of the issuance of the shares is repaid to the Crown, unless the minister has issued an order pursuant to subsection 8(2); or

(B) the shares that are to be redeemed belonged to a shareholder who has died”.

Section 8.1 amended**5 The following subsection is added after subsection 8.1(1):**

“(1.1) The minister may grant a labour-sponsored venture capital corporation a partial waiver of the amount required to be paid pursuant to subsection (1) respecting shareholders who have held their shares for the period prescribed in the regulations during which a corporation shall not redeem its eligible equity shares”.

Section 9 amended**6 Subsections 9(1) to (3) are repealed and the following substituted:**

“(1) Subject to section 11.2, during the 24-month period following the end of the fiscal year in which equity capital is raised, a Type A corporation shall invest and maintain that equity capital in any combination of equity shares of eligible businesses, liquid reserves or in any other form prescribed in the regulations.

“(2) At the end of that 24-month period and for the period that follows, at least 60% of that equity capital must be invested and maintained in equity shares of eligible businesses and the remainder, if any, must be invested and maintained in equity shares or debt obligations of eligible businesses.

“(3) No Type A corporation shall invest more than 60% of the equity capital that is to be invested in equity shares in any one eligible business or in any combination of an eligible business and one or more corporations that are not dealing at arm's length with the eligible business”.

Section 11 amended**7 Subsection 11(2) is amended by striking out the portion preceding clause (a) and substituting the following:**

“(2) Where an investment in which a labour-sponsored venture capital corporation has invested ceases to be an eligible investment, the labour-sponsored venture capital corporation:”.

Section 12 amended**8 Section 12 is amended:****(a) by repealing subsection (2) and substituting the following:**

“(2) Subject to subsections (3) to (4) and section 13, for the 1989 and subsequent taxation years, an individual residing in Saskatchewan on the last day of a taxation year who is entitled to a labour-sponsored funds tax credit pursuant to paragraph 127.4(3)(b) of the *Income Tax Act* (Canada) is eligible for a tax credit where:

- (a) the minister is satisfied that the individual meets the requirements of that paragraph; and
- (b) the minister has approved the fund to which the tax credit relates”; **and**

(b) by repealing subsection (3.1) and substituting the following:

“(3.1) If an individual claims a tax credit for a taxation year only pursuant to subsection (2):

- (a) the maximum allowable amount of that tax credit for taxation years prior to 1996 is equal to the lesser of:
 - (i) the labour-sponsored funds tax credit determined pursuant to section 127.4 of the *Income Tax Act* (Canada) for that taxation year; and
 - (ii) \$700;
- (b) the maximum allowable amount of that tax credit for the 1996 taxation year is equal to lesser of:
 - (i) the labour-sponsored funds tax credit determined pursuant to section 127.4 of the *Income Tax Act* (Canada) for the 1996 taxation year;
 - (ii) \$700; and
- (c) the maximum allowable amount of that tax credit for taxation years after 1996 is equal to the lesser of:
 - (i) the labour-sponsored funds tax credit determined pursuant to section 127.4 of the *Income Tax Act* (Canada) for that taxation year; and
 - (ii) \$525”.

Section 13 amended

9 The following subsections are added after subsection 13(2):

“(3) After the coming into force of section 1 of *The Labour-sponsored Venture Capital Corporations Amendment Act, 1996* where, after the expiry of the period prescribed in the regulations, an individual redeems a share pursuant to subclauses 5(e)(i) and (ii) for which a tax credit was issued pursuant to this Act, the individual is not entitled to claim a tax credit pursuant to this Act:

- (a) for the taxation year in which the redemption occurred; or
- (b) for either of the following two taxation years.

“(4) Subsection (3) does not apply where a share is redeemed pursuant to subsection 4(3) of the regulations”.

Coming into force

10 This Act comes into force on proclamation.