

**ELECTION FOR GAINS ON SHARES OF A CORPORATION BECOMING PUBLIC**

- This form is for use by individuals to elect under section 48.1 of the *Income Tax Act* to have their small business corporation shares disposed of immediately before the corporation becomes public. This election applies to the 1991 and subsequent taxation years.
- The intent of this election is to ensure that owners of qualified small business corporation shares do not lose their entitlement to the special \$500,000 capital gains deduction for gains accrued, but not realized, on their shares before the corporation becomes a public corporation. By specifying any amount from the adjusted cost base up to the fair market value of the shares as proceeds of disposition, the owner can control the amount of taxable capital gain that will be brought into income for the elected disposition, and match that gain to the availability of the capital gains deduction. The shares are then considered as having been immediately reacquired at a capital cost equal to the elected proceeds of disposition.
- The elected disposition does not apply for the purposes of sections 7 and 35, or paragraph 110(1)(d.1) of the Act.
- File one completed copy of this election form on or before the individual's filing-due date for the individual's taxation year in which the corporation goes public, at the tax centre where the individual's income tax return is normally filed, and separate from any tax return. (You may put it in the same envelope with a return, but do not insert it in or attach it to the return.)
- Sections, subsections, and paragraphs mentioned on this form are from the *Income Tax Act*.

**For departmental use**

Name of individual (print)				Social insurance number / trust account number			
Address						Postal code	
Area code	Telephone number			Filing-due date ▶	Year	Month	Day

Name of small business corporation (print)				Date corporation became public					
Address						Business Number		Postal code	
				Year		Month		Day	

**Proceeds of deemed disposition**

Adjusted cost base (ACB) to the individual of shares of the corporation immediately before going public . . . . .	_____	1
Fair market value (FMV) of shares of the corporation immediately before going public . . . . .	_____	2
Specified proceeds of disposition where (2) exceeds (1) – (see note) . . . . .	_____	3

Number of shares \_\_\_\_\_ Type of shares \* \_\_\_\_\_

\* If you need more space, attach a separate sheet.

**Note:** You may specify any amount from the ACB (1) to the FMV (2) as proceeds of disposition.

**Penalty for late-filed elections**

An election will be accepted up to 2 years following the balance due day, provided a penalty is paid at the time of filing.

Calculation of late-filed penalty per subsection 48.1(4):

Amount (3) above . . . . .	_____	A
Less: amount (1) above . . . . .	_____	B
Difference . . . . .	_____ x 1/4 x 1% x N*	= _____ C
\$100 x N* . . . . .	_____	= _____ D
Late-filing penalty is the lesser of C and D . . . . .	= _____	E

\*N is the total of each month and any part month (if applicable) during the period from the filing-due day to the actual date filed.

Make cheque or money order payable to the Receiver General. Specify "T2101" on the remittance and indicate the taxation year, the name, and social insurance number (or trust account number) of the taxpayer whose account is to be credited.

Amount enclosed . . . . . \_\_\_\_\_

**For departmental use**

**Election and certification**

The above-named individual hereby elects to have the provisions of section 48.1 apply and hereby certifies that the information given in this election is true, correct and complete in every respect.

\_\_\_\_\_  
Signature of individual or authorized person

\_\_\_\_\_  
Date