Canada Revenue

Agence du revenu du Canada

ELECTION FOR A CAPITAL DIVIDEND UNDER SUBSECTION 83(2)

- Private corporations can use this form to elect to have the provisions of subsection 83(2) apply to a dividend. For more information, see Interpretation Bulletins IT-66, Capital Dividends, and IT-149, Winding-up Dividend.
- An election under subsection 83(2) cannot exceed the capital dividend account balance. If it does, it may result in the corporation paying Part III tax on the excessive dividends. See page 2 for further information.
- · File one completed copy of this election with your Tax Services Office:
 - a) on or before the earlier of:
 - (i) the day the dividend becomes payable; and
 - (ii) the first day on which any part of the dividend was paid.
 - b) separate from any tax returns. You can put the election in the same envelope with a return, but do not insert it in or attach it to the return.
- · A capital dividend paid to a non-resident is subject to Part XIII withholding tax reported on an NR4, Statement of Amounts Paid or Credited to Non-residents of Canada.
- · Where subsection 83(2.1) applies to treat a capital dividend as a taxable dividend received by a shareholder, that dividend will be considered to be a capital dividend in determining any liability of the corporation for Part III tax and in calculating the corporation's capital dividend account.
- If you are also filing an election under subsection 14(1.01) or 14(1.02), file it with this election or with your T2 Corporation Income Tax Return on or before your filing due date for the tax year.
- · A disposition (includes sale) of eligible capital property (ECP) may result in an addition to your capital dividend account (CDA). If there is an addition to the CDA, it will occur on the earliest day as follows:
- a) If you are eligible and have made an election under subsection 14(1.01) or 14(1.02), the addition will occur on the date you made the 14(1.01) or 14(1.02) election.
- b) In all other cases, the addition will occur on the last date of your tax year.
- There is an addition to the CDA (refer to the 7th bullet) on the disposition (includes sale) of ECP. If the addition creates or increases a positive amount in the CDA, the earliest date that portion can be paid out as a capital dividend is:
 - a) The date that you made the 14(1.01) or 14(1.02) election for an election referred to in (a), in the 7th bullet, or
 - b) The first day of the following tax year for situations referred to in (b), in the 7th bullet.

Important notes about filing an election under subsection 14(1.01) or 14(1.02)

- An election under subsection 14(1.01) or 14(1.02) cannot be late-filed, amended, or revoked, and you have to meet all of the following criteria:
 - a) The actual proceeds of the disposition are more than the original cost of the eligible capital property.
 - b) The eligible capital expenditure can be determined (goodwill is excluded).
- Parts and subsections mentioned on this form refer to the Income Tay Act

Name of a ground and subsections intentioned on this form refer to the income Tax Act.	15									
ne of corporation (print) Business N		s Num								
							RC	;		
Address				Tax Services Office						
Name of person to contact for more information (print)				Telephone Number						
The second secon				'						
Mailing address (complete only if different from address above)										
maining additions (complete only if directors from additions above)										
Required information										
The full amount of the dividend for which this election is made*						Α				
Capital dividend account immediately before this dividend becomes payable**	• • • •								_ □	
Excess amount, if any, subject to Part III tax (amount A minus amount B)										
(enter this amount on line G on page 2)						_			₌ C	;
Date the dividend becomes payable										
									_	
First day on which any part of the dividend was paid (enter only if earlier than the payable date a	bove	;)							_	
Date of immediately previous election (if none, enter N/A)									_	
Г				7	_					
Is the corporation making an election under subsection 14(1.01) or 14 (1.02)?		Yes		No		Do	not us	e this	area	l
If yes , refer to the 6th, 7th, 8th or 9th bullets above for more information.										
Total remittance accompanying this election (see page 2).										
rotal formation accompanying the distillent (555 page 2).	–				.					
* Attach a certified copy of the resolution or authorization as required by section 2101 of the Inco	ome	Tax F	egulati	ions.						
** Attach a separate sheet of paper showing a detailed calculation of the capital dividend account	t – sı	ubsec	tion 89	(1).						
You do not have to file documentation to support the calculation of the capital dividend accoun	t with	n this	election	n, but						
you have to keep it in case we ask to see it at a later date.										
Required information continued on Page 2.										
1.545555										

Do not use this area

— Required information (continued)	
Does the capital dividend account include any capital dividend received from another corpo or, if an election has never been filed, since the beginning of the calculation of your capital or	
If yes , provide the following information for the other corporation.	
Name of corporation (print)	Business Number
Date dividend became payable by the other corporation (provide the same information separately for each dividend received)	Year Month Day
Late-filing penalty	
According to subsection 83(4), a late-filing penalty will apply to an election filed after its due	date.
Calculation of late-filing penalty:	
Amount of the dividend x 1% x amount N*	÷ 12 = D
\$500 x amount N* ÷ 12	= E
* N represents the number of months or parts of a month in the period from the required filling date.	ng date to the actual
Late-filing penalty (amount D or E, whichever is less)	F
— Part III tax —	
Excess amount of dividend declared subject to Part III tax	G
Part III tax* = 60% x amount G	н
Note: The corporation may be able to avoid paying Part III tax by filing an election under su	ubsection 184(3).
* It is proposed in draft legislation to amend Part III tax rate from 75% to 60% of the excess	amount of dividend, for 2000 and subsequent tax years.
— Total payment accompanying this election	
Late-filing penalty (amount F)	·····
Part III tax (amount H)	······
Total payment accompanying this election (amount F plus amount H) (enter this amount in the space provided on page 1)	·····
Make your cheque or money order payable to the Receiver General. To ensure proper cred business name, the business number and the corporation's tax year-end.	it, write "T2054" on the back of the payment, along with the
Note: Daily compound interest, at prescribed rates, applies to unpaid amounts, including la	ate-filing penalties.
— Election and certification —	
The corporation hereby elects to have the provisions of subsection 83(2) apply for the full at	
I certify that the information given in this election, and in all documents attached, is true, cor	
Date Signature of authorized of	ficer Position or office