Canada Revenue Agency | Agence du revenu du Canada

ELECTION TO DEEM AMOUNT OF SETTLEMENT OF A DEBT OR OBLIGATION

Do not use this area

- The sections, subsections, and paragraphs referred to on this form are from the *Income Tax Act*.
- A parent corporation (the "parent") can use this form to elect under subsection 80.01(4) where:
  (1) subsection 88(1) applies on the winding-up of a subsidiary corporation (the "subsidiary"); and
  (2) a debt or other obligation (the "debt") of the subsidiary to the parent, or of the parent to the subsidiary, is settled as a consequence of the winding-up, without any payment or by the payment of an amount that is less than both the principal amount* and the cost amount** of the debt.
- When the election is made, the debt is deemed to have been settled by payment of an amount equal to the cost amount.
- The parent has to complete, sign, and file this form with the Minister on or before the day it is required to file a return under section 150 for the taxation year in which the debt was settled. It has to be filed, **separate from any tax return**, with the tax centre where the parent files its return. Do not insert or attach this form to a return filed in the same envelope.
- Under paragraph 80.01(4)*(d)* when a subsidiary's debt is settled on a distribution of property in the course of winding-up in circumstances to which paragraphs 88(1)(*a*) and (*b*) apply, the debt is deemed to have been settled immediately before the time that is immediately before the time of the distribution. This rule ensures that there is an appropriate reduction under section 80 in the cost amount of distributed property.
- This election allows the parent to reduce the amount to which subsection 80(1) might otherwise apply in cases where the amount paid for the debt on winding-up is less than the cost amount.** For more information, see interpretation bulletins IT-126 and IT-142.

Name of parent (print)	Business Number
Address	Tax services office
Fiscal period From Year Month Day To Year Month Day	
Name of person to contact for additional information	Telephone number
Address	
Name of subsidiary (print)	Business Number
Address	Tax services office
Date subsidiary was wound up (year - month - day)	

Deemed amount of settlement under this election

A. Amount of payment, if any . . . . . $ _____

B. Principal amount* of the debt . . . . . $ _____

C. Cost amount** of the debt – deemed amount of settlement . . . . . $ _____

Do not submit documents to support the above amounts but keep them in case we ask for them later.

Notes:

* "Principal amount" is defined in subsection 248(1).

** "Cost amount" is as defined in subsection 248(1), but read without reference to paragraph (e). It includes amounts added in computing the income of the creditor (i.e. the parent or the subsidiary) in respect of the part of the indebtedness representing unpaid interest, to the extent that the parent or the subsidiary has not deducted any amount as bad debts in respect of that unpaid interest.

Election and certification

The above-named parent elects under subsection 80.01(4) in respect of the debt owed to or by the above-named subsidiary.
I hereby certify that the information given in this election is true, correct, and complete in every respect.

_____ Date

_____ Signature of authorized officer of parent corporation

_____ Position or office of authorized officer