

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 balance of the capital dividend account. If the election amount exceeds the account balance, the corporation may be required to pay 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:

aencv

- (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 Tax Act.

Name of corporation (print	t)	Business Number								
							RC			
Address					Tax servic	es office				
Name of person to contact	t for more information (print)				Telephone	number				
										_
Mailing address (complete	e only if different from address above)									
— Required inform	nation									-
The full amount of the	dividend for which this election is made*					·			А	
Capital dividend accou	nt immediately before this dividend becomes payable**								В	
	y, subject to Part III tax (amount A minus amount B)								~	
(enter this amount on li	ine G on page 2)					·			C	
Date the dividend beco	mes payable					·				
First day on which any	part of the dividend was paid (enter only if earlier than the paya	able date above)				·				
Date of immediately pro	evious election (if none, enter N/A)					·				
		Ves		No		Do	not use	this a	rea	-
	ing an election under subsection 14(1.01) or 14 (1.02)? 7th, 8th or 9th bullets above for more information.		'							
•										
Total remittance accom	npanying this election (see page 2)	· · · · · · · · · · · · · · ·								
* Attach a certified cop	by of the resolution or authorization as required by section 2101	of the Income T	ax Regu	lation	s.					
	eet of paper showing a detailed calculation of the capital divider									
	le documentation to support the calculation of the capital divident case we ask to see it at a later date.	nd account with	this elec	ction, c	but					
Required information c										
								Car	a d'	<u>.</u>
Г2054 E (11)	(Vous pouvez obtenir ce formulaire en français à www.arc	.gc.ca ou au 1-800)-959-337	76.)		Page 1	of 2	UdI	IdCla	1



Do not use this area

Required information (continued)							
Does the capital dividend account include any capital dividend received from another or, if an election has never been filed, since the beginning of the calculation of your ca							
If yes , provide the following information for the other corporation.							
Name of corporation (print)	Business Number						
Date dividend became payable by the other corporation	Year Month Day						
(provide the same information separately for each dividend received)							
Late-filing penalty							
According to subsection 83(4), a late-filing penalty will apply to an election filed after it	s due date.						
Calculation of late-filing penalty:							
Amount of the dividend \times 1% \times amount N*	÷ 12 = D						
\$500 × amount N* ÷ 12 = E							
* N represents the number of months or parts of a month in the period from the requir filing date.	ed filing date to the actual						
Late-filing penalty (amount D or E, whichever is less)	F						
— Part III tax							
– Part III tax –							
Excess amount of dividend declared subject to Part III tax	G						
Part III tax* = 60% × amount G H							
Note: The corporation may be able to avoid paying Part III tax by filing an election under subsection 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 credit, write "T2054" on the back of the cheque or money order, along with the business name, the business number and the corporation's tax year-end.							
Note: Daily compound interest, at prescribed rates, applies to unpaid amounts, including late-filing penalties.							
Election and certification							
The corporation hereby elects to have the provisions of subsection 83(2) apply for the full amount of the dividend indicated herein. I certify that the information given in this election, and in all documents attached, is true, correct, and complete in every respect.							
r centry that the information given in this election, and in an documents attached, is true, correct, and complete in every respect.							

Date

Signature of authorized officer

Position or office