Election for a Capital Dividend Under Subsection 83(2)

Do not use this area.

- Private corporations can use this form to elect to have the provisions of subsection 83(2) apply to a dividend. For more information, see Income Tax Folio S3-F2-C1, Capital Dividends and Interpretation Bulletin IT-149, Winding-up Dividend.
- Unless otherwise stated, all legislative references are to the Income Tax Act.
- To file electronically, please go to **canada.ca/cra-special-elections-and-returns**.

  Or mail this election, separately from any other return, to:
  Prince Edward Island Tax Centre
  275 Pope Rd
  Summerside, PE C1N 6A2
- The election is due on or before the earlier of:
  - the day the dividend becomes payable
  - the first day on which any part of the dividend was paid

  There is a late-filing penalty if the election is filed after the date it is due. The corporation must estimate the amount of the late-filing penalty and pay that amount when it files the election. See "Part 8 – Late-filing penalty" for details.
- If the amount of the dividend that is elected under subsection 83(2) exceeds the balance of the capital dividend account (CDA), the corporation may have to pay Part III tax on the excess portion of the dividend. However, if the corporation qualifies, it may file an election under subsection 184(3), in the manner prescribed by section 2106 of the Income Tax Regulations, to treat the excess as a separate taxable dividend.
- A capital dividend paid to a non-resident is subject to Part XIII withholding tax and must be reported on an NR4, Statement of Amounts Paid or Credited to Non-residents of Canada.
- Generally, amounts are added to your CDA as they are realized. For more information, see Income Tax Folio S3-F2-C1, Capital Dividends.
- For CDA purposes, a corporation's capital gain or loss from the disposition of a property is computed without reference to subclause 52(3)(a)(ii)(A)(II) and subparagraph 53(1)(b)(ii).
- Where subsection 83(2.1) applies to treat a capital dividend as a taxable dividend received by a shareholder, that dividend will still be considered to be a capital dividend in determining any liability of the corporation for Part III tax and in calculating the corporation's CDA.
- Prepare and attach Schedule 89, Request for Capital Dividend Account Balance Verification, as part of this election, when **either** of the following apply:
  - you have never filed a T2054 or Schedule 89 before, **or**
  - you disagree with either the amount shown in your CDA balance on the My Business Account website or with your recently received CDA balance from the Canada Revenue Agency.

Part 1 – Identification

002 Corporation's name		001 Business number R C	
Address	City	Province or territory	Postal code
019 Name of contact person	024 Name of firm (if applicable)	022 Telephone number	023 Extension

Part 2 – Required information

The full amount of the dividend for which this election is made [1] . . . . . 100 _____

CDA immediately before this dividend becomes payable [2] . . . . . 110 _____

Excess amount, if any, subject to Part III tax (line 100 **minus** line 110) (if negative, enter "0") . . . . . _____ 2A
(enter amount 2A at amount 9A in Part 9)

Date the dividend becomes payable . . . . . 120 Year Month Day

First day on which any part of the dividend was paid
(enter only if earlier than the date the dividend becomes payable) . . . . . 130 Year Month Day

Date of the last election (if applicable) . . . . . 140 Year Month Day

Has there been an acquisition of control since the date of the last election? . . . . . 150 ☐ Yes ☐ No

Since your last election, or since the beginning of your CDA calculation if you have never made an election, does your CDA include a capital dividend received from another corporation that would have made an election under subsection 83(2) or an amount of distribution made by a trust to which a designation under subsection 104(20) was made? 200 ☐ Yes ☐ No

If **yes**, provide the information on the other corporation in Part 3 or on the trust in Part 4.

[1] Attach a certified copy of the resolution or authorization as required per section 2101 of the Regulations.

[2] Attach supporting calculations for line 110. Schedule 89 may be used for the calculations.

Clear Data

Protected B when completed

Part 3 – Capital dividends received from other corporations

	1 Corporation's name 210	2 Business number 220	3 Date dividend became payable by the other corporation (provide the same information separately for each dividend received) (YYYY/MM/DD) 230
1		R C	
2		R C	
3		R C	
4		R C	
5		R C	
6		R C	
7		R C	
8		R C	
9		R C	
10		R C	

Part 4 – Capital dividends distributed to the corporation from a trust

For each distribution made by a trust to which a designation under subsection 104(20) was made, give the name and account number of the trust and the date of the distribution.

	1 Trust's name 250	2 Trust account number 255	3 Date of the distribution (YYYY/MM/DD) 260
1			
2			
3			
4			
5			

Attach additional schedules if you need more space.

Part 5 – Capital gain or loss during the current tax year

Complete this section to report a capital gain or loss during the current tax year up to the date of the election.

	1 Quantity 330	2 Description of asset 331	3 Acquisition date (YYYY/MM/DD) 332	4 Proceeds of disposition 333	5 Adjusted cost base 334	6 Outlays and expenses from disposition 335	7 Gain/Loss (line 333 **minus** lines 334 and 335) 336
1							
2							
3							
4							
5							
			Totals:				

Part 6 – Shareholder information

Provide the following information about every shareholder who has, or who will, receive a dividend for which this election is made.

	1 Name of shareholder 337	2 Social insurance, trust account or business number [3] 338	3 Date of payment (YYYY/MM/DD) 339	4 Share of capital dividend 340
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

[3] For business numbers, enter the full 15 character business number.

Part 7 – Additional information – Life insurance

The following items are required by the Canada Revenue Agency if the CDA balance, reported on line 110, includes net life insurance proceeds:

- Name of the insured individual
- Name of the beneficiary
- Policy number
- The **adjusted cost basis** of the policy
- The total amount received related to the life insurance proceeds (provide a detailed breakdown of the amount received)
- **Please attach a letter from the insurance company indicating whether the life insurance policy was a taxable or non-taxable policy**

Policy 1:

350 Name of insured individual		351 Name of beneficiary	
352 Policy number	353 Adjusted cost basis (ACB)	354 Total **net** proceeds received	355 Policy redemption date Year Month Day

Policy 2:

360 Name of insured individual		361 Name of beneficiary	
362 Policy number	363 Adjusted cost basis	364 Total **net** proceeds received	365 Policy redemption date Year Month Day

Part 8 – Late-filing penalty

According to paragraph 83(3)(b), you must calculate and pay a late-filing penalty if this election is filed after its due date. Subsection 83(4) states how the penalty must be calculated.

Calculation of late-filing penalty:

Even if you filed a T1296, Election, or Revocation of an Election, to Report in a Functional Currency, with the Canada Revenue Agency to report in a functional currency, please apply your calculations below in Canadian dollars. Use the Bank of Canada's daily conversion rate as your late filing penalty **must** be in Canadian dollars.

Line 100 . . . . . _____ × 1% = _____ 8A

Number of months [4] . . . . . _____ ÷ 12 = _____ 8B

Subtotal (amount 8A **multiplied** by amount 8B) . . . . . _____ 8C

$500 × Number of months [4] . . . . . _____ ÷ 12 = _____ 8D

Late-filing penalty
(amount 8C or amount 8D, whichever is less) . . . . . 320 _____

[4] Number of months is the sum of each month or each part of a month in the period from the filing due date to the actual date filed.

Do not use this area.

Part 9 – Part III tax

According to subsection 184(2), Part III tax will apply on the excess amount.

Excess amount of dividend declared subject to Part III tax (amount 2A in Part 2) . . . . . _____ 9A

Part III tax . . . . . amount 9A _____ × 60% = 375 _____

Note: The corporation may be able to avoid paying Part III tax by filing an election under subsection 184(3), in the manner prescribed by section 2106 of the Regulations, to treat the excess as a separate taxable dividend.

Part 10 – Total payment accompanying this election

Late-filing penalty (line 320 in Part 8) 10A

Part III tax (line 375 in Part 9) 10B

Amount owing (amount 10A **plus** amount 10B) 10C

Total payment accompanying this election **400**

Make your cheque or money order payable to the Receiver General. Write T2054, your corporation's business number, and tax year-end on the front of your cheque or money order.

Note: Daily compound interest at the prescribed rate applies to unpaid amounts, including late-filing penalties.

Part 11 – 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 on this form and in any attached document is correct and complete.

960 Name of authorized officer

961 Position or office

962 Signature of authorized officer

963 Date Year Month Day

Privacy notice

Personal information (including the SIN) is collected and used to administer or enforce the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be disclosed to other federal, provincial, territorial, aboriginal or foreign government institutions to the extent authorized by law. Failure to provide this information may result in paying interest or penalties, or in other actions. Under the Privacy Act, individuals have a right of protection, access to and correction of their personal information, and to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 047 on Info Source at **canada.ca/cra-info-source**.