

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 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:
 - on or before the earlier of:
 - the day the dividend becomes payable; and
 - the first day on which any part of the dividend was paid;
 - 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:
 - 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.
 - 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:
 - 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
 - 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:
 - The actual proceeds of the disposition are more than the original cost of the eligible capital property.
 - 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)	Business Number
Address	Tax services office
Name of person to contact for more information (print)	Telephone number
Mailing address (complete only if different from address above)	

Required information

The full amount of the dividend for which this election is made* _____ A

Capital dividend account immediately before this dividend becomes payable** _____ B

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 above) _____

Date of immediately previous election (if none, enter N/A) _____

Is the corporation making an election under subsection 14(1.01) or 14 (1.02)? Yes No

If **yes**, refer to the 6th, 7th, 8th or 9th bullets above for more information.

Total remittance accompanying this election (see page 2) _____

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* Attach a certified copy of the resolution or authorization as required by section 2101 of the *Income Tax Regulations*.

** Attach a separate sheet of paper showing a detailed calculation of the capital dividend account – subsection 89(1). You do not have to file documentation to support the calculation of the capital dividend account with this election, but you have to keep it in case we ask to see it at a later date.

Required information continued on Page 2.

