Canada Revenue Agency | Agence du revenu du Canada

ELECTION IN RESPECT OF A CAPITAL GAINS DIVIDEND UNDER SUBSECTION 131(1)

- A corporation that was throughout the taxation year in which a dividend became payable, a mutual fund corporation as defined under subsection 131(8), or an investment corporation as defined under subsection 130(3) can use this form to elect to have the provisions of subsection 131(1) apply to the dividend.
- File one completed copy of this election as follows:
  - 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.
  - at the tax services office serving the area where the corporation is located or, if the corporation has a head office, where the head office is located.
  - separate from any return. You may put it in the same envelope with a return, but do not insert in nor attach to the return.
- *Regulation* 2104 contains instructions concerning the material to be filed with this election.
- Subsections 131(1.5) to (1.8) apply to taxation years that end after February 27, 2000.
- Any amount paid in respect of the dividend for which this election is made is to be reported as a capital gain dividend on a T5 Return (form T5 *Summary* and related forms T5 *Supplementary*) for the calendar year in which the payment was made. Effective March 23, 2004, any portion of the capital gains dividend received by a non-resident shareholder from a mutual fund corporation that, represents a taxable Canadian property (TCP) gains distribution, is not deemed to be a capital gain and is subject to Part XIII tax.
- Parts, subsections and paragraphs referred to in this form are from the *Income Tax Act.*

Do not use this area

Name of corporation (print)	Business Number
Address	Postal code
Name of person to contact for additional information (print)	Tax services office
Mailing address (to be completed only if different from address above)	Area code / Telephone number

Required information

(1) Date this dividend becomes payable (where applicable) . . . . . (1)

(2) First day on which any part of the dividend was paid . . . . . (2)

(3) Date of immediately previous election . . . . .

– Full amount of dividend in respect of immediately previous election . . . .

Deemed capital gains dividend

Full amount of dividend in respect of which this election is made . . . . . (A)

Capital Gains Dividend Account at the time this dividend becomes payable . . . . . (B)

Amount of dividend deemed to be a Capital Gains Dividend – lesser of (A) and (B) . . . . . (C)

Attachments

- A certified copy of the resolution or authorization as required by *Regulation* 2104.
- A schedule showing the computation of the Capital Gains Dividend Account – Amount (B) (subsection 131(6).)
- Attach a cheque or money order payable to the Receiver General for Amount (G) if any. Specify "T2055" on the remittance and to ensure proper credit, indicate the name, Business Number and taxation year of the corporation.

Part III tax calculation*

Amount by which (A) exceeds (B), if any . . . . . (D)

Part III tax – 75% of (D) (enter "0" if not applicable) . . . . . (E)

Note: It is proposed in draft legislation to amend Part III tax to 60% of the excess dividend, for 2000 and subsequent taxation years.

Late-filing penalty

Where the election is not filed on or before the earlier of (1) and (2) indicated above, it shall be deemed to have been made on the date required if made in the prescribed manner and prescribed form, and a penalty is paid on filing this election.

Dividend – (Amount (A) _____) x 1% x (N ** ÷ 12) . . . (i)

$500 x (N** ÷ 12) . . . . . (ii)

Amount of late-filing penalty – lesser of (i) and (ii) (enter "0" if not applicable) . . . . . (F)

Amount of remittance accompanying this election

Part III tax – Amount (E) above, if any . . . . .

Late-filing penalty – Amount (F) above, if any . . . . .

Amount remitted – Amount (E) plus Amount (F) . . . . . (G)

Note: Unpaid taxes bear interest compounded daily at a prescribed rate.

Election and certification

The above-named corporation hereby elects to have the provisions of subsection 131(1) apply for the full amount of the dividend indicated above. I hereby certify that the information given in this election, and in all documents attached, is true, correct and complete in every respect.

Signature of authorized officer	Position or office	Date

* An election may be made under subsection 184(3) to treat the excess as a separate taxable dividend. The election must be made in the manner prescribed in *Regulation* 2106 and within 90 days from the date of mailing of a *Notice of Assessment* in respect of the Part III tax that would otherwise be payable.

** **N** equals the total number of months and part of a month (if applicable) during the period from the required filing date to the actual filing date. For example, if the penalty period begins on the 15th of a month, the next month or part month starts on the 15th of the next calendar month.

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(Vous pouvez obtenir ce formulaire en français à **www.arc.gc.ca** ou au **1 800 959-3376**.)

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