Election in Respect of a Capital Gains Dividend Under Subsection 131(1)

- Use this form to elect to treat a dividend as a capital gains dividend per subsection 131(1), if you are:
  - a mutual fund corporation as defined under subsection 131(8) throughout the tax year in which a dividend became payable
  - deemed to be a mutual fund corporation per subsection 131(8.01)
  - per subsection 130(2), an investment corporation that meets the requirements of subsection 130(3)

- You can also use this form to elect under subparagraph 132.2(3)(I)(iii) for the full amount of a dividend in respect of a qualifying exchange of property under section 132.2. You must meet all the conditions under subparagraph 132.2(3)(I)(iii). The election must be filed before the day that any part of the dividend is paid. A late-filed election under subparagraph 132.2(3)(I)(iii) will not be accepted. If a timely election is not made, no election can be made under subsection 131(1) in respect of the dividend.

- All legislative references are to the Income Tax Act and Income Tax Regulations.

- Mail one completed copy of this election, separately from any other return to the Prince Edward Island Tax Center on or before the earlier of:
  - the day the dividend becomes payable
  - the first day on which any part of the dividend was paid

  Prince Edward Island Tax Centre, 275 Pope Road, Summerside PE C1N 6A2.

- Instructions concerning the material to be filed with this election are contained in Regulation 2104.

- Any amount paid as a dividend for which this election is made is to be reported as a capital gains dividend on a T5 information return (T5 Slips and T5 Summary form) for the calendar year in which the payment was made.

- If the conditions of subsection 131(5.2) are met, any portion of the capital gains dividend received by a non-resident shareholder (or a partnership that is not a Canadian partnership) from a mutual fund corporation, that represents a taxable Canadian property gains distribution, is a taxable dividend and is subject to Part III tax. Therefore, the dividend is not a capital gain dividend.

Do not use this area

Corporation's name	Business number
Address	Postal code
Name of contact person	Tax services office
Mailing address (complete only if different from address above)	Telephone number

Required information

	Year	Month	Day
Date this dividend becomes payable (where applicable)			
First day on which any part of the dividend was paid			
Date of immediately previous election			

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

Are you filing Form T1169, Election on Disposition of Property by a Mutual Fund Corporation (or a Mutual Fund Trust) to a Mutual Fund Trust? . . . . Yes ☐ No ☐

If you ticked **yes**; then you are electing under subparagraph 132.2(3)(I)(iii) to have the full dividend made payable within the 60-day period starting right after the transfer time. The transferor held the shares before the transfer time, and made the election before the full amount of the dividend was paid.

Deemed capital gains dividend

Full amount of the original 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 (the lesser of amounts A or B) . . . . _____ C

Part III tax

Subsection 184(2) applies Part III tax when a corporation makes an excessive election.

Amount by which amount A **exceeds** amount B, if any . . . . _____ D

Part III tax – 60% of amount D (enter "0" if not applicable) . . . . _____ E

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

Late-filing penalty

According to subsection 131(1.1), a late-filing penalty will apply to an election under 131(1) that is filed after its due date.

Amount A _____ $\times$ 1% $\times$ amount N* _____ $\div$ 12 = ... _____ F

$500 $\times$ amount N* _____ $\div$ 12 . . . . _____ G

Amount of late-filing penalty – lesser of amount F or G (enter "0" if not applicable) . . . . _____ H

* N 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.

Amount of remittance accompanying this election

Part III tax – Amount E on page 1 . . . . _____ I

Late-filing penalty – Amount H . . . . _____ J

Amount owing – Amount I **plus** Amount J . . . . _____ K

Amount of remittance accompanying this election . . . . _____ L

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

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)).

• Make your cheque or money order payable to the Receiver General. On the back write T2055, your corporation's name, business number, and tax-year end.

Do not use this area

Election and certification

The corporation hereby elects to have the provisions of subsection 131(1) and subsection 132.2(3)(1)(iii), where applicable, apply for the full amount of the dividend indicated.

I certify that the information given in this election, and in all documents attached, is true, correct and complete in every respect.

_____	_____
Name of authorized officer	Position or office
_____	_____
Signature of authorized officer	Date yyyy/mm/dd

Privacy statement