Subsection 13 (29) Election in Respect of Certain Depreciable Properties, Acquired for use in a long Term Project

- Sections, subsections, paragraphs, and regulations referred to in this form are those of the *Income Tax Act* (the Act) and the *Income Tax Regulations* (the Regulations).
- You must use this form to apply the provisions of subsection 13(29) of the Act to depreciable property acquired for use in a long-term project, which meets the following conditions:
  i) It is not a building that is used, or is to be used principally for earning rent.
  ii) It was acquired in the first taxation year (the "particular year") that started more than 357 days after the end of the taxation year in which the first project property was acquired after 1989; or in a taxation year subsequent to the particular year.
  iii) At the end of the third taxation year, or any subsequent taxation year for which you have made a subsequent 13(29) election ("the inclusion years"), the property may be considered part of the project and it has not otherwise become available for use.
- The maximum amount you can elect under subsection 13(29) for an inclusion year (the current taxation year) is Amount (E) as calculated in section II below. The general available for use rules under subsections 13(26) to 13(28) still apply to a depreciable property acquired for use in a long-term project for which a subsection 13(29) election is made.
- The half-year capital cost allowance rule in subsection 1100(2) of the Regulations will continue to apply to property that is treated as available for use under a subsection 13(29) election.
- The timing of this election will be altered for a corporation that gets a new taxation year under subsection 249(4) on a change in control before the third taxation year.
- You must file one completed copy of this form with your income tax return for the "particular year", as defined above.
- Documentation relating to the acquisition of property and details of yearly expenditures on the project that are covered by this election do not have to be filed with the election, but should be kept for examination upon request.

Name (PRINT)		Business Number
Address	Taxation year	Tax Services Office
Name of person to contact for more information	Telephone number – –	Extension

Information required

I. Long-term project identifier

- Project description: ____________________
- Project started on (after 1989): D\M\Y ____________________

II. Calculation of Amount Elected for Current Taxation Year (20___) under subsection 13(29) of the Act (Refer to the Examples attached to this form which illustrate the application of this Election)

- Total cost of depreciable property that was acquired for use in a long-term project in the taxpayer's third taxation year of the project, and in subsequent years *(include property aquired in current taxation year)* ____________ $ (A)

You may elect any portion of amount (A) not greater than amount (D) below

- Total cost of depreciable property that was acquired for use in a long-term project:
  – that is **not** available for use before end of current taxation year;
  and
  – that was acquired in taxpayer's taxation years of the project that (in relation to current taxation year) are the second-preceding year and earlier years
  *[Include in this total, any property acquired in these years that became available for use before end of current taxation year under a "rolling start rule" * in paragraphs 13(27) (b) and 13(28) (c) of the Act; and under any subsection 13(29) election for this project other than the election for current taxation years.]* ____________ $ (B)
- Total subsection 13(29) amounts elected previously for this project *[Do not include amount elected for current taxation year]* ____________ $ (C)
- Maximum amount that can be elected for current taxation year amount (B) minus amount (C) ____________ $ (D)
- "Amount Elected" for current taxation year and added to the Undepreciated Capital Cost (UCC) of project-depreciable property **(lesser of (A) and (D) above)** ____________ $ (E)

* (The "rolling start rule" considers property as available for use in a taxpayer's second taxation year following the taxation year in which the property was acquired)

Election and certification

I/We ____________________ hereby elect to have the provisions of subsection 13(29) of the Income Tax Act apply to the

depreciable property of the above project, and certify that the information given in this election is true, correct, and complete in every way.

____________ Date

____________ Signature of individual, partner or authorized officer if it is a corporation

____________ Position or title

Examples

Comment: The following examples show how an election can be applied to use the long-term project rule provided under subsection 13(29).

Example A:

- A $160-million industrial project is started in year 1 and is completed and operating to earn income in year 6.
- It is assumed that none of the property incorporated in the project will be otherwise available for use until the project is completed (this does not include property which becomes available for use during the construction period because of this rule, or because of the two-year rolling start rule).
- The taxpayer elects in year 3 of the project to have the long-term project rule apply.

Solution: Subsection 13(29) is applied in this situation as follows:

Year	Expenditures		Additions to UCC		Current year expenditure deferred
	Total	Long-term project	Rolling start	Other	
1	10	0	n/a		10
2	20	0	n/a		20
3	70	10 [1]	10 [2]		60
4	50	20 [3]	20 [4]		30
5	5	35 [5]	60 [6]		0
6	5	0	–	5 [7]	0
Total	**160**	**65**	**90**	**5**	

1 Whichever of the following is less:
- year 3 expenditures not available for use before the end of that year — 70
- year 1 expenditures — 10
  less
  amounts previously determined to be available for use under this rule — <u>0</u> — 10

2 Year 1 expenditures available for use under the rolling start rule (not subject to the half-year rule)

3 Whichever of the following is less:
- year 3 and 4 expenditures not available for use before the end of the year (120-10) — 110
- total of year 1 and 2 expenditures — 30
  less
  amount calculated under note 1 above — <u>10</u> — 20

4 Year 2 expenditures available for use under the rolling start rule (not subject to the half-year rule)

5 Whichever of the following is less:
- total of year 3, 4, and 5 expenditures — 125
  less
  portion of year 3, 4, and 5 expenditures already available for use at the end of the year (10+20+60) — <u>90</u> — 35
- total of year 1, 2, and 3 expenditures — 100
  less
  total of amounts calculated under items 1 and 3 (above) — <u>30</u> — 70

6 Remainder of year 3 expenditures available for use under the rolling start rule.

7 Year 6 expenditures available for use when the project is operating (paragraph 13(27)(a) of the Act) during the sixth year

Example B:

- It is assumed that one-half of the property acquired in year 2 of the project becomes available for use during year 3, according to paragraph 13(27)(d) (the intermediate-product rule).
- None of the other property included in the project will be available for use until the project is operating in the fifth year (other than property which becomes available for use under this rule or the two-year rolling start rule).
- This taxpayer also elects in year 3 to have the long-term project rule apply.

Solution: Subsection 13(29) is applied in this situation as follows:

Year	Expenditures		Additions to UCC		Current year expenditure deferred
	Total	Long-term project	Rolling start	Other	
1	25	0	n/a	0	25
2	30	0	n/a	0	30
3	20	20 [1]	25 [2]	15 [3]	0
4	40	20 [4]	15 [5]	0	20
5	10	0	0	30 [6]	0
Total	**125**	**40**	**40**	**45**	

1 Whichever of the following is less:
- year 3 expenditures not available for use before the end of that year — 20
- year 1 expenditures — 25
  less
  amounts previously determined to be available for use under this — <u>0</u> — 25

  This amount of $20 is subject to the half-year rule

2 Year 1 expenditures available for use under the rolling start rule (not subject to the half-year rule)

3 Portion of year 2 expenditures available for use during year 3 under the intermediate-product rule (subject to the half-year rule).

4 Whichever of the following is less:
- year 3 and 4 expenditures not available for use before the end of the year (60 – 20) — 40
- total of year 1 and 2 expenditures — 55
  less
  year 1 or 2 expenditures already available for use determined without regard to the rolling start rule. — <u>15</u> — 40
  less
  amount calculated under item 1 (above) — <u>20</u> — 20

  This amount of $20 is subject to the half-year rule

5 Portion of year 2 expenditures not already available for use under the rolling start rule, not subject to the half-year rule.

6 Year 5 expenditures and remainder of year 4 expenditures available for use when the project is operating (paragraph 13(27)(a)) during the fifth year, subject to the half-year rule.