Supplementary Schedule for Dispositions of Capital Property Acquired Before 1972

Use this form to calculate your capital gains or capital losses on the disposition of capital property you acquired before 1972. Capital gains were not taxed before January 1, 1972. Therefore, to eliminate any capital gain that accrued before 1972, transitional rules apply when you dispose of a capital property you acquired before 1972. To find out how to apply these rules, see Part 1 of this form for depreciable property and Part 2 for non-depreciable capital property.

On this form, when we use the term **proceeds of disposition**, we mean the amount you received or will receive for your property. In most cases, it refers to the sale price of the property. However, it also includes the deemed proceeds of disposition generated by certain transactions. Some of the more common transactions are:

- a change in the use of all or part of a property
- deemed dispositions on an individual's death
- inter vivos transfers of property to a spouse or common-law partner or a spousal or common-law partner trust (for more information, see Interpretation Bulletin IT-268R4, Inter Vivos Transfer of Farm Property to a Child, and its Special Release)
- transfers of farm or fishing property to a child
- non-arm's length transactions

For more information on these transactions, call **1-800-959-8281.**

Part 1 – Depreciable property

Depreciable property is usually capital property used to earn income from a business or property. In the year you buy a depreciable property, you usually cannot deduct its full cost. However, you can deduct the property's cost over a period of several years. The deduction for this is called **capital cost allowance**.

The transitional rules allow you to reduce the proceeds of disposition (called "revised proceeds of disposition" or "revised proceeds") when you calculate your capital gain on the disposition of a depreciable property. You can apply the transitional rules only if you meet **all** of the following conditions:

- you acquired the depreciable property before 1972
- you owned the property without interruption from December 31, 1971, to the time of disposition or deemed disposition
- the capital cost of the property is less than **both** the proceeds of disposition and the fair market value of the property on Valuation Day (V-Day), which is December 31, 1971

If you meet all of these conditions, the revised proceeds of disposition are considered to be equal to the **total** of the following amounts:

- the capital cost of the property
- the amount, if any, by which the proceeds of disposition exceed the fair market value of the property on V-Day

In most other cases, no change is required to the proceeds of disposition.

Note
When you dispose of a depreciable property after February 22, 1994, for which you filed Form T664 or Form T664(Seniors), Election to Report a Capital Gain on Property Owned at the End of February 22, 1994, or Form 94-115, Election to Report a Capital Gain on Property Owned by a Personal Trust at the End of February 22, 1994, you still have to apply the transitional rules if you meet the previously mentioned conditions. For that purpose, :

- you are still considered to have owned the property without interruption from December 31, 1971
- the capital cost of the property (column 1 of Chart A and B below) is not considered to have changed because of the election

Current-year dispositions of depreciable property you acquired before 1972

- If the capital cost of the property you disposed of is **less** than its fair market value on V-Day (V-Day value) and **less** than the proceeds of disposition, calculate the revised proceeds of disposition using Chart A. However, if you made additions or improvements to the property after December 31, 1971, calculate the revised proceeds of disposition using Chart B.
- If the capital cost of the property you disposed of is **equal to or more** than its V-Day value or the proceeds of disposition, do not complete this part. Calculate the capital gain, if any, in the usual way using Schedule 3, Capital Gains (or Losses). If you are calculating the capital gain for a trust, use T3 Schedule 1, Dispositions of Capital Property.

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Part 1 (Continued)

Chart A – Calculation of the revised proceeds of disposition (if you made no additions or improvements after December 31, 1971)

Description of property	(1) Capital cost on Dec. 31, 1971	(2) Proceeds of disposition	(3) V-Day value	(4) Excess only (col. 2 **minus** col. 3)	(5) Revised proceeds (col. 1 **plus** col. 4)

Use the amount in column 5 to calculate your capital gain (see below).

Chart B – Calculation of the revised proceeds of disposition (if you made additions or improvements after December 31, 1971)

Description of property	(1) Capital cost on Dec. 31, 1971	(2) Additions and improvements since Dec. 31, 1971	(3) Total capital cost (col. 1 **plus** col. 2)	(4) Allocation of proceeds of disposition *		(5) V-Day value	(6) Excess only (col. 4(b) **minus** col. 5)	(7) Revised proceeds (col. 1 **plus** col. 4(a) **plus** col. 6)
				(a) Additions and improvements	(b) Property on Dec. 31, 1971			

Use the amount in column 7 to calculate your capital gain (see below).

* Reasonably allocate the proceeds of disposition of the property between the additions and improvements you made after December 31, 1971, and the property as it was on December 31, 1971.

Calculation of the capital gain on the disposition of depreciable property – Transfer the amounts in column 5 of Chart A and in column 7 of Chart B to column 2 of the appropriate areas of Schedule 3, Capital Gains (or Losses). If you are calculating the capital gain for a trust, transfer these amounts to column 2 of the appropriate areas of T3 Schedule 1, Dispositions of Capital Property. You cannot have a capital loss on the disposition of depreciable property.

You may have filed Form T664, Form T664(Seniors), or Form 94-115 for this property. If this is the case and the amount you designatedas proceeds of disposition for the property on the election form was **more** than its fair market value at the end of February 22, 1994, call **1-800-959-8281** before you complete Schedule 3, since your adjusted cost base may be reduced.

Part 2 – Non-depreciable capital property (other than an interest in a partnership)

Non-depreciable capital property is capital property for which you cannot claim capital cost allowance. Non-depreciable property includes securities, such as stocks, bonds, and units of a mutual fund trust, personal-use property, listed personal property, and land.

You cannot apply the transitional rules when you dispose of a non-depreciable capital property after February 22, 1994, for which you filed Form T664 or Form T664(Seniors), Election to Report a Capital Gain on Property Owned at the End of February 22, 1994, or Form 94-115, Election to Report a Capital Gain on Property Owned by a Personal Trust at the End of February 22, 1994.

In this situation, you are no longer considered to have owned that property without interruption from December 31, 1971. Therefore, do not use this form to calculate your capital gain resulting from the disposition. Instead, use Schedule 3, Capital Gains (or Losses), or, in the case of a trust, use T3 Schedule 1, Dispositions of Capital Property. To calculate your capital gain or capital loss, you have to know the Valuation Day (V-Day) value of your property. There are two V-Days: December 22, 1971, for publicly-traded shares or securities, and December 31, 1971, for all other capital property.

Shares of the same class of the capital stock of the same corporation are identical properties for capital gains purposes. Bonds and other obligations that are issued by the same debtor and that bear the same maturity dates and rights (except for principal amounts) are also identical properties for capital gains purposes. For identical properties you owned on December 31, 1971, you have to calculate the average cost for shares, and the amortized cost for bonds and other obligations, as of that date. You use this average cost or amortized cost when you apply the median rule method discussed below. To find out how to calculate the average or amortized cost for identical properties, call **1-800-959-8281**.

Transitional rules allow you to modify the adjusted cost base (ACB) of the property when you calculate your capital gain or capital loss on the disposition of a non-depreciable capital property. To determine the ACB, you can use either the median rule method or the Valuation Day (V-Day) method.

Part 2 (Continued)

Median rule method

To use this method, you need to know the actual cost of the property, its V-Day value, and the proceeds of disposition (with certain adjustments in some cases). The median amount is the amount that is neither the highest nor the lowest of the three amounts. It becomes the deemed cost of the property you have to use when calculating the ACB. When two or more of these amounts are the same, that amount will be the median amount. Calculate the ACB using Chart A below.

Valuation Day (V-Day) method

You can elect to use the V-Day value of the property as the deemed cost of the property you acquired before 1972. This election is not available to corporations, which have to use the median rule method, and does not apply to depreciable property and interests in a partnership. To make this election, complete Form T2076, Valuation Day Value Election for Capital Properties Owned on December 31, 1971. You have to file this form by the due date for filing your return for the year in which you first dispose of capital property subject to this election. However, you can postpone making this election if the only dispositions of such property in the year are:

- capital property you disposed of for proceeds equal to the V-Day value
- personal-use property (other than listed personal property or real property)
- personal-use property that is real property, if the gain is nil because of the $1,000 minimum proceeds of disposition and ACB rules
- listed personal property, if the gain or loss is nil because of the $1,000 minimum proceeds of disposition and ACB rules
- your principal residence, if the gain has been reduced to nil

Once you make this election, you have to continue to use the V-Day value for all properties you owned on December 31, 1971, that are subject to this election.

If you choose the V-Day method, calculate the ACB using Chart A on the next page. Enter the V-Day value in column 4. Do not enter any amounts in columns 1, 2, and 3 of that chart.

Current-year dispositions of non-depreciable capital property you acquired before 1972

Chart A – Calculation of the adjusted cost base

Description of property	(1) Actual cost *	(2) V-Day value	(3) Proceeds of disposition **	(4) Deemed cost Median of cols. 1, 2 and 3 or V-Day value, whichever applies	(5) All adjustments under section 53	(6) Adjusted cost base (col. 4 **plus** or **minus** col. 5)

(Transfer the amounts in column 6 to column 3, Chart B on the next page.)

* For identical shares you owned on December 31, 1971, replace the actual cost with the average cost. For identical bonds and other obligations you owned on December 31, 1971, replace the actual cost with the amortized cost.

** If you use the median rule method and if, before the disposition of the capital property, you had to make any adjustments to the cost according to section 53 of the Income Tax Act, you need to make certain adjustments to the proceeds of disposition. Complete the following calculation for each affected property and enter the revised proceeds of disposition (column 4) in column 3 of Chart A above. For more information on adjustments to cost base according to section 53, see Interpretation Bulletin IT-456, Capital Property – Some Adjustments to Cost Base, and its Special Release.

(1) Proceeds of disposition	(2) Subsection 53(2) adjustments	(3) Subsection 53(1) adjustments (except for paragraphs 53(1)(f.1) to (f.2))	(4) Revised proceeds (col. 1 **plus** col. 2 **minus** col. 3)

Part 2 (Continued)

Chart B – Calculation of the capital gain or capital loss on the disposition of non-depreciable capital property

Description of property	(1) Date of acquisition	(2) Proceeds of disposition	(3) Adjusted cost base	(4) Outlays and expenses for disposition	(5) Reduction***	(6) Gain (or loss) (col. 2 **minus** cols. 3, 4, and 5)

The $1,000 minimum proceeds of disposition and ACB rules apply to personal-use property and listed personal property you acquired before 1972. For more information about these rules, see Guide T4037, Capital Gains.

*** If you are a farmer and you disposed of farmland that includes your principal residence, you can elect in a prescribed manner to calculate the total gain on the land and the residence without making any allocation of the proceeds and costs to each. This gain can then be reduced by $1,000, **plus** $1,000 for each tax year after 1971 for which the property was your principal residence and during which you were a resident of Canada. You can reduce a gain to nil, but you cannot create a loss. This election is not available to corporations. For more information, see Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income, RC4060, Farming Income and the AgriStability and AgriInvest Programs Guide, and RC4408, Farming Income and the AgriStability and AgriInvest Programs Harmonized Guide.

Note
Transfer all of the entries from Chart B, except for column 5, to the appropriate sections of Schedule 3, Capital Gains (or Losses), depending on the type of property. However, if you are calculating the capital gain for a trust, transfer all of the entries from Chart B, except for column 5, to the appropriate sections of T3 Schedule 1, Dispositions of Capital Property.

See the privacy notice on your return.