



Election to Deem Amount of Settlement of a Debt or Obligation on the Winding-Up of a Subsidiary

- This form is used by the parent corporation to elect under subsection 80.01(4) where:
 - the rules in subsection 88(1) apply on the winding-up of a subsidiary corporation; and
 - a debt or other obligation of the subsidiary to pay an amount to the parent, or of the parent to pay an amount to the subsidiary is settled as a consequence of the winding-up without any payment, or by the payment of an amount that is less than the principal amount and the cost amount of the debt or other obligation of the subsidiary or parent.
- All legislative references are to the *Income Tax Act*.
- Principal amount** is defined in subsection 248(1).
- Cost amount** is as defined in subsection 248(1), but read without reference to paragraph (e). It will include the amount of unpaid interest at the time that is immediately before the time at which the debt or obligation for unpaid interest is settled, that the creditor (the parent or the subsidiary) has included in income.
- Under paragraph 80.01(4)(d) when a subsidiary's debt or obligation is settled on a distribution of property in the course of winding-up in circumstances to which paragraphs 88(1)(a) or (b) applies, the debt or obligation is deemed to have been settled immediately before the time of the distribution. This rule ensures that there is an appropriate reduction under section 80 in the cost amount of distributed property.
- The parent corporation has to complete one copy of this election and mail it separately from any other return to its tax centre, on or before the day on which the *T2 Corporation Income Tax Return* is required to be filed for the year in which the debt was settled.
Find the parent corporation's tax centre's address by going to cra.gc.ca/tso.
- Do not send the supporting documents to us with this form, but keep them in case we ask for them later.
- This election allows the parent to reduce the amount to which subsection 80(1) might otherwise apply in cases where the amount paid for the debt on winding-up is less than the cost amount.
- For more information, see interpretation bulletins IT-126 and IT-142.

Do not use this area

Identification	
Parent corporation's name	Business number
Address	Postal code
Tax year <div style="display: flex; justify-content: space-between;"> Start Year Month Day End Year Month Day </div>	Tax services office
Name of the contact person	Telephone number
Address	Postal code
Subsidiary corporation's name	Business number
Address	Postal code
Date subsidiary was wound up <div style="display: flex; justify-content: space-between;"> Year Month Day </div>	Tax services office

Amount of payment, if any	=====
Principal amount of the debt	=====
Cost amount of the debt – Deemed amount of settlement	=====

Election and certification

The parent elects under subsection 80.01(4) in respect of the debt owed to or by the subsidiary.

I certify that the information given in this election and in any attached documents is correct and complete.

Name of authorized officer of the parent corporation

Position

Signature of authorized officer of the parent corporation

Date (yyyy-mm-dd)

Privacy statement

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source cra.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html, Personal Information Bank CRA PPU 047.