



Election for a Capital Dividend Under Subsection 83(2)

- Private corporations can use this form to elect to have the provisions of subsection 83(2) apply to a dividend. For more information, see Income Tax Folio S3-F2-C1, Capital Dividends and Interpretation Bulletin IT-149, Winding-up Dividend.
- All legislative references are to the Income Tax Act and Income Tax Regulations.
- Complete and mail this election, separately from any other return, on or before the earlier of:
 - the day the dividend becomes payable
 - the first day on which any part of the dividend was paid

If the election is filed after the date it is due, the corporation must pay an estimate of the penalty with respect to the election when the election is made. See Part 4 – Late-filing penalty for details.

Send to:
 Prince Edward Island Tax Centre
 275 Pope Road
 Summerside PE C1N 6A2

- If the amount of the dividend that is elected under subsection 83(2) exceeds the balance of the capital dividend account (CDA), the corporation may be required to pay Part III tax on the excess portion of the dividend.
- A capital dividend paid to a non-resident is subject to Part XIII withholding tax and must be reported on an NR4, Statement of Amounts Paid or Credited to Non-residents of Canada.
- File Schedule 89, Request for Capital Dividend Account Balance Verification with your election.
- Generally, amounts are added to your CDA as they are realized. For more information, see Income Tax Folio S3-F2-C1 Capital Dividends.
- For CDA purposes, a corporation's capital gain or loss from the disposition of a property is computed without reference to subclause 52(3)(a)(ii)(A)(II) and subparagraph 53(1)(b)(ii).
- Where subsection 83(2.1) applies to treat a capital dividend as a taxable dividend received by a shareholder, that dividend will still be considered to be a capital dividend in determining any liability of the corporation for Part III tax and in calculating the corporation's CDA.

Do not use this area

Part 1 – Identification

002 Corporation's name	001 Business number	
Address	Postal code	
019 Name of contact person		
Mailing address (complete only if different from address above)	022 Telephone number	023 Extension

Part 2 – Required information

The full amount of the dividend for which this election is made Footnote 1	100							
CDA immediately before this dividend becomes payable Footnote 2	110							
Excess amount, if any, subject to Part III tax (line 100 minus line 110)		2A						
(enter amount 2A at amount 5A in Part 5)								
Date the dividend becomes payable	120	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>	Year	Month	Day			
Year	Month	Day						
First day on which any part of the dividend was paid (enter only if earlier than the date the dividend becomes payable)	130	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>	Year	Month	Day			
Year	Month	Day						
Date of the last election (if applicable)	140	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> </tr> <tr> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> <td style="text-align: center;"> </td> </tr> </table>	Year	Month	Day			
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Footnote 1
 Attach a certified copy of the resolution or authorization as required per Regulation 2101.

Footnote 2
 Complete Schedule 89, Request for Capital Dividend Account Balance Verification to support the calculation of the CDA for this election.

Part 3 – Dividends received from other corporations

Since your last election, or since the beginning of your CDA calculation if you have never made an election, does your CDA include a capital dividend received from another corporation that would have made an election under subsection 83(2)? **200** Yes No

If **yes**, provide the following information for the other corporation.

	Corporation's name 210	Business number 220	Date dividend became payable by the other corporation (provide the same information separately for each dividend received) 230
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Part 4 – Late-filing penalty

According to paragraph 83(3)(b), you must calculate and pay a late-filing penalty if this election is filed after its due date. Subsection 83(4) states how the penalty must be calculated.

Calculation of late-filing penalty:

Line 100 _____ × 1% 4A

Number of months **Footnote 3** _____ ÷ 12 4B

Subtotal (amount 4A **multiplied** by amount 4B) 4C

\$500 × Number of months **Footnote 3** _____ ÷ 12 4D

Late-filing penalty
(amount 4C or amount 4D, whichever is less) **320**

Do not use this area

Footnote 3

Number of months 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.

Part 5 – Part III tax

According to subsection 184(2), Part III tax will apply on the excess amount.

Excess amount of dividend declared subject to Part III tax (amount 2A in Part 2) 5A

Part III tax (enter "0" if not applicable) amount 5A × 60% = 5B

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 per Regulation 2106.

Part 6 – Total payment accompanying this election

Late-filing penalty (line 320 in Part 4)	_____	6A
Part III tax (amount 5B in Part 5)	_____	6B
Amount owing (amount 6A plus amount 6B)	=====	6C
Total payment accompanying this election	400 =====	

Make your cheque or money order payable to the Receiver General. Write T2054, your corporation's business number, and tax year-end on the front of your cheque or money order.

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

Part 7 – Election and Certification

The corporation hereby elects to have the provisions of subsection 83(2) apply for the full amount of the dividend indicated herein. I certify that the information given in this election, and in all documents attached, is true, correct, and complete in every respect.

950 _____	954 _____
Name of authorized officer	Position or office
_____	955 _____
Signature of authorized officer	Date yyyy/mm/dd

Privacy statement

Personal information is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial, or foreign 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 a right of protection, access to and correction of their personal information, or to file a complaint with the Privacy Commissioner of Canada regarding the handling of their personal information. Refer to Personal Information Bank CRA PPU 047 on Info Source at canada.ca/cra-info-source.