Canada Revenue Agency | Agence du revenu du Canada

Excess Corporate Holdings Regime for Private Foundations

T2082E (10)

Canada

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Your opinion counts

We review our publications every fiscal period. If you have any comments or suggestions that would help us improve this guide, we would like to hear from you. You can email your comments or suggestions to **charities-bienfaisance@cra.gc.ca**.

You can also mail your comments to:

Charities Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

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Overview of new responsibilities

On March 19, 2007, the Department of Finance Canada announced the creation of the excess corporate holdings regime for registered charities designated as private foundations under the *Income Tax Act* (ITA).

Effective March 19, 2007, a private foundation that holds issued and outstanding shares (whether public or private) of a share class of a corporation may be subject to certain requirements.

Excess corporate holdings ranges

Under the excess corporate holdings regime (the regime), there are three ranges of corporate holdings each with different implications:

- **Safe Harbour** – The foundation is not required to report its own holdings or the holdings of any relevant persons of any class of shares of a corporation if, throughout the fiscal period, the foundation never held more than 2% of any of the classes of shares of that corporation.
- **Monitoring** – If the foundation's total corporate holdings percentage of any class of shares of a corporation exceeded 2% of the issued and outstanding shares of that class at any time during its fiscal period, the foundation has to determine and report to the CRA the percentage of shares that it and any relevant persons with material interests held, at the end of that fiscal period, of each class of shares of the corporation. It must also report its own material transactions and the material transactions of any relevant persons for each such class of shares.
- **Divestment** – If the foundation holds more than 2% of a share class of a corporation at the end of its fiscal period, and the foundation and all relevant persons together hold more than 20% of that same class of shares, the foundation may be subject to divestment obligations (see "Calculating excess corporate holdings and divestment obligations" on page 6). The reporting requirements in the monitoring range also apply in the divestment range.

Holdings and material transactions must be reported on Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations*, and filed with Form T3010, *Registered Charity Information Return*.

Transitional provisions

Foundations that had an original corporate holdings percentage that exceeded 20% on March 18, 2007, and requiring divestments, are subject to transitional provisions that allow the foundations to divest themselves of excess holdings over a number of years. See "Transitional divestment obligations" on page 8.

These transitional provisions do not apply to excess corporate holdings percentage resulting from acquisitions after March 18, 2007.

Material interest and insignificant interest

What is a material interest?

A person, at any time, has a **material interest** in a class of shares of a corporation if:

a) that person holds more than 0.5% of the shares of that class; or

b) the fair market value of the held shares of that class exceeds $100,000.

What is an insignificant interest of a private foundation?

A foundation's interest in a class of shares is considered **insignificant** if the foundation holds 2% or less of the issued and outstanding shares in that class.

If the foundation held more than an insignificant interest in a particular class of shares of a corporation, the holdings of all relevant persons will also be used to calculate the foundation's total corporate holdings percentage for each class of shares of the corporation.

A foundation that held, at any point in the fiscal period, more than an insignificant interest in a particular class of shares of a corporation must determine and report to the CRA:

- the percentage of shares, if any, that it and any relevant persons with material interests held at the end of that fiscal period for each class of shares of the corporation; and
- its own material transactions, as well as the material transactions of any relevant persons for each class of shares of the corporation.

See "Meaning of relevant person" on page 4 and "Material transactions" on page 8.

Meaning of relevant person

Under the regime, the term **relevant person** has been introduced. To understand this term, it is important to understand the term **arm's length**.

What is arm's length?

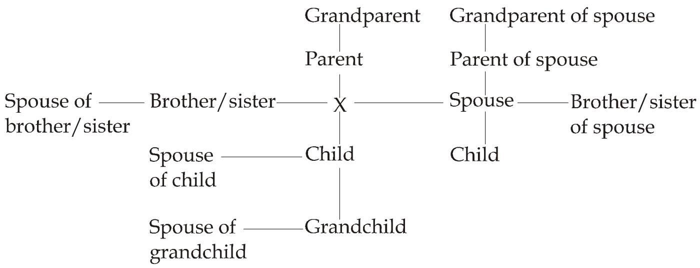
At arm's length is a tax concept describing a relationship where two parties act independently of each other and are not related.

The opposite, **not at arm's length**, refers to people who are related or who are acting in concert, without separate interests.

Related by family connection

Individuals are not at arm's length if they are related to each other by blood, marriage, adoption, or common-law relationship. The following chart demonstrates the various non-arm's-length family connections:

Non-arm's-length relationships



The directors of a foundation are considered not at arm's length with the other directors if they are related by blood, adoption, marriage, or common-law relationship.

Related by a business or corporate connection

Even if individuals are not related by family connection, they may still be considered not at arm's length if they have close business or corporate connections.

Individuals or groups are not at arm's length with corporations in which they have a controlling interest.

Persons who are not at arm's length with these individuals and groups are also not at arm's length with the corporations those individuals control.

The concept of arm's length applies to a number of purposes under the ITA. For more information on arm's length, see Interpretation Bulletin IT-419R2, *Meaning of Arm's Length.*

What is a relevant person?

A **relevant person** is someone who is not at arm's length with the foundation, but does not include:

a) a person who is not at arm's length with the foundation solely because of a right that person has, as described in paragraph 251(5)(b) of the ITA and applied as if the foundation were a corporation; or

b) an individual:

- who is 18 years of age or older and lives separate and apart from any other individual who controls, or is a member of a related group that controls, the foundation, and
- who, upon review of an application by the foundation, the Minister deems to otherwise deal at arm's length with all controlling individuals.

Note
Generally, paragraph 251(5)(b) refers to a right to acquire shares of the corporation, to control the voting rights of shares of the corporation, or to cause the corporation to redeem, acquire, or cancel its shares. For a more detailed explanation of a right described in paragraph 251(5)(b), see Interpretation Bulletin IT-419R2, *Meaning of Arm's Length.*

Exempt Shares

Exempt shares include:

A. shares that were acquired by way of a gift, subject to a trust or direction that the foundation may not dispose of the shares before a certain time which is after the end of the current fiscal period. These shares are deemed to be exempt only if they were acquired:

a.1 before March 19, 2007,

a.2 on or after March 19, 2007, and before March 19, 2012, if the gift was made by a will executed before March 19, 2007, and not amended on or after that date (and there is no other will executed or amended on or after March 19, 2007), or

a.3 on or after March 19, 2007, under the terms of a testamentary or *inter vivos* trust created before March 19, 2007, and not amended on or after March 19, 2007;

B. certain shareholdings of a foundation acquired before March 19, 2007, that are not listed on a designated stock exchange (see "Designated stock exchange" on page 6). However, unlisted shares in a particular corporation held by the foundation will not be exempt if:

b.1 the particular corporation has an equity percentage in the shares of a public corporation (see "Equity percentage" on page 6), and

b.2 the particular corporation, or a third corporation through which the particular corporation indirectly holds an equity percentage in the public corporation, is controlled by relevant persons in respect of the foundation or by the foundation alone or together with relevant persons,

unless:

b.3 the foundation, even if it held directly the shares of the public corporation that give rise to the equity percentage, would not have an excess corporate holdings percentage in respect of the class of those public corporation shares, or

b.4 the foundation, alone or together with any controlled corporation referred to in b.2 above, holds no more than 2% of all issued and outstanding shares of that class of the public corporation.

Exempt shares are included in the calculation of a foundation's total corporate holdings percentage (see "Total corporate holdings percentage" on page 6) but are subtracted in the calculation of excess corporate holdings percentage. Therefore, a foundation does not have to divest itself of exempt shares. Shares cease to be exempt if and when they are divested or the direction that these shares be held (where applicable) no longer applies. See "What is the excess corporate holdings percentage?" on page 6.

Designated stock exchange

A **designated stock exchange** is a stock exchange, or that part of a stock exchange, for which a designation by the Minister of Finance under section 262 of the ITA is in effect.

Equity percentage

A particular corporation will have an **equity percentage** in a public corporation when:

- the foundation owns shares in the particular corporation that are not listed on a designated stock exchange; and
- the particular corporation holds, either directly or indirectly through its shareholdings in another corporation, an interest in the shares of a public corporation.

Substituted shares

When a private foundation acquires shares in exchange for exempt shares that it already owned, the newly acquired **substituted shares** will also meet the definition of exempt shares for purposes of the ITA when the exchange occurs as a result of:

- an exchange of shares for certain convertible property pursuant to paragraph 51 of the ITA;
- a share-for-share exchange pursuant to paragraph 85.1 of the ITA;
- an exchange in the course of a reorganization of capital pursuant to paragraph 86 of the ITA; or
- an amalgamation pursuant to paragraph 87 of the ITA.

Total corporate holdings percentage

The **total corporate holdings percentage** of a class of shares of a corporation is the percentage of issued and outstanding shares of that class held by the foundation and all relevant persons with material interests.

Shares held through a trust

In addition to the inclusions of certain corporate holdings held through a trust on March 18, 2007 (see "Original corporate holdings percentage" on page 8), the legislation deems a foundation to hold shares held by a trust, in proportion to the value of the foundation's interest in the trust, when:

- an **insider** of the foundation, being the foundation or a relevant person, is a beneficiary under the trust;
- the insider acquired an interest under the trust, or the trust acquired a property, and it may reasonably be considered that a purpose of the acquisition was to hold, directly or indirectly, shares of a class of the capital stock of a corporation; and
- the foundation would have a divestment obligation in respect of the class of shares if the foundation held the shares owned by the trust.

Where applicable, the foundation is deemed to hold, at the end of its fiscal period, the number of shares of a class of the capital stock of a corporation as is determined by the formula:

$$\frac{A \times B}{C}$$

where,

A is the number of shares of that class held, directly or indirectly, by the trust at the end of the foundation's fiscal period,

B is the total fair market value of all interests held by the insider in the trust at the end of the foundation's fiscal period, and

C is the total fair market value of all property held by the trust at the end of the foundation's fiscal period.

The number of shares of that class **deemed** to be held by the foundation must be added to the number of shares of that same class directly held by the foundation when determining its total corporate holdings percentage and all other calculations.

Calculating excess corporate holdings and divestment obligations

What is the excess corporate holdings percentage?

The **excess corporate holdings percentage** of a class of shares of a corporation is the number of percentage points by which the total corporate holdings percentage of the foundation (including the holdings of all relevant persons) exceeds a certain threshold. Generally the threshold used to calculate the excess corporate holdings percentage is the greater of:

a) 20% of the shares for that class; or

b) the percentage of shares held that are exempt shares.

A foundation must reduce its excess corporate holdings percentage within specified periods. Each year, a private foundation determines its divestment obligations by appropriately allocating its net increase or net decrease in its excess corporate holdings percentage.

What is the divestment obligation percentage?

At the end of a fiscal period, a foundation's **divestment obligation percentage** in respect of a class of shares is determined to be the lesser of:

a) the excess, if any, of the percentage of shares of that class held over the exempt shares percentage of the foundation; or

b) the opening divestment obligation percentage balance (as determined at the end of the previous year), plus/minus that portion of a net increase/decrease in excess corporate holdings percentage allocated (for the current or preceding fiscal periods) to the current year.

Net increase in the foundation's excess corporate holdings percentage

If the foundation's excess corporate holdings percentage of a class of shares of a corporation at the end of its fiscal period is greater than it was at the end of the previous fiscal period, this constitutes a **net increase in the foundation's excess corporate holdings percentage** for that class of shares.

Example 1
Foundation A, with no original corporate holdings percentage, has a fiscal period ending December 31. At the end of its 2008 fiscal period, Foundation A had no excess corporate holdings percentage in Class A shares of Corporation ABC. On December 31, 2009, Foundation A and all relevant persons with material interests held 60% of all the issued and outstanding Class A shares of Corporation ABC.

In this situation, any total corporate holdings percentage above 20% constitutes an excess corporate holdings percentage. For its 2009 fiscal period, Foundation A had an excess corporate holdings percentage of 40% (60% −20%) in Class A shares of Corporation ABC. Since its previous fiscal period's excess corporate holdings percentage was 0% for that class of shares, the foundation had a 40% net increase for 2009.

Example 2
Foundation B, with no original corporate holdings percentage, held, at the end of its 2008 fiscal period, 8% of the issued and outstanding Class A shares of Corporation ABC and relevant persons with material interests held a total of 15% of that same class of shares. Therefore, at the end of its 2008 fiscal period, Foundation B had an excess corporate holdings percentage in that class of shares of 3%.

During its 2009 fiscal period, Foundation B received a gift of 3% of Class A shares of Corporation ABC from a donor. Moreover, one of the relevant persons purchased 9% of Class A shares of Corporation ABC. At the end of its 2009 fiscal period, the foundation was holding 11% of that class of shares and relevant persons with material interests were holding a total of 24%.

Therefore, for its 2009 fiscal period, Foundation B accumulated an excess corporate holdings percentage of 15% ([11% + 24%] – 20%), which corresponds to a 12% net increase (15% – 3%) since its previous fiscal period's excess corporate holdings percentage was 3% for that same class of shares.

Allocation of net increase

A foundation has an obligation to divest itself of any net increase in its excess corporate holdings percentage within a certain time period. It must, however, allocate divestment obligations in this order:

1. The foundation must allocate any part of its net increase in its excess corporate holdings percentage resulting from purchases by the foundation to the current fiscal period.
2. If a net increase in the foundation's excess corporate holdings percentage remains, it must allocate any increase resulting from bequests received to the 5th subsequent fiscal period.
3. If a net increase in the foundation's excess corporate holdings percentage remains, it must allocate any increase to the extent of gifts of shares, other than from a relevant person or by way of bequest, and any increase resulting from the redemption, acquisition, or cancellation of the issued and outstanding shares of that class to the 2nd subsequent fiscal period.
4. If a net increase in the foundation's excess corporate holdings percentage remains, it must allocate any remaining increase to the next fiscal period.

Net decrease in the foundation's excess corporate holdings percentage

If the foundation's excess corporate holdings percentage of a class of shares at the end of its current fiscal period is less than it was at the end of its previous fiscal period, this constitutes a **net decrease in the foundation's excess corporate holdings percentage**.

Allocation of net decrease

A net decrease in a foundation's excess corporate holdings percentage can be used to meet its divestment obligations.

Example 3
After receiving Class A shares of Corporation ABC in a bequest in 2009, Foundation C realized a 5% net increase in its excess corporate holdings percentage of Class A shares of that corporation in its fiscal period ending in 2009.

Although the foundation has until the 5th subsequent period to divest itself of this increase (that is, 2014), it chooses to dispose of 2% of the shares in its 2010 fiscal period. As a result, Foundation C has a net decrease in excess corporate holdings percentage of 2% for its fiscal period ending in 2010, which reduces its 5% divestment obligation for 2014 to 3%.

Material transactions

A **material transaction** is a transaction or a series of transactions in respect of which the total fair market value of the shares of the particular class acquired or disposed of exceeds the lesser of:

a) $100 000; or

b) 0.5% of the total fair market value of all of the issued and outstanding shares of the class.

If the foundation held more than 2% of a particular class of shares of a corporation (that is, more than an insignificant interest) at any time during the fiscal period, it must report its own material transactions and the material transactions of any relevant persons with material interests in each class of shares of that corporation.

Original corporate holdings percentage

The **original corporate holdings percentage** of a private foundation, in respect of a class of shares of the capital stock of a corporation, means the total corporate holdings percentage of the foundation, in respect of that class of shares held on March 18, 2007.

Shares held through a trust where there is an original corporate holdings percentage

At the end of a particular fiscal period, a foundation is deemed to hold shares held by a trust on March 18, 2007, in proportion to the value of the foundation's interest in the trust, when both at March 18, 2007, and at the end of the particular fiscal period:

- the foundation is the sole trustee of the trust; or
- the foundation is a "majority interest beneficiary" (as defined in subsection 251.1(3) of the ITA) of the trust, and a majority of the trustees of the trust consists of the private foundation and relevant persons in respect of the foundation.

When either condition applies, the private foundation is deemed to hold, at the end of its fiscal period, the number of shares of a class of the capital stock of a corporation as is determined by the formula:

$$\frac{A \times B}{C}$$

where,

A is the lesser of the number of those shares held by the trust:

- on March 18, 2007, or
- at the end of the foundation's fiscal period,

B is the total fair market value of all interests held by the private foundation in the trust at the end of the foundation's fiscal period, and

C is the total fair market value of all property held by the trust at the end of the foundation's fiscal period.

A discretionary trust is a trust where the beneficiaries and/or entitlements are not fixed but are determined by criteria set out in the trust instrument by the settler at the discretion of the trustee(s). Additional rules exist to assist in determining the total fair market value of all interests held by the private foundation (B in the calculation above) in situations involving a discretionary trust.

A foundation that has an original corporate holdings percentage that exceeds 20% is subject to transitional provisions that allow the foundation to divest itself of excess holdings over a number of years. See "Transitional divestment obligations" below.

Note
Shares acquired by the foundation and relevant persons after March, 18, 2007 are not calculated in the original corporate holdings percentage and are not subject to transitional provisions.

Transitional divestment obligations

Only shares held on March 18, 2007, are subject to transitional rules. In general, these rules will allow foundations to divest themselves of their excess corporate holdings percentage as determined on March 18, 2007, over a period of up to 20 years. These transitional rules do not apply to shares acquired after March 18, 2007.

For fiscal periods beginning after March 18, 2007, and before March 19, 2008, the threshold used to determine the excess corporate holdings percentage is the greater of:

- the foundation's exempt shares percentage determined at the end of the fiscal period;
- 20%; or
- the foundation's original corporate holdings percentage.

For fiscal periods beginning after March 18, 2008, and before March 19, 2012, the threshold used to determine the excess corporate holdings percentage is the greater of:

- the foundation's exempt shares percentage determined at the end of the fiscal period;
- 20%; or
- the lesser of:
  - the foundation's total corporate holdings percentage at the end of the immediately preceding fiscal year; or
  - the foundation's original corporate holdings percentage.

For fiscal periods beginning after March 18, 2012, the threshold used in determining the excess corporate holdings percentage is the greater of:

- the foundation's exempt shares percentage determined at the end of the fiscal period;
- 20%; or

- the lesser of:
  - the foundation's total corporate holdings percentage at the end of the immediately preceding fiscal year, or
  - the percentage by which the foundation's original corporate holdings percentage exceeds:
    - 20% for fiscal periods beginning after March 18, 2012,
    - 40% for fiscal periods beginning after March 18, 2017, and
    - 60% for fiscal periods beginning after March 18, 2022.

The transitional rules will cease to apply at the earlier of the following:

- when the foundation's total corporate holdings percentage of a class of shares has been reduced to 20% or less of the total shares in that class; or
- fiscal periods beginning after March 18, 2027.

Example 4
Foundation D has a fiscal period ending December 31. On March 18, 2007, the foundation held 25% of the Class A shares in Corporation ABC, and a relevant person held 15%. None of the shares held by the foundation are considered exempt shares. The foundation reported an original corporate holdings percentage of 40% (25% +15%) for the fiscal period ending December 31, 2007.

During the 2008 fiscal period, Foundation D sold 5% of the Class A shares. As such, the total corporate holdings percentage reported by the foundation on December 31, 2008, was 35%.

During the 2009 fiscal period, Foundation D received a bequest of 10% of the Class A shares. The foundation's total corporate holdings percentage for the 2009 fiscal period, is 45% (35% + 10%).

The excess corporate holdings percentage calculation for the 2009 fiscal period, must take into account the transitional rules. The excess corporate holdings percentage of a class of shares of a corporation is calculated as the number of percentage points by which the total corporate holdings percentage of the foundation (including the holdings of all relevant persons) exceeds the greater of:

- 20%; or
- the lesser of:
  - the total corporate holdings percentage of the previous fiscal period (35%), or
  - the original corporate holdings percentage (40%).

In this case, the threshold used to calculate the excess corporate holdings percentage is 35%. The excess corporate holdings percentage reported by Foundation D for the fiscal period of 2009 is 10% (45% – 35%).

Avoidance of divestment and reporting obligations

There are measures in place to address situations where a foundation, or a relevant person in respect to the foundation, undertakes transactions with the intent of avoiding its divestment and reporting obligations.

Avoidance of divestment obligations – If a foundation or a relevant person acquires, directly or indirectly, an interest or right in a corporation other than shares for the purpose of avoiding a penalty under the regime, that interest or right will be deemed to have been converted by the holder into the number of shares of that class that would correspond in value to the value of the interest or right acquired.

For fiscal periods beginning on or after February 26, 2008, when the private foundation or a relevant person in respect of the foundation is a beneficiary under a trust, and either party acquires an interest in or under the trust, or if the trust acquires a property, then anti-avoidance rules may apply. If it is reasonable to consider that a purpose of the acquisition was to hold, directly or indirectly, shares of a class of the capital stock of a corporation, then these interests will also be deemed to be converted into a corresponding number of shares if these holdings, directly in the hands of the foundation or relevant person, would otherwise result in the private foundation having a divestment obligation for the fiscal period.

These deemed shares will be included in calculating total and excess corporate holdings percentages, and the fair market value of the deemed shares will be used to calculate any penalty that may apply.

Avoidance of reporting obligations – If a foundation or a relevant person has engaged in one or more transactions or events, a purpose of which may reasonably be considered to be to avoid the application of the definition of **material transaction**, each of those transactions or series of transactions will be deemed to be a material transaction.

Penalties for non-compliance

If a foundation, by the end of its fiscal period, has not met its divestment obligation for that period, with respect to a class of shares, the foundation is liable to a penalty of 5% of the fair market value of all of the issued and outstanding shares in that class, multiplied by its divestment obligation percentage. The penalty is doubled to 10% if the foundation was assessed a 5% penalty in any of the five periods prior to the current fiscal period in respect of any divestment obligation.

A penalty of 10% of the fair market value of all of the issued and outstanding shares in a class, multiplied by the foundation's divestment obligation percentage with respect to that class, may also be applied if the foundation has failed to disclose on its Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* filed with its annual Form T3010, *Registered Charity Information Return*:

- a material transaction of the foundation in respect of the class of shares;
- a material interest in the class of shares held at the end of the fiscal period by a relevant person; or
- the total corporate holdings percentage of the foundation in respect of the class of shares at the end of the fiscal period, unless the foundation at no time held more than 2% of this class of shares.

Should the Minister assess a penalty, the CRA will make available to the public any information related to this assessment. For more information see "Guidelines for applying new sanctions" that can be found through the Alphabetical Index at **www.cra.gc.ca/charities**.

Information we can provide to the public

If the private foundation held more than 2% of a class of shares of a corporation at any point during the fiscal year, the CRA will make the following information from Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations* available to the public upon request:

- the name of the corporation;
- the holdings of the private foundation (line 925); and
- the holdings of all relevant persons with material interests (line 930).

Completing Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations*

This text explains how to complete Form T2081, *Excess Corporate Holdings Worksheet for Private Foundations*. If, at any time during its fiscal period, the foundation held more than 2% of any share class of a corporation, it must **complete a separate worksheet for each class of shares of that corporation**:

- For the class of shares of the corporation for which the foundation held more than an insignificant interest (more than 2%) at any time during its fiscal period, complete all sections of Form T2081.
- For each class of shares of that same corporation, for which the foundation held an insignificant interest (2% or less), report the total corporate holdings percentage and material transactions of the foundation and of any relevant persons by completing Part I – Sections A and C, and Part II of Form T2081.

See "Material interest and insignificant interest?" on page 4.

Part I – Calculation of holdings and divestment obligations

Section A – Identification

Enter the name of the foundation and its BN/registration number on the first line.

Enter the name of the corporation and the particular class of shares for which the foundation is completing the form. Give the total number of issued and outstanding shares of that class, and provide the fair market value per share at the end of the foundation's fiscal period. Include whether or not the shares are listed on a designated stock exchange. See "Designated stock exchange" on page 6.

Section B – Original corporate holdings percentage

This section only applies to foundations that held shares **on March 18, 2007**.

Line 905 – Enter the percentage of issued and outstanding shares of that class that the foundation held on March 18, 2007. Shares held through a trust on March 18, 2007, may be deemed to be part of the foundation's original corporate holdings percentage. See "Original corporate holdings percentage" on page 8.

Line 910 – Enter the percentage of issued and outstanding shares of that class that any relevant person(s) with a material interest held on March 18, 2007.

Line 915 – Add lines 905 and 910, and enter the foundation's original corporate holdings percentage on line 915. Original corporate holdings of more than 20% may be subject to transitional divestment obligations. See "Transitional divestment obligations" on page 8.

Line 920 – Enter the percentage of issued and outstanding shares of that class held by the foundation on March 18, 2007, which were exempt shares. See "Exempt shares" on page 5.

Section C – Total corporate holdings percentage

Line 925 – Enter the percentage of issued and outstanding shares of that class that the foundation held at the end of its fiscal period. Shares held through a trust may be deemed to be part of the foundation's total corporate holdings percentage. See "Total corporate holdings percentage" on page 6.

Line 930 – Enter the percentage of issued and outstanding shares of that class that any relevant person(s) with a material interest held at the end of the foundation's fiscal period.

Line 935 – Add lines 925 and 930, and enter the foundation's total corporate holdings percentage on line 935.

Line 940 – Enter the percentage of issued and outstanding shares of that class, held by the foundation at the end of the fiscal period, that were exempt shares. See "Exempt shares" on page 5.

Sections D and D.1 – Excess corporate holdings percentage

If the foundation has no original corporate holdings or has an original corporate holdings percentage that do not exceeds 20% (i.e. line 915 is less or equals to 20%), then complete section D. However, if the foundation has an original corporate holdings percentage that exceeds 20% (i.e. line 915 is more than 20%), it is subject to transitional provisions and should complete section D.1. See "Transitional divestment obligations" on page 8. Complete either section D or D.1, **not both**.

Section D

Line 945 – Enter the total corporate holdings percentage from line 935.

Line 950 – Enter whichever of the following percentages is the greater:

- 20%; or
- the foundation's exempt shares percentage from line 940.

Line 955 – Subtract line 950 from line 945. If positive, enter amount on line 955, otherwise enter "0." This total represents the excess corporate holdings percentage for the private foundation's current fiscal period for this particular class of shares of the corporation.

Section D.1

Line 945 – Enter the total corporate holdings percentage from line 935.

Line 941 – Enter total corporate holdings percentage from the end of the previous fiscal period. Refer to line 935 on the foundation's last year T2081 form.

Line 946 – Enter the number of percentage points by which line 915 exceeds the **relevant percentage** (see below).

> **Note**
> **Relevant percentage** is equal to:
>
> – 0% for the fiscal periods that begin after March 18, 2007 and before March 19, 2012;
>
> – 20% for the fiscal periods that begin after March 18, 2012 and before March 19, 2017;
>
> – 40% for the fiscal periods that begin after March 18, 2017 and before March 19, 2022;
>
> – 60% for the fiscal periods that begin after March 18, 2022 and before March 19, 2027;

Line 947 – Enter the lesser of line 941 or line 946.

Line 948 – Enter the greater of 20% or line 947.

Line 949 – Enter the exempt share percentage from line 940.

Line 950 – Enter the greater of line 948 or line 949.

Line 955 – Subtract line 950 from line 945. If positive, enter amount, otherwise enter "0." This total represents the excess corporate holdings percentage of the foundation's current fiscal period for this particular class of shares of the corporation.

Section E – Net increase/decrease in excess corporate holdings percentage

Line 960 – Enter the excess corporate holdings percentage for the current fiscal period from line 955.

Line 965 – Enter the excess corporate holdings percentage from the previous fiscal period (refer to line 955 from the foundation's last year T2081 form). If the foundation does not have an excess corporate holdings percentage from the previous fiscal period, enter "0."

Line 970 and **line 975** – Subtract line 965 from line 960. If the result is positive or 0, enter the amount on line 970. If the result is negative, enter the amount on line 975.

Section F – Divestment obligation table

To complete the divestment obligation table, it is very important that the foundation carefully follow the step-by-step instructions below to track and allocate its excess corporate holdings percentage and calculate any divestment obligation percentage.

To complete this table, enter the applicable fiscal period-ends in the second row of the table for each column. For example, if the foundation's fiscal period for which it is completing the form is January 1, 2009, to December 31, 2009, enter 2009 in column 1, 2010 in column 2, and so on.

Step 1 – Record divestment obligations carried forward from previous fiscal periods using the figures reported in the last row of the divestment obligation table from the last year's form for the same share class of the corporation. Make sure to enter the numbers under the corresponding fiscal periods on "Step 1" row (e.g. 2012 number to 2012 column). Also, any divestment obligation percentage from column 1 on last year's T2081 form must be carried forward and added to column 1 of this year's T2081 form.

Allocation of net increase for the fiscal period

If the amount at line 970 is higher than 0, then the foundation has incurred a net increase in its excess corporate holdings percentage during its current fiscal period. See "Net increase in the foundation's excess corporate holdings percentage" on page 7.

The foundation must allocate all parts of its net increase using the divestment obligation table in the following order:

Step 2 – Allocate any net increase (from line 970) to the extent that net increase results from purchases made by the foundation to the column 1.

Step 3 – If a portion of the net increase remains unallocated, allocate the remainder to column 6, to the extent that the net increase results from a bequest.

Step 4 – If a portion of the net increase remains unallocated, allocate the remainder to column 3, to the extent that the net increase results from gifts of shares (other than gifts from relevant persons or from a bequest), and from redemptions, acquisitions or cancellations of shares by the corporation.

Step 5 – If a portion of the net increase remains unallocated, allocate the remainder to column 2. For example, net increase resulting from gifts of shares to the foundation from relevant persons would be allocated here. A foundation that is subject to the transitional provisions may have a portion of its net increase resulting from the ending of a transitional period. This will also be allocated to the column 2.

Allocation of net decrease for the fiscal period

If the amount at line 975 is higher than 0, then the foundation has incurred a net decrease in excess corporate holdings percentage during its current fiscal period. See "Net decrease in the foundation's excess corporate holdings percentage" on page 7.

A net decrease in a foundation's excess corporate holdings percentage can be used to offset a divestment obligation in the foundation's current or subsequent years. Use the divestment obligation table to allocate the net decrease to the desired fiscal period(s):

Step 6 – Allocate any net decrease (from line 975), first to meet the current obligations (column 1), then to meet future obligations (columns 2 though 6) as required.

Determination of divestment obligations

To determine the foundation's divestment obligation for the current fiscal period and its projected obligations for the five subsequent fiscal periods, complete the calculations for each column (the values in brackets must be subtracted). For each fiscal period, if the total is positive, enter the amount, otherwise enter "0."

Private foundations should not have a divestment obligation remaining in their current fiscal period. If the foundation has a divestment obligation for its current fiscal period (i.e., the amount in box C of column 1 exceeds 0), then it is liable to a penalty, and/or its registered status may be revoked. See "Penalties for non-compliance" on page 9.

Calculation of the penalty for excess corporate holdings percentage

If a foundation has failed to meet its divestment obligations, the CRA will calculate a penalty and send a notice of assessment. The penalty in respect of each class of shares of the capital stock of a corporation is equal to:

Total fair market value of all the issued and outstanding shares of the class: the product of A and B (use numbers in Part I – Section A)	A × B = $____
Multiplied by: the foundation's divestment obligation percentage for current fiscal period C (see box C in Section F)	× C = $____
Multiplied by: the penalty percentage D, where D = 5%, unless the foundation was assessed a penalty by the CRA in any of the five periods prior to the current fiscal period, in which case D = 10%	× D = $____

Note
Penalties are payable upon assessment by the Canada Revenue Agency at which point the information related to the penalties is made available to the public on the CRA's Web site.

Part II – Material transactions tables

A foundation that owns more than 2% of a class of shares of a corporation must report its material transactions and those of any relevant person(s) for each class of shares of that corporation. See "Material transactions" on page 8.

Under Part II, if the foundation, or any relevant person(s), engaged in a transaction or a series of transactions that exceeded the lesser of:

a) $100,000; or

b) 0.5% of the fair market value of all the issued and outstanding shares of the class;

Tick the **Yes** box and complete Sections A and B tables.

Section A – Material transactions by the foundation

Enter the percentage of the particular class of shares of the corporation that the foundation acquired or disposed of, as well as the monetary value of each material transaction. For a series of transactions, provide the details of **each** transaction that makes up the series.

Acquisition/disposition – Tick one of the boxes to show whether each transaction constitutes an **acquisition** or a disposition.

Section B – Confidential data Material transactions by relevant person(s)

Name of relevant person – Enter the full name (first and last names) of the relevant person(s) responsible for **each** material transaction for the particular class of shares of the corporation.

Enter the percentage of shares and the monetary value of **each** relevant person's material transaction. For a series of transactions, provide the details of each transaction that makes up the series.

Acquisition/disposition – Tick one of these boxes to show whether each transaction constitutes an acquisition or a disposition.