



ELECTION IN RESPECT OF THE LEASING OF PROPERTY

For use by a taxpayer (the "lessee") who has leased tangible property and by a person who owns the property and from whom the property has been leased (the "lessor"), to elect jointly under subsection 16.1(1) in respect of the property.

One completed copy of this election is to be filed by both the lessor and the lessee with their returns of income under Part I for their respective taxation years that include the time at which the lease commenced.

The lessor must be a person resident in Canada (other than a person whose taxable income is exempt from tax under Part I) or a person not resident in Canada who holds the lease in the course of carrying on a business through a permanent establishment in Canada, as defined by regulation, any income from which is subject to Part I tax.

By virtue of the election, in respect of amounts paid or payable for the use of, or for the right to use, the property, the lease shall be deemed not to be a lease. The lessee is treated for income tax purposes as having acquired the leased property at its fair market value and as having financed the purchase through a loan at a prescribed rate of interest at the earlier of the time of the agreement and the commencement of the lease.

The lessor and the lessee may only elect if:

- the property is leased for a term of more than one year;
- they are dealing at arm's length;
- the leased property would have been depreciable property of the lessee if the lessee had acquired the property; and
- the lease is in respect of tangible property other than prescribed property described in section 8200 of the *Income Tax Regulations*. Prescribed property includes property that had at the time the lease was entered into, an aggregate fair market value not in excess of \$25,000.

The rules described in subsections 16.1(5), (6) and (7) are applicable if the amount payable by the lessee is changed due to the replacement of the property, an addition or alteration to the property or the renegotiation of the lease.

The portion of each lease payment that does not relate to the use of, or the right to use of, or the right to use, the property (such as, for example, a payment by the lessee for provincial sales tax) retains its character for income tax purposes and is not recharacterized as a loan payment.

Parts and subsections referred to in this form are those of the *Income Tax Act*.

IDENTIFICATION

Name or lessee (print)				Social insurance number or													
Address				Business number													
			Postal Code		Tax services office												
Taxation year of lessee		From		Year		Month		Day		To		Year		Month		Day	
Name or lessor (print)				Social insurance number or													
Address				Business number													
			Postal Code		Tax services office												
Taxation year of lessor		From		Year		Month		Day		To		Year		Month		Day	
Name of person to contact for additional information						Telephone number											
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INFORMATION REQUIRED

Description of the property including model names or numbers, serial numbers, manufacturer and date of manufacture. If space is insufficient attach a separate sheet.			Date lease entered into		
			Year Month Day		
			Fair market value of the property at the time the lease was entered into		
			\$ _____		

ELECTION AND CERTIFICATION

The above-named lessee and lessor hereby jointly elect under subsection 16.1(1) in respect of the property described above and certify that the information given in this election, and in any documents attached, is true correct and complete in every respect.

	and		
Signature of lessor or authorized officer or authorized person		Signature of lessee or authorized officer or authorized person	Date