



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*.
- Mail one completed copy of this election, separately from any other return, to your tax services office on or before the earlier of:
 - the day the dividend becomes payable; and
 - the first day on which any part of the dividend was paid.
 Find your tax service's office address by going to cra.gc.ca/tso.
- 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. See page 3 for more information.
- 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*.
- If you are also making an election under subsection 14(1.01) or 14(1.02) in respect of eligible capital property disposed of in the tax year, file it on or before your filing due date for that year with this T2054 or with your *T2 Corporation Income Tax Return* for that year. For more information, see Interpretation Bulletin IT-123, *Transactions Involving Eligible Capital Property*. An election under subsection 14(1.01) or 14(1.02) cannot be late filed, amended or revoked under subsection 220(3.2).
- 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

Corporation's name		Business number	
Address		Tax services office	
Name of contact person		Telephone number	
Mailing address (complete only if different from address above)			

Required information

The full amount of the dividend for which this election is made* _____ A

CDA immediately before this dividend becomes payable** _____ B

Excess amount, if any, subject to Part III tax (amount A minus amount B) _____ C
(enter at amount H on page 3)

Date the dividend becomes payable

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)

Year	Month	Day

Date of immediately previous election (if applicable)

Year	Month	Day

Is the corporation making an election under subsection 14(1.01) or 14(1.02)? Yes No
If **yes**, refer to the 6th, and 7th bullets on page 1 for more information.

Total remittance accompanying this election (amount L from page 3) _____ D

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)? Yes No
If **yes**, provide the following information for the other corporation.

Corporation's name	Business number
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Date dividend became payable by the other corporation (provide the same information separately for each dividend received)	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td>Year</td><td>Month</td><td>Day</td></tr><tr><td> </td><td> </td><td> </td></tr></table>	Year	Month	Day			
Year	Month	Day					

* Attach a certified copy of the resolution or authorization as required per Regulation 2101.

** Attach a schedule showing the calculation of the CDA balance immediately before the election or form T2SCH89, *Request for Capital Dividend Balance Verification*. You do not have to file documentation to support the calculation of the CDA with this election, but you have to keep it in case we ask for it at a later date.

Late-filing penalty

According to subsection 83(4), a late-filing penalty will apply to this election if filed after its due date.

Calculation of late-filing penalty:

Amount of the dividend _____ x 1% x amount N*** _____ ÷ 12 = _____ E

\$500 x amount N*** _____ ÷ 12 _____ F

Late-filing penalty (amount E or F, whichever is less) _____ G

*** N 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.

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