



## Election on Disposition of Property by a Taxpayer to a Taxable Canadian Corporation

- This form is used by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of **eligible property** under subsection 85(1.1) to the corporation and the taxpayer receives as consideration shares of capital stock of the corporation.
- Unless otherwise indicated, all legislative references are to the *Income Tax Act*.
- Mail one copy of this election and related schedules (as specified), completed by the transferor, as follows:
  - to the tax centre of the transferor;
  - on or before the earliest date on which any party to the election has to file an income tax return for the tax year in which the transaction occurred (due date). This due date must consider any election under subsection 25(1) or 99(2); and
  - separately from any other return.

**Do not use this area**

When many transferors elect to transfer the same property (co-ownership) or many members of the same partnership elect to transfer their partnership interests, the elections will be processed together and should be filed:

- at the tax centre of the transferee;
- on or before the due date; and
- by a designated transferor to file all of the completed forms for each transferor, together with a list of all of the electing transferors. This list should contain the name, address and social insurance number, trust account number or business number of each transferor.

Find the address of the transferor's and transferee's tax centre at [canada.ca/tax-centres](http://canada.ca/tax-centres).

Taxpayer's name (transferor)	Social insurance, trust account or business number																
Address	Postal code																
Tax year of the taxpayer <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Start</td> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td style="text-align: center;">End</td> <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="border: none;">       </td> <td style="border: none;">       </td> <td style="border: none;">   </td> <td style="border: none;">       </td> <td style="border: none;">       </td> <td style="border: none;">       </td> <td style="border: none;">   </td> <td style="border: none;">       </td> </tr> </table>	Start	Year	Month	Day	End	Year	Month	Day									Tax services office
Start	Year	Month	Day	End	Year	Month	Day										

Name of co-owner(s), if any (if more than one, attach schedule giving similar details)	Social insurance number
Address	Postal code
	Tax services office

Corporation's name (transferee)	Business number																
Address	Postal code																
Tax year of the corporation <table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">Start</td> <td style="text-align: center;">Year</td> <td style="text-align: center;">Month</td> <td style="text-align: center;">Day</td> <td style="text-align: center;">End</td> <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="border: none;">       </td> <td style="border: none;">       </td> <td style="border: none;">   </td> <td style="border: none;">       </td> <td style="border: none;">       </td> <td style="border: none;">       </td> <td style="border: none;">   </td> <td style="border: none;">       </td> </tr> </table>	Start	Year	Month	Day	End	Year	Month	Day									Tax services office
Start	Year	Month	Day	End	Year	Month	Day										
Name of the contact person	Telephone number																

### Penalty for late-filed and amended elections

An election that is filed after its due date is subject to a late-filing penalty. You can file Form T2057 within three years after its due date if you pay an estimate of the penalty at the time of filing. You can also amend or file Form T2057 after the three-year period, but, in addition to the payment of an estimated penalty amount, you must attach a written explanation justifying the changes or reasons for the delay for consideration by the minister.

#### Calculation of late-filing penalty:

Fair market value (FMV) of property transferred .....	_____
Agreed amount .....	_____
Subtotal (FMV <b>minus</b> agreed amount) .....	_____ <b>A</b>
Amount A _____ × ¼ × 1% × N * _____ = .....	_____ <b>B</b>
\$100 × N * _____ = .....	_____ <b>C</b>
Amount C cannot exceed \$8,000.	
<b>Late-filing penalty</b> (amount B or amount C, whichever is less) .....	_____
Amount enclosed	_____

**Do not use this area**

Make your cheque or money order payable to the Receiver General. On the back, write T2057, the transferor's name, and their social insurance, trust account or business number.

Unpaid amounts including late-filing penalties are subject to daily compound interest at a prescribed rate.

\* 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.

**Information required**

On the following page, list, describe, and state the fair market value (FMV) of transferred properties. The description and FMV of the consideration received has to be shown opposite of the related property transferred. Where the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base. If there is not enough space on the form, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. The following material may be prepared in order to complete the form: a summary of the method of evaluating the FMV of each property transferred; schedules supporting this election; and documentation relating to the responses to the questions below. This material does not need to be filed with the election but must be kept in case we ask to see them at a later date.

1. Is there a written agreement relating to this transfer? . . . . . Yes  No
2. Does a price adjustment clause apply to any of the properties? (See Income Tax Folio S4-F3-C1 for details.) . . . . . Yes  No
3. Do any persons other than the taxpayer own or control directly or indirectly any shares of any class of the transferee? . . . . . Yes  No
4. Does a non-arm's length rollover exist between 2 or more corporations? . . . . . Yes  No   
 If **yes** to question 4, have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? . . . . . Yes  No
5. Is the taxpayer a non-resident of Canada? . . . . . Yes  No
6. Are any of the properties transferred capital properties? . . . . . Yes  No   
 If **yes**, a) have they been owned continuously since Valuation Day (V-Day is defined in section 24 of the *Income Tax Applications Rules*)? . . . . . Yes  No   
 b) have they been acquired after V-Day in a transaction considered not to be at arm's length? . . . . . Yes  No   
 c) since V-Day, has the taxpayer or any person from whom shares were acquired in a non-arm's length transaction received any subsection 83(1) dividends for transferred shares? (If **yes**, attach a schedule, provide details of amounts and dates received.) . . . . . Yes  No
7. Is the agreed amount of any of the transferred properties based on an estimate of FMV on V-Day? . . . . . Yes  No   
 If **yes** to question 7, does a formal documented V-Day value report exist? . . . . . Yes  No
8. Has an election under subsection 26(7) of the *Income Tax Application Rules* (Form T2076) been filed by or on behalf of the taxpayer? . . . . . Yes  No

**Where shares of the capital stock of a private corporation are included in the property disposed of, provide the following:**

Corporation's name	
Business number	Paid-up capital of shares transferred

**Description of shares received**

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares redeemable at the holder's option?
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>
					Yes <input type="checkbox"/> No <input type="checkbox"/>

**Informative notes**

- The rules for section 85 elections are complex. Essential information is contained in Information Circular IC76-19, Interpretation Bulletins IT-291 and IT-378 and Income Tax Folio S4-F3-C1.
- Complete all the information areas and answer all questions. If this form is incomplete, we may consider the election invalid and a late-filing penalty may apply to future submissions.
- If the agreed amount is more than the adjusted cost base of the property in the election, you must report the difference as a capital gain, as income or a combination of both, whichever applies.

**Election and certification**

The taxpayer **and** the corporation jointly elect under subsection 85(1) in respect of the property specified, and certify that the information given in this election and in any attached documents is correct and complete.

\_\_\_\_\_  
Signature of Transferor, Authorized Officer or Authorized Person\*      **and**      \_\_\_\_\_  
Signature of Authorized Officer of Transferee

\* Attach a copy of the authorizing agreement.

\_\_\_\_\_  
Date (yyyy-mm-dd)

**Information on the eligible property disposed of and consideration received**

**Protected B** when completed

	Date of sale or transfer of all properties listed below:			<b>Note:</b> For properties sold or transferred on different dates, use a separate Form T2057.					
				Year	Month	Day			
	Property disposed of				B Agreed amount (cannot be zero)	Amount to be reported B – A (if greater than 0, see note 5)	Consideration received		
	Description	Elected amount limits (see note 1)		Non-share			Share	Fair market value of total consideration	
Fair market value		A	Description	Number and class					
Capital property excluding depreciable property	(brief legal)		(see note 2)						
Depreciable property	(description and prescribed class)		(see note 3)						
Eligible capital property	(kind)		(see note 4)						
Inventory excluding real property	(kind)		(cost amount)						
Resource property	(brief legal)		nil						
Security or debt obligation property	(description)		(cost amount)						
Specified Debt Obligation (for financial institutions only)			(cost amount)						
Capital property that is real property owned by a non-resident person	(description)								
AgriInvest fund no. 2 (see note 6)			(cost amount)						

- Note 1: Read Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.  
 Note 2: Adjusted cost base (subject to adjustment under section 53).  
 Note 3: The lesser of undepreciated capital cost of all property of the class and the cost of the property.  
 Note 4: The lesser of 4/3 of the cumulative eligible capital and the cost of the property.  
 Note 5: This amount is to be reported either as a capital gain or as income, whichever applies. Also, in the case of depreciable property and eligible capital property, a portion of the amount may have to be reported as a capital gain while another portion of the amount may have to be reported as income.  
 Note 6: Contributions made in a tax year ending after 2007, and amounts earned on those contributions, are only eligible if that property is owned by an individual.

**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 at [canada.ca/cra-info-source](http://canada.ca/cra-info-source). Personal Information Bank CRA PPU 047.