Election on Disposition of Property by a Partnership to a Taxable Canadian Corporation

For use by a taxable Canadian corporation and all the members of a partnership, to jointly elect under subsection 85(2) where the partnership has disposed of property to the corporation and has received as consideration shares of any class of the capital stock of the corporation.

Unless otherwise noted, all legislative references are to the Income Tax Act.

Mail one copy of the election and related schedules (if any), completed by the partner designated by the partnership, as follows:

– to the tax centre serving the area of the transferee;
– on or before the earlier 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);
– separately from any other return.

Find your tax centre’s address by going to canada.ca/tax-centres.

Name of partnership (transferor)

Partnership account number

Address

Postal code

Tax year of partnership from Year Month Day to Year Month Day

Tax services office

Corporation’s name (transferee)

Business Number

Address

Postal code

Tax year of corporation from Year Month Day to Year Month Day

Tax services office

Name of person to contact for more information

Telephone number

Penalty for late-filed and amended elections

An election that is filed after its due date will be charged a late-filing penalty. Form T2058 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2058 can also be amended or filed after the 3-year period, but a written explanation of the reason the election is amended or late-filed must be attached for consideration by the minister and an estimate of the applicable penalty must be paid at the time of filing.

Calculation of late-filing penalty:

Fair market value of property transferred

Deduct: agreed amount

Amount A

A

Amount B

B

Amount C

C

Amount C cannot exceed $8,000

Late-filing penalty (the lesser of amount B and amount C)

Amount enclosed

* N represents the sum of each month or each part of a month in the period from the due date to the actual filing date.

Make cheque or money order payable to the receiver general. Specify "T2058" on the remittance and, to ensure proper credit, indicate the name of the partnership (transferor), the partnership number, or business number if a corporation.

Unpaid amounts, including late-filing penalties, are subject to daily compound interest at a prescribed rate.
List, describe, and state the fair market value (FMV) of properties transferred on page 3. The description and FMV of the consideration received has to be shown opposite 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. You should have the following materials: schedules supporting this designation; documentation relating to the responses to the questions below; and a brief summary of the method of evaluating the FMV of each property transferred. Do not attach the materials listed, but keep them as we may 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 Folio S4-F3-C1 for details). ................................. Yes ☐ No ☐
3. Do any persons other than the members of the partnership 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 the partnership(s) and the transferee corporation? ................................. Yes ☐ No ☐
   a) Have all or substantially all (90% or more) of all properties of the partnership been transferred to the corporation? ................................. Yes ☐ No ☐
5. Are any partners non-residents of Canada? ................................................. Yes ☐ No ☐
6. Are any of the properties transferred capital properties? ................................. Yes ☐ No ☐
   a) have they been owned continuously since Valuation Day (V-Day)? ................................. 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 partnership 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 and 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 fair market value on V-Day? ................................. Yes ☐ No ☐
   a) If yes, 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 transferor? ................................. Yes ☐ No ☐

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

<table>
<thead>
<tr>
<th>Corporation's name</th>
<th>Business number</th>
<th>Paid-up capital of shares transferred (under the Income Tax Act)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description of shares received

<table>
<thead>
<tr>
<th>Number of shares transferred received</th>
<th>Class of shares</th>
<th>Redemption value per share</th>
<th>Paid-up capital (under the Income Tax Act)</th>
<th>Voting or non-voting</th>
<th>Are the shares redeemable at the holder's option?</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Yes ☐ No ☐</td>
</tr>
</tbody>
</table>

Informative notes

• The rules for section 85 elections are complex. Essential information is contained in Information Circular IC76-19, Folio S4-F3-C1, Interpretation Bulletins IT-291 and IT-378.
• Complete all the information areas and answer all questions. If this form is incomplete, we may consider the election invalid and subsequent submissions may be subject to a late-filing penalty.
• If the agreed amount exceeds 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.
Information on the property disposed of and consideration received

<table>
<thead>
<tr>
<th>Date of sale or transfer</th>
<th>Year</th>
<th>Month</th>
<th>Day</th>
<th>Property disposed of</th>
<th>Elected amount limits (see note 1)</th>
<th>Agreed amount (cannot be zero)</th>
<th>Amount to be reported B – A (if greater than 0, see note 5)</th>
<th>Consideration received</th>
</tr>
</thead>
<tbody>
<tr>
<td>of all properties listed below:</td>
<td></td>
<td></td>
<td></td>
<td>Description</td>
<td>Fair market value</td>
<td>A</td>
<td>B</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Capital property excluding depreciable property</td>
<td>(Brief legal)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Depreciable property</td>
<td>(Description and prescribed class)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Eligible capital property</td>
<td>(Kind)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Inventory excluding real property</td>
<td>(Kind)</td>
<td>(cost amount)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Resource property</td>
<td>(Brief legal)</td>
<td>nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Security or debt obligation property</td>
<td>(Description)</td>
<td>nil</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Specified Debt Obligation (For financial institutions only)</td>
<td></td>
<td>(cost amount)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** For properties sold or transferred on different dates, use separate Form T2058.

**Note 1.** Read Interpretation Bulletin IT-291 for 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 x 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.
# Election and certification

The corporation and all members of the partnership hereby jointly elect under subsection 85(2) in respect of the property specified, and certify that the information given in this election, and in any documents attached, is true, correct and complete to the best of their knowledge.

<table>
<thead>
<tr>
<th>Date</th>
<th>Signature of authorized officer of corporation</th>
<th>Position or office</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Social insurance number or business number</td>
<td>Name of partner, authorized person or authorized officer</td>
</tr>
<tr>
<td></td>
<td>Signature of partner, authorized person or authorized officer</td>
<td>Position of office of authorized person or authorized officer</td>
</tr>
<tr>
<td>1</td>
<td>Social insurance number or business number</td>
<td>Name of partner</td>
</tr>
<tr>
<td></td>
<td>Signature of partner, authorized person, or authorized officer</td>
<td>Date</td>
</tr>
<tr>
<td>2</td>
<td>Social insurance number or business number</td>
<td>Name of partner</td>
</tr>
<tr>
<td></td>
<td>Signature of partner, authorized person, or authorized officer</td>
<td>Date</td>
</tr>
<tr>
<td>3</td>
<td>Social insurance number or business number</td>
<td>Name of partner</td>
</tr>
<tr>
<td></td>
<td>Signature of partner, authorized person, or authorized officer</td>
<td>Date</td>
</tr>
</tbody>
</table>

The election form must be signed by all partners, or by a person authorized in writing by all partners to sign for them, and by an authorized officer of the transferee. A person who is authorized to sign for all the partners should complete area 1 above, and attach a copy of the authorizing agreement. If space is insufficient, attach “Election and certification” giving similar details. Attach a list containing the name, social insurance number, or business number of each partner. If a member of the partnership is in itself a partnership, attach a list showing the name, social insurance number, or business number of each member of that partnership. Also, indicate the fiscal period of the partnership.

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### 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.