

Transfer of Property by a Taxpayer to a Taxable Canadian Corporation

1 Information

This form is to be used by a taxpayer and by a corporation to which the taxpayer has transferred property for consideration that includes a share of the capital stock of the corporation, where an election respecting the transfer has been filed with the Canada Revenue Agency (CRA) pursuant to subsection 85(1) of the *Income Tax Act* (ITA).

Note that effective December 20, 2006, corporations and taxpayers may no longer agree on an amount that differs from the amount shown on the CRA election form (form T2057), nor may they file an application to the Minister to amend a TP-518-V unless the conditions provided for in Part 3 of this form are respected.

This form must also be completed in order to submit, as applicable,

- a **rollover application**, if pursuant to subsection 13(21.2) of the ITA, no election may be made where the taxpayer sustains a terminal loss on the transfer;
- an **application to the Minister** to amend a TP-518-V form previously filed with respect to the transfer, in order to agree on an amount (if this has not already been done), to be deemed to have never agreed on an amount, or to agree on a new amount.

1.1 Definitions

In this form, "transferor" refers to the taxpayer and "corporation" refers to a taxable Canadian corporation. Where appropriate, the term "parties" may be used to designate both the transferor and the corporation. "Transfer year" refers to the taxation year of the transferor or the taxation year of the corporation in which the transfer took place.

1.2 Documents

The following documents must be submitted along with a duly completed copy of this form:

- a **copy of form T2057 and any other document filed with the CRA** (unless you are submitting a rollover application or an application to the Minister and form T2057 has already been filed and has not been amended); and,

- where the property transferred is an interest in a partnership, a document listing the names and addresses of all the members of the partnership, as well as their Québec enterprise numbers (NEQ), and their social insurance numbers, registration numbers or identification numbers, depending on whether the partners are individuals, corporations, trusts or partnerships. Provide the same information for all the members of a partnership that is itself a member of the transferor partnership.

Where two or more transferors dispose of property held in co-ownership, or where two or more members of the same partnership dispose of their interests in the partnership, only one of the transferors, designated by the others, is required to file this form on behalf of each of the other transferors and attach the above-mentioned documents.

1.3 Filing date

Send the form and document (or documents), separately from any income tax return, to the office of Revenu Québec where the transferor normally files returns. Send the form and document (or documents) by the later of the following dates:

- the earliest date by which one of the parties that made the election respecting the transfer is required to file an income tax return for the taxation year in which the transfer took place; or
- the date of the last day of the two-month period following the end of the taxation year that, of the taxation years of the parties that made the election, ends the latest.

Applications to the Minister, however, must be submitted within three years following the date on which the late-filing penalty begins to accrue, or later, as permitted by the Minister.

1.4 Penalty

The parties must pay a penalty if this form or any required documents are sent after the prescribed deadline.

2 Identification

2.1 Transferor

Name or firm name of transferor		Québec enterprise number (NEQ)	
1		2	
Mailing address		Social insurance number (or identification and file numbers)	
4		3	
Postal code		6	Transfer year
5		from	Y M D
		to	Y M D

2.2 Transferee

Name of corporation <input style="width:95%;" type="text"/>	Québec enterprise number (NEQ) <input style="width:95%;" type="text"/>
Mailing address <input style="width:95%;" type="text"/>	Identification and file numbers <input style="width:95%;" type="text"/>
Postal code <input style="width:95%;" type="text"/>	Transfer year from <input style="width:15px;" type="text"/> Y <input style="width:15px;" type="text"/> M <input style="width:15px;" type="text"/> D to <input style="width:15px;" type="text"/> Y <input style="width:15px;" type="text"/> M <input style="width:15px;" type="text"/> D

2.3 Contact person

Name of contact person <input style="width:95%;" type="text"/>	Area code <input style="width:95%;" type="text"/>	Telephone <input style="width:95%;" type="text"/>
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3 Conditions

The following conditions must be met if the parties submit an application to the Minister, or if the amount indicated in Part 5 of this form differs from the amount indicated in form T2057.

1. The parties carried on at least 90% of their business in Québec in the taxation year in which the transfer took place.
2. If one of the parties is an individual, he or she was a resident in Québec on the last day of the transfer year.
3. If the amounts in this form and form T2057 differ, answer the following question:

Is the difference between the amounts **entirely (or almost entirely)** attributable to the difference between the cost amount of the property used to calculate Québec income tax and the cost amount used to calculate federal income tax? Yes No

If this is not the case, explain the difference. _____

The reason must be deemed acceptable in the circumstances by the Minister of Revenue.

4 Rollover application

In the case of a rollover application, provide the following information:

- Does a non-arm's length rollover exist between 2 or more corporations? Yes No
- Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? Yes No
- Is there a written agreement related to the transfer? Yes No
If **yes**, enclose the agreement with this form.
- Does a price adjustment claim apply to any of the transferred properties?..... Yes No
- Enter the undepreciated capital cost (UCC) of the property: _____

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

Name of the corporation <input style="width:95%;" type="text"/>		
Québec enterprise number (NEQ) <input style="width:95%;" type="text"/>	Identification and file numbers <input style="width:95%;" type="text"/>	Paid-up capital of shares transferred <input style="width:95%;" type="text"/>

If the transferred property is a partnership interest, attach a schedule of the calculation of the adjusted cost base.

Description of shares received

Number of shares received by transferor	Class of shares	Cash surrender value per share (\$)	Tax value of paid-up capital per share (\$)	Are the shares voting shares?		Are the shares puttable?	
				Yes	No	Yes	No
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6 Penalty (for late filing of the form or for an application to the Minister)

If a number of penalties result from this transfer, only the highest penalty must be paid.

FMV of the property transferred		30
Agreed amount in respect of the property	-	31
Subtract line 31 from line 30.	=	32
	x	0.25% 33
Multiply line 32 by 0.25%.	=	34
Number of months ⁷	x	35
Multiply line 34 by the number entered on line 35.	=	36
Number of months entered on line 35 multiplied by \$100	▶	37
Enter the amount on line 36, the amount on line 37 or \$5,000, whichever is lowest.	Penalty	38

7 Certification

We, the transferor and the above-mentioned corporation, are filing this form for one of the following reasons:

- We have made a valid election under subsection 85(1) of the *Income Tax Act* (R.S.C. (1985), c. 1, 5th Supp.) with respect to the property described above.
- We are filing an application to the Minister under the third paragraph of section 522 of the *Taxation Act* with respect to the property described above.
- We are submitting a rollover application even though no election may be made under subsection 85(1) of the *Income Tax Act* by reason of subsection 13(21.2) of that Act.

We certify that the information given in this form and in any attached documents is accurate and complete.

Signature of transferor or authorized signee⁸ and _____
Signature of authorized signee for the corporation⁸ _____
Date

1. Enter the adjusted cost base (ACB), which is subject to adjustments under sections 255 and 257 of the *Taxation Act*.
2. Enter the capital cost of the property or the UCC of all property in the class immediately before the transfer, whichever is lower.
3. Enter the cost of the property in respect of a business or 4/3 of the eligible incorporeal capital amount in respect of the same business immediately before the transfer, whichever is lower.
4. As a rule, the agreed amount must be the amount entered on form T2057. However, if the parties meet the conditions in Part 3, the agreed amount must be calculated as follows:
 - It must be equal to or greater than the lower of the amounts in columns A and B (this limit does not apply to resource property). It must also be equal to or greater than the amount in column D, unless the consideration received consists of shares of the corporation, or a right to receive such shares.
 - It must not exceed the amount in column A.
5. The transferor must report any amount in this column as a capital gain or as income, depending on the type of property. For example, if the UCC of the class of a depreciable property results in a negative amount, this amount must be reported as income. With respect to incorporeal capital property held in the course of carrying on a business, the negative balance of the eligible incorporeal capital amount of this business must also be reported as income.
6. The property may be capital property that is an immovable held by a non-resident, or a NISA fund No. 2.
7. Number of months or parts of a month between the filing deadline prescribed by law and the date on which all of the required documents are filed with Revenu Québec (or, in the case of an application to the Minister, the date on which this form is filed).
8. Attach a copy of the authorization.