

Transfer of Property by a Taxpayer to a Taxable Canadian Corporation

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).

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

- a **rollover application**, even if, pursuant to subsection 13(21.2) of the ITA, no election may be made where the taxpayer sustains a capital 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.

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.

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,
- 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 a 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.

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 day on which the late-filing penalty begins to accrue, or within a longer period, as permitted by the Minister.

Payment of the prescribed penalty must be enclosed if Revenu Québec receives this form (or any required document) after the prescribed deadline.

1 Identification

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

Name of corporation		Québec enterprise number (NEQ)	
10		12	
Address		Identification and file numbers	
14		13	
Postal code		16	Transfer year from
15			to

Name of contact person	Area code	Telephone
20		

2 Conditions

The conditions below must be met if the parties wish to agree on an amount that differs from the amount indicated in the T2057 election form filed with the CRA, or if they wish to submit a rollover application or an application to the Minister.

1. Where, with respect to one of the transferred properties, there is a difference between the agreed amount indicated on this form and the agreed amount indicated on form T2057, the difference is 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.

If this is not the case, explain the difference:¹ _____

2. (a) The parties carried on at least 90% of their business in Québec in the taxation year in which the transfer took place.

(b) If one of the parties is an individual, he or she was resident in Québec on the last day of the transfer year.

If conditions (a) and (b) are met, go to Part 3. If not, go to condition 3 below.

3. (a) The transferor is subject to Québec income tax in the transfer year.

(b) Each of the parties carried on a business for at least 24 months before the transfer year. If not, go to conditions 4 and 6.

(c) In the years referred to in subparagraph (a), (b) or (c) of the second paragraph of section 522.1 of the *Taxation Act*,² the proportion of business carried on in Québec by the parties is equal; if there is a difference, it is

• no more than 10%. Enter the relevant years below and go to Part 3:

from _____ to _____, for the transferor

from _____ to _____, for the corporation

• more than 10%, but does not exceed 25% (provided the Minister of Revenue approves the difference). Go to conditions 4 and 5.

4. (a) It is reasonable to believe that, in the 18 months following the transfer, the property will not be subject to a voluntary disposition that would result in the avoidance of income tax payable in Québec or in another province by one of the parties, by a third party replacing one of the parties, or by a member of such a third party.

(b) Each party will carry on a business for at least 18 months following the transfer year.³

5. In the years referred to in subparagraph (d) or (e) of the second paragraph of section 522.1 of the *Taxation Act*,² the difference in the proportion of business carried on in Québec by each of the parties is more than 10%, but does not exceed 25%. Enter the relevant years below and go to Part 3:

from _____ to _____, for the transferor

from _____ to _____, for the corporation

6. (a) In the years referred to in subparagraph (b) of the second paragraph of section 522.1 of the *Taxation Act*,² the difference in the proportion of business carried on in Québec by the parties is

• no more than 10%. Enter the relevant years below:

from _____ to _____, for the transferor

from _____ to _____, for the corporation

• more than 10%, but does not exceed 25% (provided the Minister of Revenue approves the difference). Enter the relevant years below:

from _____ to _____, for the transferor

from _____ to _____, for the corporation

(b) In the years referred to in subparagraph (a), (d) or (e) of the same paragraph,² the difference in the proportion of business carried on in Québec by the parties is no more than 10%. Enter the relevant years below and go to Part 3.

from _____ to _____, for the transferor

from _____ to _____, for the corporation

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

2. Taxation years referred to in subparagraphs (a) through (e) of the second paragraph of section 522.1 of the *Taxation Act*:

- Subparagraph (a) – For the transferor and the corporation, the transfer years. These years take precedence over the years referred to in the other subparagraphs.
- Subparagraph (b) – Any taxation year of the transferor and the corporation that ends **in the same calendar year** and that is, for the transferor and the corporation, a taxation year ending in the 24 months preceding the transfer year, or the transfer year itself.
- Subparagraph (c)
 - For one of the parties (“party F”), a taxation year ending both in a particular calendar year (“calendar year G”) and in the 24 months preceding the transfer year, provided none of the other party’s taxation years ending in the period referred to in subparagraph (b) ends in calendar year G.
 - For the other party, a taxation year ending both in the same calendar year and in the same period referred to in subparagraph (b) as a taxation year of party F, provided it is closer to calendar year G.
- Subparagraph (d) – Any taxation year of the transferor and the corporation that ends **in the same calendar year** and that is, for the transferor and the corporation, a taxation year beginning in the 18 months following the transfer year, or the transfer year itself.
- Subparagraph (e)
 - For one of the parties (“party H”), a taxation year beginning both in a particular calendar year (“calendar year I”) and in the 18 months following the transfer year, provided none of the other party’s taxation years ending in the period referred to in subparagraph (b) ends in calendar year I.
 - For the other party, a taxation year that ends both in the same calendar year and in the same period referred to in subparagraph (b) as a taxation year of party H, provided it is closer to calendar year I.

3. Unless otherwise authorized by the Minister of Revenue.

3 Particulars of the property transferred and the consideration received

If a number of depreciable properties or a number of incorporeal capital properties were transferred at the same time, enter them in the order of disposition assigned by the transferor.

Unless otherwise indicated, it is not necessary to provide documents to support the assigned order of disposition, the information provided in this section or the method used to evaluate each property transferred. However, you must keep such documents and be able to provide them to Revenu Québec on request.

List and describe each property transferred. Enter the fair market value (FMV) of the property and the FMV of the consideration received as calculated on the date of transfer. If space is insufficient, attach a separate sheet showing the same information.

Date of transfer of the property indicated below:		Y	M	D	Use a separate form for any property that was transferred on a different date.			
	Description of property	Limits respecting the agreed amount			Description of the consideration received		D Agreed amount (see note 4)	Col. D – col. B (see note 5) If the result is negative, enter 0.
		A FMV of the property	B	C FMV of the consideration received	Other than shares	Name and class of shares		
Capital property other than depreciable property	(brief description)		(see note 1)					
Depreciable property	(description and prescribed class)		(see note 2)					
Incorporeal capital property	(type)		(see note 3)					
Inventory	(type)		(cost amount)					
Resource property	(brief description)		N/A					
			N/A					
Securities or debt obligations	(brief description)	(cost amount)						
Other (note 6)	(brief description)							

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"/>

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. Otherwise, the parties must meet the conditions in Part 2, in which case 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 C, 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.

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

- Is there a written agreement respecting the transfer? (If so, enclose it with this form.) Yes No
- Does a price adjustment clause apply to any of the property transferred? Yes No
- Enter the undepreciated capital cost (UCC) of the property:

Complete the lines below if the property transferred included shares of the capital stock of a private corporation.

Name of corporation		
Québec enterprise number (NEQ)	Identification and file numbers	Paid-up capital of shares transferred

If one of the properties transferred is an interest in a partnership, attach the calculation of the adjusted cost base of the interest.

4 Penalty (for late filing or 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**	x	35
Multiply line 34 by the number entered on line 35.	=	36
Number of months entered on line 35 x \$100	▶	37
Enter the amount on line 36, the amount on line 37 or \$5,000, whichever is lowest.	Penalty	38

**Number of months or parts of a month between the prescribed filing deadline 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).

5 Certification

We, the transferor and the above-mentioned corporation, are filing this form for one of the following reasons:		
<input type="checkbox"/> We have made a valid election under subsection 85(1) of the <i>Income Tax Act</i> (R.S.C. (1985), c. 1, 5th Supp.) with respect to the property described above.		
<input type="checkbox"/> We are filing an application to the Minister under the third paragraph of section 522 of the <i>Taxation Act</i> with respect to the property described above.		
<input type="checkbox"/> We are submitting a rollover application even though no election may be made under subsection 85(1) of the <i>Income Tax Act</i> 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 signee***	Signature of authorized signee for the corporation***	Date

*** Attach a copy of the authorization.

Do not use this area.

Date de réception	Autorisation	Montant faisant l'objet d'une pénalité	Pénalité	Versement	Total
A M J					