Gondaliya CPA
Your Growth Partner

Capital Dividend Checklist

Gondaliya CPA Professional Corporation · Registered Ontario CPA Firm

Twelve things to settle before you declare

For Canadian private corporations. Current to 5 November 2026.

- [ ] **Rebuild the account from the first year**
  A brought-forward figure is only as good as the last year someone built it properly.
- [ ] **Verify each adjusted cost base against documents**
  Net book value is not adjusted cost base. This is the commonest arithmetic error.
- [ ] **Apply the one-half inclusion rate**
  Paragraph 38(a). The two-thirds increase was cancelled on 21 March 2025.
- [ ] **Deduct the non-deductible half of every loss**
  Cumulative from incorporation. A loss from a decade ago is still in the calculation.
- [ ] **Enter life insurance net of adjusted cost basis**
  Paragraph (d) takes the death benefit less the policy ACB, not the gross proceeds.
- [ ] **Deduct every capital dividend already paid**
  Including ones paid years ago under a previous accountant.
- [ ] **Re-run anything computed at two-thirds**
  Any figure touching June 2024 to March 2025 needs checking against one-half.
- [ ] **Request verification on Schedule 89**
  CRA will confirm the balance before you pay. It is free and it takes a form.
- [ ] **Pass the resolution before any money moves**
  The balance is measured immediately before the dividend becomes payable.
- [ ] **File Form T2054 on the payable date**
  Earlier of the payable date and the first payment date. Regulation 2101 prescribes it.
- [ ] **If late, authorise it and pay the penalty estimate**
  Subsection 83(3). The penalty is the lesser of 1/12 of 1% and $41.67 a month.
- [ ] **If the dividend exceeded the account, elect under 184(3)**
  Form T2184, within 90 days of the Part III assessment, with shareholder concurrence.

Part III tax on an excess capital dividend is 60 per cent and CRA cannot waive it.
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647-212-9559 · info@gondaliyacpa.ca
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