

TAX INSTRUCTION LETTER

December 20, 2012

Section 85 Joint Tax Election
For the Disposition of C&C Energia Ltd. Class A Shares
in connection with
Pacific Rubiales Energy Corp.'s acquisition of C&C Energia Ltd.

The tax election process is time sensitive.

Your immediate attention is required.

The deadline for providing two signed copies of the applicable tax election forms to Pacific Rubiales Energy Corp. ("Pacific Rubiales") is on or before February 14, 2013, the date that is 45 days following the Effective Date (the "Section 85 Election Period"). This Tax Instruction Letter is prepared on the basis that the Effective Date will be December 31, 2012.

The information included in this Tax Instruction Letter is of a general nature only and is not intended to be, nor should it be constructed as legal or tax advice or a representation to any shareholder of C&C Energia Ltd. ("C&C Energia") Such shareholders should consult their own tax advisors concerning the tax consequences to them of the Plan of Arrangement scheduled to the Arrangement Agreement between Pacific Rubiales and C&C Energia dated November 19, 2012, as amended and restated November 30, 2012 (the "Arrangement") pertaining to their particular circumstances.

All capitalized terms used in this document, not otherwise defined herein, have the meaning set forth under the "Definitions" in the Information Circular of C&C Energia Ltd. (the "Information Circular") dated November 30, 2012 or the Arrangement.

This Tax Instruction Letter is based on the transaction described in the Information Circular and the Arrangement of which an Interim Order was obtained from the Court on November 30, 2012. Where applicable, this Tax Instruction Letter will be updated and posted on Pacific Rubiales' website to reflect the Final Order which is expected to be obtained from the Court prior to the Effective Date.

Section One – Overview

This Tax Instruction Letter is for use by an Eligible Holder who wishes to defer all or a part of the Eligible Holder's capital gain on the disposition of C&C Energia Class A Shares and who has checked the appropriate box in the Letter of Transmittal (the "Letter of Transmittal") accompanying the Information Circular to indicate such Eligible Holder's intention to make a joint election with Pacific Rubiales pursuant to subsection 85(1) or subsection 85(2) (the "Joint Tax Election") of the *Income Tax Act* (the "Tax Act") in respect of some or all of their C&C Energia Class A Shares.

Eligible Holder is defined in the Arrangement to mean: (i) a Canadian Resident, or (ii) an Eligible Non-Resident. Canadian Resident is defined in the Arrangement to mean a beneficial owner of either C&C Energia Common Shares or Exercised Target Options immediately prior to the Effective Time who is a resident of Canada for purposes of the Tax Act (other than a Tax-Exempt Person), or a partnership any member of which is (i) a resident of Canada for the purposes of the Tax Act and (ii) not a Tax-Exempt Person. Eligible Non-Resident is defined in the Arrangement to mean a beneficial owner of either C&C Energia Common Shares or Exercised Target Options immediately prior to the Effective Date who is not, and is not deemed to be, a resident of Canada for purposes of the Tax Act and whose C&C Energia Common Shares are, or with respect to Exercised Target Options would be, "taxable Canadian property" and not "treaty-protected property", in each case as defined in the Tax Act.

No Joint Tax Election will be made with anyone who is not an Eligible Holder.

To make a Joint Tax Election, the Eligible Holder must provide two signed copies of the applicable tax election forms to Pacific Rubiales on or before February 14, 2013, which is the end of the Section 85 Election Period. Any Eligible Holder who does not ensure that Pacific Rubiales has received the properly completed tax election forms by the end of the Section 85 Period may not be able to benefit from the tax deferral provisions of the Tax Act and any applicable provincial or territorial tax legislation.

An Eligible Holder filing a Section 85 Joint Tax Election with Pacific Rubiales pursuant to Section 85 of the Tax Act should, depending on that Eligible Holder's circumstances, be able to obtain a full or partial tax-deferred rollover on the disposition of their C&C Energia Class A Shares for Canadian federal income tax purposes.

A summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a C&C Energia Shareholder who disposes of C&C Energia Common Shares under the Arrangement and files a Joint Tax Election is contained in the Information Circular under the heading "Certain Canadian Federal Income Tax Considerations". All Eligible Holders are strongly urged to read such summary and the full text of the Information Circular.

Eligible Holders are strongly advised to consult their own tax advisors as soon as possible regarding the tax consequences and filing deadline applicable to them in their particular circumstances.

A shareholder who has acquired C&C Energia Common Shares pursuant to the exercise of a stock option should consult their own tax advisors regarding the tax consequences applicable to them in their particular circumstances.

Section Two – Summary of the Transactions under the Arrangement

On the Effective Date (assumed for the purposes of this Tax Instruction Letter to be December 31, 2012), Pacific Rubiales will acquire the outstanding shares of C&C Energia. Pursuant to the Arrangement, each C&C Energia Common Share (other than shares held by a Dissenting C&C Energia Shareholder or shares acquired on the exercise of an Exercised Target Option – see detailed transaction steps in the Arrangement) shall, in the course of a reorganization of the capital of C&C Energia, be exchanged for one C&C Energia Class A Share and one Platino Energy Share. Each C&C Energia Class A Share shall then be transferred to Pacific Rubiales in exchange for (1) 0.3528 of a Pacific Rubiales Share and (2) Cdn\$0.001. An Eligible Holder whose C&C Energia Class A Shares are exchanged for Pacific Rubiales Shares pursuant to the Arrangement is entitled to make a Joint Tax Election with Pacific Rubiales.

The Arrangement

The transaction steps to be undertaken on the Effective Date pursuant to the Arrangement are summarized below. This Tax Instruction Letter is based on the transaction described in the Information Circular and the Arrangement of which an Interim Order was obtained from the Court on November 30, 2012. Where applicable, the Tax Instruction Letter will be updated and posted on Pacific Rubiales' website to reflect the Final Order which is expected to be obtained from the Court prior to the Effective Date. **All Eligible Holders are strongly urged to read the full text of the Information Circular and the Arrangement.**

- (a) each Common Share of C&C Energia held by a Dissenting Shareholder shall be, and shall be deemed to be, surrendered to C&C Energia by the holder thereof, without any further act or formality by or on behalf of the Dissenting Shareholder, free and clear of all liens, encumbrances or claims for cancellation and thereupon each Dissenting Shareholder shall cease to have any rights as holders of such Common Shares other than the rights set out in the Plan of Arrangement and the name of such Dissenting Shareholder shall be removed from the register of holders of Common Shares of C&C Energia;
- (b) each of the Exercised Target Options shall be, and shall be deemed to be, exercised and C&C Energia shall, and shall be deemed to, issue to the holder of such Exercised Target Options that number of Common Shares of C&C Energia issuable pursuant to the terms of such Exercised Target Options;
- (c) all outstanding Target Options shall be terminated without payment or compensation therefor, and neither C&C Energia nor Pacific Rubiales shall have any further liabilities or obligations to the former holders of the Target Options thereof with respect thereto;
- (d) each Common Share of C&C Energia acquired on the exercise of an Exercised Target Option pursuant to the Plan of Arrangement shall be, and shall be deemed to be, transferred to Pacific Rubiales (free and clear of any liens, encumbrances or claims) by former Target Optionholders in exchange for:
 - (i) 0.3528 of a Pacific Rubiales Share;
 - (ii) the right to receive a Platino Energy Share to be delivered by Pacific Rubiales pursuant to (f) below;

- (e) in the course of a reorganization of C&C Energia's authorized and issued share capital:
 - (i) the articles of C&C Energia shall be amended to:
 - (A) cancel the class of shares currently known as "Preferred Shares"; and
 - (B) to add a class of shares designated as "Class A Shares"; and
 - (ii) each issued and outstanding Common Share of C&C Energia shall be exchanged with C&C Energia (free and clear of any liens, encumbrances or claims) for one Class A Share of C&C Energia and one Platino Energy Share;
- (f) Pacific Rubiales shall deliver to each Shareholder of C&C Energia whose Common Shares were transferred to Pacific Rubiales pursuant to step (d) above such number of Platino Energy Shares as are deliverable to such Shareholder of C&C Energia pursuant to step (d) above; and
- (g) each issued and outstanding Class A Share of C&C Energia (other than Class A Shares of C&C Energia already held by Pacific Rubiales) shall be, and shall be deemed to be, transferred to Pacific Rubiales (free and clear of any liens, encumbrances or claims) in exchange for 0.3528 of a Pacific Rubiales Share and Cdn\$0.001 ("Share Exchange").

No certificates representing fractional shares shall be issued or delivered pursuant to the Arrangement in the case of either the Share Consideration or the Platino Energy Shares issuable to Shareholders of C&C Energia. In the event that a former Shareholder of C&C Energia would otherwise be entitled to a fractional Pacific Rubiales Share or Platino Energy Share, as the case may be, the number of Pacific Rubiales Shares or Platino Energy Shares shall be rounded to the nearest whole number without any additional compensation. In calculating such fractional interests, all C&C Energia Common Shares registered in the name of or beneficially held by such former C&C Energia Shareholder or their nominee shall be aggregated. If the aggregate amount of Cash Consideration to which a former C&C Energia Shareholder would otherwise be entitled pursuant to the Arrangement includes a fractional cent, such amount shall be rounded up to the nearest whole cent.

Section Three – The Tax Election Process

An Eligible Holder who wishes to defer all or a part of the Eligible Holder's capital gain on the disposition of C&C Energia Class A Shares to Pacific Rubiales should follow the procedures set out below.

Step 1: Prepare the Joint Tax Election Forms

An Eligible Holder who wishes to make a Joint Tax Election should properly complete and execute two copies of the applicable Joint Tax Election forms as follows:

1. Applicable tax election form for federal income tax purposes
 - An Eligible Holder who is an individual, a corporation, or a trust must complete Form T2057 – *Election on disposition of property by a taxpayer to a taxable Canadian corporation*.
 - An Eligible Holder who is a partnership must complete Form T2058 – *Election on disposition of property by a partnership to taxable Canadian corporation*. Such election form must be accompanied by a list of the names, addresses, social insurance numbers or tax account numbers of each of the partners, along with two copies of a letter signed by each partner authorizing the designated partner to complete, sign and file the election forms.
 - Both Form T2057 and Form T2058 are attached hereto and are also available from the website of the Canada Revenue Agency ("CRA") at www.cra-arc.gc.ca.
 - Where the C&C Energia Class A Shares are held in joint ownership and two or more of the co-owners wish to make a Joint Tax Election, a co-owner designated for such purpose should properly complete and execute two copies of the federal election Form T2057 (and any other relevant provincial or territorial forms) for each co-owner. Such election forms must be accompanied by a list of the names, addresses and social insurance numbers or tax account numbers of each of the co-owners, along with two copies of a letter signed by each of the co-owners authorizing the designated co-owner to complete, sign and file the election forms.
2. Applicable provincial or territorial election form - certain provinces or territories (such as Quebec and in some cases, Alberta where an elected amount chosen by the Eligible Holder for Alberta tax purposes is different from the elected amount for federal tax purposes) may require that a separate Joint Tax Election be filed for provincial or territorial income tax purposes. Pacific Rubiales will also make a Joint Tax Election with an Eligible Holder under the provisions of any relevant provincial or territorial income tax law having similar effect to Section 85 of the Tax Act, subject to the same limitations as described herein. Eligible Holders should consult their own tax advisors to determine whether separate election forms must be filed with any provincial or territorial taxing authority and to determine the procedure for filing any such separate election form. It will be the sole responsibility of each Eligible Holder who wishes to make such an election to obtain the appropriate provincial or territorial election forms and to duly complete and submit two signed copies of such election forms to Pacific Rubiales for its execution at the same time as the federal election forms.

Step 2: Send the Joint Tax Election Forms to Pacific Rubiales

To make a Joint Tax Election, the Eligible Holder must provide by mail or courier the following documents on or before February 14, 2013, which is the end of the Section 85 Election Period, to Pacific Rubiales at its address set out below:

1. Two signed copies of the applicable tax election forms and documents described in Step 1 above (one copy will be kept by Pacific Rubiales and will not be returned to the Eligible Holder);
2. A self-addressed envelope; and
3. A letter providing the full name, phone number and email address of the person to contact should Pacific Rubiales require further information to complete the tax election forms (a sample letter titled "Contact and Filing Information Form" is attached as Appendix A below).

The address and contact information of Pacific Rubiales are as follows:

Pacific Rubiales Energy Corp.
333 Bay Street, Suite 1100
Toronto, Ontario
Canada
M5H 2R2

Attention: Mr. Nelson Lee, Senior Vice President of Finance
Contact phone number: 416-362-7735

Step 3: Execution of Joint Tax Election Forms by Pacific Rubiales

Subject to the election forms being correct and complete and complying with the provisions of the applicable income tax law and the Arrangement, Pacific Rubiales will sign the tax election forms received from an Eligible Holder on or before February 14, 2013, which is the end of the Section 85 Election Period, and return one copy by mail using the self-addressed envelope to the Eligible Holder within 45 days after the end of the Section 85 Election Period.

At its sole discretion, Pacific Rubiales may make a Joint Tax Election with Eligible Holders from whom it receives duly completed tax election forms after the Section 85 Election Period, but it shall have no obligation to do so.

Each Eligible Holder intending to make a Joint Tax Election is solely responsible for ensuring the necessary tax election forms are completed correctly and filed with the CRA and any other applicable provincial tax authority by the required deadline (as discussed below). With the exception of Pacific Rubiales' obligation to sign and return a properly completed tax election form delivered to it by an Eligible Holder within the Section 85 Election Period, neither Pacific Rubiales nor C&C Energia will be responsible for the proper or accurate completion of the tax election forms or have any other liability or obligation in respect thereof. Pacific Rubiales will not be responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by an Eligible Holder to properly and accurately complete or file the necessary

election forms in the form and manner and within the time prescribed by the Tax Act (or any applicable provincial legislation).

Step 4: Filing of the Joint Tax Election Forms and Deadlines

For the CRA to accept a tax election form without a late filing penalty being paid by an Eligible Holder, the Joint Tax Election form, duly completed and executed by both the Eligible Holder and Pacific Rubiales must be received by the CRA on or before the earliest due date for the filing of either Pacific Rubiales' or the Eligible Holder's income tax return for the taxation year in which the Effective Date occurs.

In the absence of a transaction subsequent to the Effective Date but prior to January 1, 2013 that results in a different taxation year end for Pacific Rubiales, the taxation year of Pacific Rubiales is expected to end on December 31, 2012. In such circumstances, if the Effective Date is on or before December 31, 2012, Pacific Rubiales' tax filing due date is June 30, 2013.

Individuals will generally have to file the joint tax election form on or before **April 30, 2013** as this is the earlier of (i) June 30, 2013 (being generally the filing deadline when Pacific Rubiales will be required to file a tax return for its December 31, 2012 taxation year) and (ii) April 30, 2013 (being generally the deadline by which such Eligible Holder will be required to file a tax return for its 2012 taxation year).

Corporations and Trusts may be required to file the Joint Tax Election forms earlier than Pacific Rubiales' corporate tax filing deadline of June 30, 2013 depending on their taxation year-end.

Eligible Holders are strongly advised to consult their own tax advisors as soon as possible regarding the filing deadlines for federal, provincial or territorial tax purposes applicable to them in their particular circumstances.

Section Four – Completing the Tax Election Form – An Example

Page 1 of Form T2057

Name of taxpayer (transferor) (print)			Social insurance number or Business Number	
Address			Postal code	
Tax year of taxpayer for the period from	Year Month Day	to	Year Month Day	Tax services office

Name of taxpayer: First and last name of an individual or name of a corporation or trust

Social insurance number (of an individual), **Business Number** (of a corporation) or **Trust Account Number** (of a Trust)

Address: Mailing address

Tax Services Office: The CRA Tax Services Office for an Eligible Holder can be obtained from the Notice of Assessment issued by the CRA to the shareholder in respect of their most recent tax return. Alternatively, the Eligible Holder may call the CRA at 1-800-959-8281 (individuals or trusts) or 1-800-959-5525 (corporations, businesses and self-employed individuals) to find out the Tax Services Office. A complete listing of Tax Services Offices can be found on the CRA's website at www.cra-arc.gc.ca.

Tax Year: The Eligible Holder must provide their taxation year that includes the Effective Date.

Name of Co-Owner(s), if any - If you owned the C&C Energia Class A Shares with another owner (e.g., your spouse) or owners, a single Joint Tax Election form may be used for purposes of the election. In this case, there would be a single Agreed Amount (as discussed below) applicable to you and any co-owner(s). If a single Joint Tax Election form is being used for multiple co-owners, you must provide the name, social insurance number, address and CRA Tax Services Office of each co-owner on the form. Attach details on a separate sheet if there is more than one co-owner.

Alternatively, each co-owner may complete his or her own Joint Tax Election form. Each co-owner should set out the co-owner's respective ownership interest in the C&C Energia Class A Shares. The co-owner should report amounts on his or her Joint Tax Election form corresponding to his or her percentage ownership of C&C Energia Class A Shares. The co-owner should also choose an Elected Amount in respect to his or her particular ownership interest in the C&C Energia Class A Shares.

Information for the next section is summarized as follows:

Name of taxpayer (transferee) (print) Pacific Rubiales Energy Corp.			Business Number 10008 2064 RC0001	
Address 333 Bay Street, Suite 1100 Toronto, Ontario			Postal code M5H 2R2	
Tax year of taxpayer for the period from	Year Month Day 2012 01 01	to	Year Month Day 2012 12 31	Tax services office Toronto Centre

Complete the next section by filling in your name and telephone number or, if appropriate, the name and telephone number of your tax advisor.

Name of person to contact for additional information	Area code	Telephone number
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The last section on page 1 of Form T2057 relates to late-filed elections and is to be completed by Eligible Holders whose election(s) will be filed late with CRA (see discussion above in the section entitled “Deadline for Filing of Tax Elections”).

Page 2 of Form 2057

Information required

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value 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 space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file 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 fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency 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 the Interpretation Bulletin IT-169 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

 a) Have all or substantially all (90% or more) of all the properties of the corporation(s) been transferred to the transferee corporation? Yes No

Under the “Information required” section, the first four questions should be answered as reflected above. Eligible Holders should consult their tax advisors regarding the answer to the remaining questions in the section.

Question 1: Answer “Yes”

Question 2: Answer “No”

Question 3: Answer “Yes”

Questions 4 and 4(a): If the Eligible Holder is a corporation, please answer based on the corporation’s fact situation, but in most cases, the Answer should be “No” to both questions, except in rare circumstances.

Question 5 Most shareholders will respond “No” to this question as this Joint Tax Election provides a tax deferral for Canadian tax purposes only. However, if you are an Eligible Holder who is a non-resident that is required to file a Canadian tax return for other reporting reasons, answer “Yes”.

Questions 6 – 8 Eligible Holders should answer questions 6 to 8 based on their particular circumstances.

Eligible Holders must enter the number of Pacific Rubiales Shares received as consideration for their C&C Energia Class A Shares in the next section as summarized below. (The remainder of this section has already been summarized in the following table.)

Number of shares transferor received	Class of shares	Redemption value per share	Paid-up capital	Voting or non-voting	Are shares retractable?
	Common	N/A	Not known - Dependent on elections filed by other shareholders	Voting	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Enter the number of Pacific Rubiales Shares received by the Eligible Holder

Page 3 of Form T2057

The Effective Date of the Plan of Arrangement, which is expected to be December 31, 2012 should be used as the date of sale or transfer of the properties.

Date of sale or transfer of all properties listed below	Year	Month	Day
	2012	12	31

Particulars of Eligible Property Disposed of and Consideration Received

The disposition should be reported in the appropriate section on page 3 of Form T2057. An Eligible Holder who holds the C&C Energia Class A Shares as capital property will describe the disposition in the section with the sidebar entitled “Capital Property Excluding Depreciable Property” on page 3. If the C&C Energia Class A Shares were inventory, complete the section with the sidebar entitled “Inventory Excluding Real Property” in a similar manner.

- (1) Enter the number of C&C Energia Class A Shares disposed of and their description as “Class A Shares of C&C Energia Ltd.”.
- (2) Enter the total fair market value of the C&C Energia Class A Shares at the time of their disposition. The fair market value of the C&C Energia Class A Shares should be the fair market value of 0.3528 Pacific Rubiales shares plus Cdn \$0.001.
- (3) Enter the adjusted cost base (or cost amount in the case of inventory) of the C&C Energia Class A Shares disposed of. As described on page 62 of the Information Circular, the adjusted cost base of the C&C Energia Class A Shares acquired on the exchange of C&C Energia Common Shares will be equal to the amount, if any, by which the aggregate adjusted cost base of the C&C Energia Common Shares immediately before the exchange exceeds the aggregate fair market value at the time of the exchange of the Platino Energy Shares distributed to the Eligible Holder on the exchange. Eligible Holders who are uncertain as to the adjusted cost base of their C&C Energia Class A Shares should consult with their own tax advisors.
- (4) See the rules described below with respect to calculation of the agreed amount.

- (5) Compute B-A. (i.e., the difference between the amounts referred to in (4) and (3)).
- (6) Enter Cash and the amount received to describe the non-share consideration received on the disposition of the C&C Energia Class A Shares.
- (7) Enter the number of Pacific Rubiales shares received on the disposition of the C&C Energia Class A Shares.
- (8) Enter the total fair market value of the Pacific Rubiales shares and cash received.

Rules with Respect to Calculation of Agreed Amount

The agreed amount must be determined in accordance with the following rules:

- (1) The agreed amount may not be less than the fair market value of the cash received on the disposition of C&C Energia Class A Shares.
- (2) The agreed amount may not be less than the lesser of (i) the adjusted cost base (or cost amount, if the C&C Energia Class A Shares were inventory) to the Eligible Holder disposing of the C&C Energia Class A Shares, determined at the time of the disposition, and (ii) the fair market value of the C&C Energia Class A Shares at that time.
- (3) The agreed amount may not exceed the fair market value of the C&C Energia Class A Shares at the time of disposition.

Eligible Holders should consult their tax advisors regarding the selection of the agreed amount in respect of the C&C Energia Class A Shares disposed of.

Election and Certification

The Eligible Holder must sign in the last box as indicated:

	and	
Signature of Transferor, Authorized Officer or Authorized Person		Signature of Authorized Officer of Transferee
Eligible Holder should sign here.		Date Leave blank.

Appendix A
CONTACT AND FILING INFORMATION FORM
(Please complete and return with applicable Form T2057 or Form T2058 and provincial or territorial election form)

1. **Contact information:** Provide the full name and phone number of the person to contact should Pacific Rubiales require further information or communication to complete the tax election form.

Name (print): _____

Phone Number: _____

2. **Contact email:** Provide the email address of the contact person.

Email: _____

3. Are you required to file a Quebec or Alberta or any other territorial election form?

_____ Yes If yes, please list applicable provinces/territories

_____ No



ELECTION ON DISPOSITION OF PROPERTY BY A TAXPAYER TO A TAXABLE CANADIAN CORPORATION

- For use by a taxpayer and a taxable Canadian corporation to jointly elect under subsection 85(1) where the taxpayer has disposed of eligible property within the meaning of subsection 85(1.1) to the corporation and has received as consideration shares of any class in that corporation.
- File one completed copy of the election and related schedules (if any) as follows:
 - 1 – a) one copy by the transferor, or
 - b) two or more copies if two or more transferors elect regarding the transfer of the same property (co-ownership), or two or more members of the same partnership elect for the transfer of their partnership interests. In these situations, one transferor designated for the purpose should file simultaneously one copy for each transferor, together with a list of all transferors electing. This list should contain the address and Social insurance number or Business Number of each transferor;
 - 2 – on or before the **earliest date** on which any one of the parties to the election is required to file an income tax return for the tax year in which the transaction occurred, taking into consideration any election under subsection 99(2) (due date);
 - 3 – at the tax centre serving the area where the transferor is located. Where two or more co-owners or members of a partnership referred to above elect, the elections will be processed in bulk and should be filed at the tax centre of the transferee; and
 - 4 – separate from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.
- Sections and subsections referred to on this form are from the *Income Tax Act*.

Do not use this area

Name of taxpayer (transferor) (print)				Social insurance number or Business Number				
Address				Postal code				
Tax year of taxpayer for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office

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

Name of corporation (transferee) (print)				Business Number				
Address				Postal code				
Tax year of corporation for the period from	Year	Month	Day	to	Year	Month	Day	Tax services office
Name of person to contact for additional information				Area code		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. Form T2057 can be filed within 3 years after its due date if an estimate of the penalty is paid at the time of filing. Form T2057 can also be amended or filed after the 3-year period, but in these situations, 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 when this election is filed.

Calculation of late-filing penalty:

Fair market value of property transferred	_____	
Less: agreed amount	_____	
Difference	_____	A
Amount A _____ x 1/4 x 1% x N*	= _____	B
\$100 x N*	= _____	C

Do not use this area

* 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. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above _____

Make a cheque or money order payable to the Receiver General. **Specify "T2057"** on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Amount enclosed _____

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

Information required

On the following page, list, describe, and state the fair market value of transferred properties. The description and fair market value 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 space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election you do not have to file 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 fair market value of each property transferred. However you have to keep them as the Canada Revenue Agency 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 the Interpretation Bulletin IT-169 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
- a) 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)? 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**, provide details of amounts and dates received and attach a schedule.) 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 taxpayer? Yes No

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

Name of corporation (print)	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 retractable? *
					<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"/> Yes <input type="checkbox"/> No

* Retractable means redeemable at the option of the holder.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular, IC76-19 and Interpretation Bulletins, IT-169, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency 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.

Particulars of Eligible Property Disposed of and Consideration Received

Date of sale or transfer of all properties listed below:	Year	Month	Day	Note: For properties sold or transferred on different dates, use separate T2057s.			
	Property Disposed of		Agreed Amount (cannot be zero)	Amount to be reported B – A (If greater than 0 see Note 4)	Consideration Received		
Description	Elected Amount Limits*				Non-share	Share	Fair Market Value of Total Consideration
	Fair Market Value	A	B	Description	Number and Class		
Capital Property Excluding Depreciable Property	(Brief legal)	\$	(See Note 1) \$	\$	\$		\$
Depreciable Property	(Description and prescribed Class)		(See Note 2)				
Eligible Capital Property	(Kind)		(See Note 3)				
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							
NISA Fund No. 2 (see note 5)			(Cost Amount)				

Note 1: Adjusted cost base (which is subject to adjustment per section 53).

Note 2: The lesser of undepreciated capital cost of all property of the class and the cost of the property.

Note 3: The lesser of 4/3 x cumulative eligible capital and the cost of the property. (Under proposed changes, new rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).

Note 4: 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 5: 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.

* Refer to current Interpretation Bulletin IT-291 for more information on eligible property and an explanation of the limits.

Election and Certification

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

Signature of Transferor, of **Authorized Officer** or Authorized Person* **and** _____
Signature of **Authorized Officer** of Transferee _____
Date

* Attach a copy of authorizing agreement



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.
- File one completed copy of the election and related schedules (if any) as follows:
 - by a partner designated for the purpose by the partnership;
 - 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);
 - at the tax centre serving the area where the transferee is located; and
 - separately from any tax returns. You may put it in the same envelope with a return, but do not insert it in or attach it to the return.
- Sections and subsections referred to on this form are from the *Income Tax Act*.

Do not use this area

Name of partnership (transferor) (print)						Partnership identification number							
Address										Postal code			
Tax year of partnership	from	Year	Month	Day	to	Year	Month	Day	Tax services office				

Name of corporation (transferee) (print)						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						Area code		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. 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 in these situations, 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	_____	
Less: agreed amount	_____	
Difference	_____	A
Amount A	_____ x 1/4 x 1% x N*	= _____ B
\$100 x N*	_____	= _____ C

Do not use this area

* 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. Amount C cannot exceed \$8,000.

Late-filing penalty is the lesser of B and C above _____

Make cheque or money order payable to the Receiver General. **Specify** "T2058" on the remittance and, to ensure proper credit, indicate the name and social insurance number of the taxpayer, or Business Number if a corporation.

Amount enclosed _____

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

Information required

On the following page, list, describe, and state the fair market value of properties transferred. The description and fair market value 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 space on the form is insufficient, attach schedules giving similar details. You have to designate the order of disposition of each depreciable property. With this election, you do not have to file 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 fair market value of each property transferred. However, you have to keep them as Canada Revenue Agency 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 Interpretation Bulletin IT-169 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

If yes,

 - 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**, provide details of amounts and dates received, and attach a schedule.) 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:

Name of corporation	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 retractable?*
					<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"/> Yes <input type="checkbox"/> No

* Retractable means redeemable at the option of the holder.

Informative notes

- The rules for section 85 elections are complex. Essential information is contained in Information Circular 76-19 and Interpretation Bulletins IT-169, IT-291, and IT-378.
- Complete all the information areas and answer all questions. If this form is incomplete, the Canada Revenue Agency 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.

Particulars of property disposed of and consideration received

Date of sale or transfer of all properties listed below:		Year	Month	Day	Note: For properties sold or transferred on different dates, use separate Form T2058.			
Property disposed of				Agreed amount (cannot be zero) B	Amount to be reported B-A (if greater than 0, see note 4)	Consideration received		
Description	Elected amount limits*		Fair market value			Non-share	Share	Fair market value
	A			Description	Number and class			
Capital property excluding depreciable property	(Brief legal)		(see note 1)					
Depreciable property	(Description and prescribed class)		(see note 2)					
Eligible capital property	(Kind)		(see note 3)					
Inventory excluding real property	(Kind)		(cost amount)					
Resource property	(Brief legal)		nil					
			nil					
			nil					
Security or debt obligation property	(Description)		(cost amount)					
Specified Debt Obligation (For financial institutions only)			(cost amount)					

Notes

- Adjusted cost base (subject to adjustment per section 53.)
- The lesser of undepreciated capital cost of all property of the class and the cost of the property.
- The lesser of 4/3 x cumulative eligible capital and the cost of the property. (Under proposed changes, new rules will apply on subsequent dispositions of eligible capital property occurring after December 20, 2002).
- 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.

* See Interpretation Bulletin IT-291 for an explanation of the limits.

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.

Date	Signature of authorized officer of corporation	Position or office
1	Social insurance number or Business Number	Name of partner, authorized person or authorized officer
	Signature of partner, authorized person or authorized officer	Partner's tax services office
2	Social insurance number or Business Number	Position of office of authorized person or authorized officer
	Signature of partner or authorized officer	Date
3	Social insurance number or Business Number	Name of partner (print)
	Signature of partner or authorized officer	Partner's tax services office
		Date

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.