

## Election Respecting the Assignment of a Lease or the Sublease of Property

This form must be completed by both the taxpayer (lessee) who has leased corporeal property from an owner (lessor) and the person (assignee) to whom the lessee assigns the lease or subleases the property, where they jointly elect to consider the leasing (or subleasing) as an acquisition.

This election can be made only if,

- at the time the property was leased, the lessor and the lessee elected to consider the leasing as an acquisition by completing form CO-125.1-V, *Election Concerning the Leasing of Property*, and
- the assignee deals at arm's length with the original lessor.

Pursuant to this election,

- the assignee is deemed to have leased the property from the lessor for a term of more than one year at the time of the assignment or sublease;
- the assignee and the lessor are deemed to have jointly made the election under section 125.1 of the *Taxation Act* in respect of the property as if they had filed form CO-125.1-V, *Election Concerning the Leasing of Property*, with their income tax return for the taxation year that includes the time of the assignment or sublease of the property;
- for income tax purposes, the assignee is deemed to have acquired the property at a cost equal to its fair market value at the time of the assignment or sublease and to have borrowed money from the lessor, at the prescribed rate of interest, to purchase the property;
- the election made by the lessee on form CO-125.1-V, *Election Concerning the Leasing of Property*, ceases to apply in the calculation of the lessee's income in respect of the lease as of the time of the assignment or sublease of the property.

If the lessee and the assignee do not deal at arm's length with each other, the latter is considered to be both the lessee and the assignee and the lease is thereby continued.

An election made on form CO-125.1-V, *Election Concerning the Leasing of Property*, is not modified if the lessor replaces the property by similar property that is also owned by the lessor, and the rent payable for the similar property is the same as that payable for the original property.

Certain rules may apply if

- the assignment of the lease results from an amalgamation or a winding-up;
- the lease is modified, or the lessor alters or adds to the property to which the election on form CO-125.1-V applies.

### Important information

- The lessee and the assignee must each complete a copy of this form and enclose it with the income tax return that each is required to file for the taxation year in which the assignment or sublease was entered into.
- For more information, refer to sections 125.1 to 125.7 of the *Taxation Act*.

### 1 Identification of the lessee

|                                |                       |         |                           |
|--------------------------------|-----------------------|---------|---------------------------|
| Québec enterprise number (NEQ) | Identification number | File    | Social insurance number   |
| 01a                            | 01b                   | IC 0001 | 01c                       |
| Name of lessee                 |                       |         | End date of fiscal period |
| 02                             |                       |         | 05 Y M D                  |

### 2 Identification of the assignee

|                                |                       |         |                           |
|--------------------------------|-----------------------|---------|---------------------------|
| Québec enterprise number (NEQ) | Identification number | File    | Social insurance number   |
| 01a                            | 01b                   | IC 0001 | 01c                       |
| Name of assignee               |                       |         | End date of fiscal period |
| 02                             |                       |         | 05 Y M D                  |
| Name of contact person         |                       |         | Area code Telephone       |



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**3 Information about the assignment or sublease and the property**

|  |              |  |               |
|--|--------------|--|---------------|
| Date of assignment or sublease                         | Y   M   D    | Fair market value of the property at the time the assignment or sublease was entered into \$ _____ |               |
| Type of property                                       | Model number |  | Serial number |
| Name of manufacturer                                   |              | Date of manufacture   Y   M   D  |               |
| Description of the property<br>_____<br>_____<br>_____ |              |  |               |

**4 Election and certification**

We, \_\_\_\_\_ and \_\_\_\_\_,  
Name of lessee  Name of assignee

elect to consider the assignment or sublease of the property described in Part 3 as an acquisition. We also certify that the information on this form is accurate and complete.

\_\_\_\_\_  
Signature of lessee or authorized person      Date      Signature of assignee or authorized person      Date



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