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Bringing personal assets into your business

You may find yourself in a situation where you would like to transfer personal assets to your business.

The rules differ for each type of business structure:

Sole proprietorship

For income tax purposes, you have to transfer personal property to a sole proprietorship at its fair market value (FMV).

The FMV of the assets is the opening undepreciated capital cost (UCC).

Partnership

For income tax purposes, you can transfer your personal property to a Canadian partnership for an elected amount.

This amount may be different from the fair market value (FMV), as long as you meet certain conditions. The elected amount then becomes your proceeds for the property transferred, as well as the cost of the property to the partnership. For more information on transfers of property, go to Interpretation Bulletin IT-413R, Election by Members of a Partnership Under Subsection 97(2).

If the elected amount is greater than the original purchase price, you must report the difference as a capital gain on your income tax and benefit return.

Corporation

For income tax purposes, you can transfer personal property to a Canadian corporation for an elected amount.

This amount may be different from the fair market value (FMV) as long as you meet certain conditions. For more information, see Interpretation Bulletin IT291R, Transfer of Property to a Corporation under Subsection 85(1), or Information Circular IC76-19, Transfer of Property to a Corporation under Section 85.

If the elected amount is greater than the original purchase price, you have to report the difference as a capital gain on your income tax return.

Note

You can **claim** an input tax credit (ITC) for GST/HST included in your assets. You calculate this ITC based on the basic tax content of the assets you transferred to your business.

Forms and publications

- [Guide RC4022, General Information for GST/HST Registrants](#)
- [Guide RC4070, Information for Small Canadian Businesses](#)
- [Guide T4012, T2 Corporation - Income Tax Guide](#)
- [Guide T4037, Capital Gains](#)
- [Information Circular IC76-19, Transfer of Property to a Corporation under Section 85](#)
- [Interpretation Bulletin IT-413R, Election by Members of a Partnership Under Subsection 97\(2\)](#)
- [Interpretation Bulletin IT-291R, Transfer of Property to a Corporation under Subsection 85\(1\)](#)

Related topics

- [Input tax credits](#)
- [Canada Business Network](#)
- [Related provincial and territorial government sites](#)
- [Industry Canada](#)

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