IBT Transfer Models: Immediate vs. Gradual

Subsections 84.1(2.31) and (2.32) — Compliance Conditions Mapped Against Timeline

IMMEDIATE TRANSFER

s. 84.1(2.31) — Completed within 36 months

Day 0 Disposition — **Month 36** Hard deadline

Control — De Jure AND De Facto

Parent and spouse must not hold de jure or de facto control of the target, purchaser, or any relevant group entity.

Active Engagement

At least one child must be regularly, continuously and substantially engaged throughout the full 36-month period.

Management Transfer

Parent must take reasonable steps and permanently cease managing all relevant businesses no later than month 36.

Business Must Remain Active

If the business ceases to be active or the child disengages, s. 84.1 applies retroactively — as if IBT never existed.

✓ Conditions met
Capital gains + LCGE access

✗ Conditions fail
s. 84.1 deemed dividend applies

GRADUAL TRANSFER

s. 84.1(2.32) — Completed within 60 months

Day 0 Disposition — **Month 60** Hard deadline

Control — De Jure Only

Parent and spouse must not hold de jure control only.
De facto control is not prohibited — less restrictive than immediate.

Active Engagement

At least one child must be regularly, continuously and substantially engaged throughout the full 60-month period.

Management Transfer

Parent must take reasonable steps and permanently cease managing all relevant businesses no later than month 60.

Business Must Remain Active

Same retroactive failure risk applies. If conditions break, s. 84.1 applies as if IBT never existed.

✓ Conditions met
Capital gains + LCGE access

✗ Conditions fail
s. 84.1 deemed dividend applies

⚠ One election only per business — the choice between immediate and gradual is made upfront on Form T2066 and is difficult to reverse

ss. 84.1(2.31) and (2.32) Income Tax Act — Bill C-15, effective January 1, 2024