



FOREIGN REPORTING

Canadian taxpayers have been required to report ownership of certain foreign property for some time now using either Form T1135 or other tax forms. Canada Revenue Agency has increased the information required to be reported on these forms and these additional requirements will apply to individuals filing their 2013 personal income tax returns (as well as corporate taxpayers). Some key points about this foreign reporting are listed below:

1. **Tax form:** A copy of the new Form T1135 Foreign Income Verification Statement, can be accessed by clicking the following link:

<http://www.cra-arc.gc.ca/E/pbg/tf/t1135/README.html>

2. **Reporting thresholds:** Form T1135 must be filed with Canada Revenue Agency if you own specified foreign property with a combined *cost* (not market value) exceeding \$100,000 (Canadian) *at any time during the year*.
3. **Filing deadline:** Form T1135 must be filed with CRA by the same deadline as your personal or corporate income tax return.
4. **Penalties for non-compliance:** There are significant penalties for failure to file these forms on time. Penalties for late or non-filing are \$25 per day to a maximum of \$2,500. Additional penalties can apply if Canada Revenue Agency considers there to be gross negligence.
5. **Types of property to report:** The form lists six groups of foreign properties to be reported:
 - i. Funds held outside Canada (including money in foreign bank accounts).
 - ii. Shares of non-resident corporations (including those held with Canadian investment firms).
 - iii. Indebtedness owed by non-residents (including bonds issued by non-resident corporations and governments).
 - iv. Interests in non-resident trusts.
 - v. Real property (real estate) outside Canada.
 - vi. Other property outside Canada.
6. **Property excluded from reporting:** Certain property is excluded from the reporting including personal use property, real estate used in an active business, and foreign affiliates which are reported on separate forms.

7. **New exclusion from reporting:** Taxpayers do not have to provide detailed information about a specific foreign investment (such as a foreign share or bond) if the investment paid income in the year and the income from this investment is reported on a Canadian T5 or T3. The taxpayer must tick a box on the form to indicate that this exclusion applies. *However, the cost of the investment is still relevant in determining if the \$100,000 threshold has been exceeded.*

8. **Method of filing:** Although most income tax returns can be electronically filed, the foreign reporting forms must be paper filed and *mailed* to CRA. The mailing address is:

Ottawa Technology Centre
Data Assessment and Evaluations Program
Foreign Reporting Unit
875 Heron Road
Ottawa, Ontario K1A 1A2

9. **Assembling the required information:** Taxpayers are advised to review their holdings and the current Form T1135 to see if they are required to prepare and submit this form at tax time. If required to file the form, you may need to list the name of foreign institutions, the country where the investment is located, the maximum cost during the year, income received and any realized gains or losses. You may consider contacting your investment advisor to see what assistance they can provide to compile the information required on the form.

10. **Voluntary disclosure:** If you have not filed these forms in the past as required, it may be possible to make a voluntary disclosure submission to request waiver of penalties. There are strict requirements to be eligible for this process.

March 2014

Please contact Gary Aslett at (905) 465-3313 or gary@aslettca.ca if you require further information on the above.

The material provided is believed to be accurate as of the date it is written. Tax laws are complex and are subject to frequent change. Professional advice should always be sought before implementing any tax planning arrangements.

* * * * *