

Form T1135 Foreign Income Verification Statement Permanent Changes for 2014 and Beyond



The 2013 Federal Budget proposed significant changes to Form T1135 for 2013 and future years. These changes would have resulted in a compliance nightmare for taxpayers with specified foreign property with a cost of \$100,000 or more. In recognizing the onerous reporting requirements initially proposed for Form T1135, on July 8, 2014, the CRA announced that it has implemented the following permanent changes to Form T1135 for 2014 and later tax years.

These changes affect foreign property held in an account with a Canadian Registered Securities dealer or Canadian Trust Company. Reporting can now be done on an Aggregate Reporting method on a country by country basis. Aggregate totals must include the:

- maximum fair market value during the year (based on the highest month-end fair market value);
- fair market value at year end;
- income (loss) earned during the year; and
- gain (loss) realized on dispositions during the year.

The 2013 transitional reporting exclusion for securities which have issued a T3 or T5 slip from a Canadian issuer has been eliminated. For 2014 and beyond, all income must be reported without exception.

For all other specified foreign property (bank accounts, real property, loans, shares, etc.) reporting must be done using the detailed method, with the following information required:

- name of the bank, corporation, trust company, or property address;
- the country code for each property – country of residence of the issuer / trust or property location;
- maximum cost of the property during the year;
- cost at year-end;
- amount of any income/loss generated and any capital gain/loss realized in the year; and
- capital received during the year for interests held in non-resident trusts.

As you can see from the above, more detailed information is required to accurately complete this Form for 2014 and future years.

While the aggregate method sounds simple, it still requires the disclosure of the highest month-end fair market value, determined by reviewing the monthly statements for the entire year for each account. Securities then must be grouped on a country-by-country basis for each month. And the month-end value for all securities issued by the same country will have to be calculated in order to determine the highest month-end value for each country. In certain circumstances it may be easier to report using the detailed method.

If you hold securities issued by different countries and have more than one securities account, the cost of having the Form properly completed could be significant.

We are aware that some financial advisors provide the required information for the completion of this Form. Please contact your broker or financial advisor to determine if they can provide reporting to complete the T1135 Form.

Completing this form incorrectly can also be costly! You are welcome to contact us regarding this filing requirement.