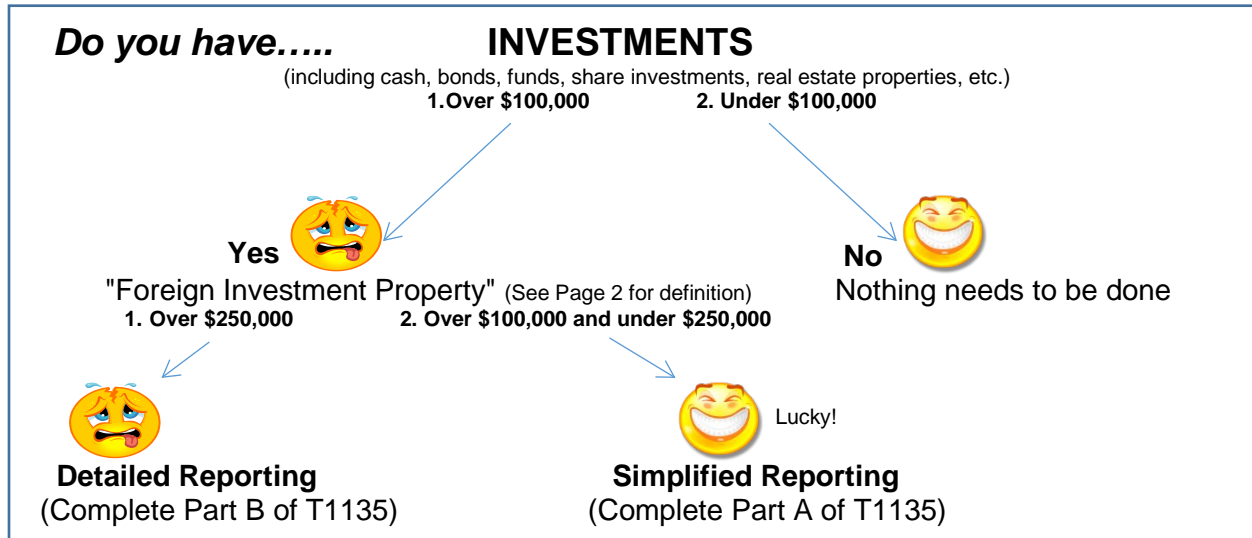


# SADOVnick MORGAN LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

## Form T1135 Foreign Income Verification Statement



**\*\*\* We strongly encourage you to speak to your investment advisors to ensure the investments are identified and properly recorded \*\*\***

### What is the Form T1135?

The form must be filed by Canadian residents that at **any time during the year** owned foreign investment property which cumulatively had a cost of more than \$100,000 CDN.

"Foreign Investment Property" includes:

- ✓ Cash held in a foreign bank account;
- ✓ Shares in a foreign company (including those held in a Canadian brokerage account);
- ✓ Interest in certain non-resident trusts;
- ✓ Debt owed by a non-resident, bonds or debentures issued by foreign governments or foreign companies (including US treasury bonds);
- ✓ Interests or units in offshore mutual funds;
- ✓ Real estate situated outside Canada;
- ✓ And many others, please check with us if there is a question.

Foreign investment property does not include:

- ✗ Personal-use property (i.e. a vehicle, vacation property that is not rented out, jewelry, artwork);
- ✗ Foreign property held in a Canadian-based mutual fund;
- ✗ Foreign property held within registered plans like RRSPs, LIFs, RRIFs, LIRAs, TFSAs, RESPs and RDSPs;
- ✗ Foreign affiliate – a non-resident corporation where you own at least 10% of the outstanding shares;
- ✗ Assets used only in an active business (i.e. business inventory or the equipment and building used in a business).

### ***What information is required on the Form T1135?***

#### **Simplified Reporting Method – for total cost between \$100,000 and \$250,000 (Complete Part A)**

For the lucky taxpayers who only have to complete Part A, the form becomes much easier. They only have to provide the following:

- The taxpayer's information (i.e. name, address, SIN, etc.);
- Check the boxes that describe the type of specified foreign property that they held during the year;
- List the top three country codes that the taxpayer holds specified foreign assets in. Based on maximum costs for the year;
- Disclose the income from all specified foreign property and any gain (loss) from the disposition of specified foreign property (the hard part).

#### **Detailed Reporting Method – for total cost over \$250,000 (Complete Part B)**

The following information is required on the Form T1135 for specified foreign property held **outside** of Canadian registered security dealers and Canadian trust companies:

- Name of the bank or other entity that holds the funds outside Canada
  - Maximum funds held during the year
  - Funds held at the end of the year
- Name of each non-resident corporation in which you owns shares of (not including foreign affiliates)
- Country where each specific foreign investment property is located / registered
- Maximum cost in Canadian dollars of each specific foreign investment property at the end of the year and highest cost during the year
- Income (loss) and capital gain(loss) for each specified foreign investment property

For specified foreign property held **within** a Canadian registered security dealer or Canadian trust company, the following information is required:

- Name of Canadian registered security dealer or Canadian trust company
- Aggregate of investments by county (done on a county by country basis)
- Maximum fair market value of property held during the year (month-end fair market values are acceptable)
- Fair market value at the end of the year
- Aggregate income (loss) and capital gain (loss) on disposition by country

Please refer to the attached Form T1135 for details of specific information required.

You may be able to obtain a detailed T1135 reporting package from your investment advisors.

#### ***What is the filing deadline?***

- Individuals: Generally April 30 or June 15 for self-employed
- Corporation: 6 months after the company's year end
- Trusts: 90 days after the trust's year end
- Partnership: Dependent on whether the partners are individuals, corporations, or both

**What happen if I do not accurately file on time?**

<b>Failure to file a return</b>	
<i>When imposed</i>	<i>Penalty</i>
Failure to file	\$25/day for up to 100 days (minimum \$100; maximum \$2,500)
Failure to file knowingly or because of gross negligence	\$500/month for up to 24 months (maximum \$12,000), less any penalties already levied.
After 24 months	5% of the greatest total cost of the specified foreign property at any time in the year, less any penalties already levied.

<b>False statements or omissions</b>	
<i>When imposed</i>	<i>Penalty</i>
Person or partnership knowingly or under circumstances amounting to gross negligence, makes false statements or omissions in Form T1135	5% of the greatest cost, at any time in the year, of the foreign property about which the false statement or omission was made (minimum \$24,000)

Extension of the normal reassessment period

In addition to these penalty provisions, the new provisions announced add a 3 year extension to the normal reassessment period which will apply to the entire tax return (i.e. the tax return will not be statute barred until 6 years after the date of the original notice of assessment). These provisions will apply in the cases where a T1135 has either not been filed or it has been filed in an incomplete or incorrect manner.

***In closing.....***

In order for us to prepare the Form T1135 in time, we recommend that you contact your investment advisors as soon as possible and start preparing a list of foreign investments with the required information. Be aware that there may be additional cost for compliance. We will appreciate receiving the information from you by April 1.

If you have any questions, please do not hesitate to contact us.

Yours truly,

**SADOVNICK MORGAN LLP**

**CHARTERED PROFESSIONAL ACCOUNTANTS**