

T1135 - GUIDE

Foreign Income Verification Statement

2020



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Properties Report

The Foreign Properties Report is a tool that will help you gather the necessary data to complete your personal tax return, and more specifically, if you need to complete Form T1135 – Foreign Income Verification Statement, issue by the Canada Revenue Agency (CRA). Please note that this report is not a form prescribed by the *Income Tax Act* (ITA), therefore it cannot replace the T1135 required by the CRA. This report contains data obtained from a number of sources we believe to be reliable. However, we cannot attest to the accuracy, quality, or the completeness of this information. Therefore, you (and/or your tax specialist) must analyze the contents and determine what is relevant to properly complete Form T1135.

For information purposes only, you shall find hereinafter information on Form T1135 including a description of our Foreign Properties Report to help you complete Form T1135.

What is Form T1135 - "Foreign Income Verification Statement?"

All taxpayers (individuals, corporations, trusts) that reside in Canada must complete and file Form T1135 if, at any time in the year, the total cost amount of their "specified foreign property" (please refer to definition below) was greater than \$100,000 in Canadian currency.

This form, prescribed by the ITA, helps tax authorities ensure that Canadian taxpayers disclose revenues derived from their foreign property. Since 1998, this form must be completed and filed annually to avoid onerous penalties for non-filing. For any previous years, if you omitted filing Form T1135, it is recommended that you contact your accountant or tax advisor prior to taking any action.

Specified Foreign Property

"Specified foreign property" is defined in subsection 233.3(1) of the ITA. Generally speaking, it includes:

- funds or intangible property (patents, copyrights, etc.) situated, deposited or held outside Canada
- tangible property situated outside Canada
- a share of the capital stock of a non-resident corporation
- shares of corporations resident in Canada and held outside Canada
- an interest in a non-resident trust that was acquired for consideration
- an interest in a partnership that holds a specified foreign property unless the partnership is required to file Form T1135
- a property that is convertible into, exchangeable for, or confers a right to acquire a property that is specified foreign property
- a debt owed by a non-resident, including government and corporate bonds, debentures, mortgages, and notes receivable
- an interest in a foreign insurance policy
- precious metals, gold certificates, and futures contracts held outside Canada.

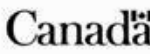
"Specified foreign property" does not include personal-use property, or shares of the capital stock of corporations not resident in Canada held in a registered account (RRSP, TFSA, RESP, etc.) or held in a Canadian mutual fund/corporation.

For further detail, please refer to the CRA's website.

- **General Information:**
<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/foreign-income-verification-statement.html>
- **Questions and Answers (Q19-47):**
<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/questions-answers-about-form-t1135.html>

Simplified Reporting Method

For 2015 and subsequent tax years, rather than providing the details for each foreign property, or “by account and country,” it is possible for taxpayers who held specified foreign property with a total cost amount of less than \$250,000 throughout the year to report according to the simplified reporting method.

Part A: Simplified reporting method	
For each type of property that applies to you, check (✓) the appropriate box.	
Type of property:	
Funds held outside Canada	<input type="checkbox"/>
Shares of non-resident corporations (other than foreign affiliates)	<input type="checkbox"/>
Indebtedness owed by non-resident	<input type="checkbox"/>
Interests in non-resident trusts	<input type="checkbox"/>
Real property outside Canada (other than personal use and real estate used in an active business)	<input type="checkbox"/>
Other property outside Canada	<input type="checkbox"/>
Property held in an account with a Canadian registered securities dealer or a Canadian trust company	<input type="checkbox"/>
Country code:	
Select the top three countries based on the maximum cost amount of specified foreign property held during the year. Enter the country codes in the boxes below:	
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
Income from all specified foreign property \$ _____	
Gain(loss) from the disposition from all specified foreign property \$ _____	
<small>Privacy Act, personal information bank number CRA PPU 035</small>	
<small>T1135 E (16)</small>	<small>(Ce formulaire existe en français.)</small>
	

Your tax slips and our Foreign Properties Reports (see the section entitled "Foreign Properties Report" hereinafter) contain all the necessary information required to complete Form T1135 - Part A, referred to as the "Simplified Method."

Reminder of the Detailed Reporting Method

If you hold “specified foreign property” with a Canadian registered securities dealer, you have two options available regarding Form T1135:

- 1- “Report by Account and by Country” — Category 7 of Form T1135.
 This section applies only to foreign properties held with a Canadian registered securities dealer or a Canadian trust company. In this category, for each account held at a securities dealer or trust company, you must identify the aggregate amount by country and indicate:
 - the maximum fair market value during the year (which may be based on the maximum month-end fair market value)
 - the fair market value at the end of the year
 - the income (losses generated by the asset, and
 - the gains (losses) resulting from disposition of the asset.

7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company					
Name of registered security dealer/Canadian trust company	Country code	Maximum fair market value during the year	Fair market value at year-end	Income	Gain (loss) on disposition
Total					

2- “Asset by Asset Report”: this section requests, for each of the foreign properties, the following information:

- the name of the foreign corporation or foreign entity
- the country to which the asset belongs
- the maximum cost amount during the year
- the cost amount at the end of the year
- the income (losses) generated by the asset; and
- the gain (losses) resulting from disposition of the asset.

(Note: Categories 2, 3 and 4 of Form T1135 are the most commonly used.)

Part B: Detailed reporting method

Categories of specified foreign property

In each of the tables below, provide the required details of each specified foreign property held at any time during the particular tax year. If you need additional space, please attach a separate sheet of paper using the same format as the tables.

A taxpayer who held specified foreign property with a Canadian registered securities dealer or a Canadian trust company is permitted to report the aggregate amount, on a country-by-country basis, of all such property in Category 7, *Property held in an account with a Canadian registered securities dealer or a Canadian trust company*. See attached instructions for Category 7 for details as to how to report under this method.

1. Funds held outside Canada

Name of bank/other entity holding the funds	Country code	Maximum funds held during the year	Funds held at year end	Income
Total				

2. Shares of non-resident corporations (other than foreign affiliates)

Name of corporation	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition
Total					

3. Indebtedness owed by non-resident

Description of indebtedness	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition
Total					

4. Interests in non-resident trusts

Name of Trust	Country code	Maximum cost amount during the year	Cost amount at year end	Income received	Capital received	Gain (loss) on disposition
Total						

Other Relevant Information to Complete Form T1135

In the "Instructions" section of Form T1135, the CRA states that it allows the designation of "Other" as the country code if you are unable to identify the country.

Excerpt from the CRA's Guide:

Country codes

For the list of country codes, refer to the CRA's website at

https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4061/nr4-non-resident-tax-withholding-remitting-reporting.html#P482_43418

The country code for each category should identify the following:

- Category 1 – the country where the funds are located;
- Category 2 – the country of residence of the non-resident corporation;
- Category 3 – the country of residence of the non-resident issuer;
- Category 4 – the country of residence of the trust;
- Category 5 – the country where property is located;
- Category 6 – the country where property is located;
- Category 7 – depending on the type of property, use the instructions above for categories 1 to 6.

If you are uncertain of the appropriate country code for a particular specified foreign property, select "Other."

Foreign Properties Report

A "Foreign Properties Report" can help identify the foreign properties held in your non-registered accounts. In addition, the report contains supplementary information that could help you complete Form T1135.

How to use Foreign Properties Report?

Information supplied by financial institutions

Your Investment Advisor can provide you with certain information regarding foreign properties held at NBFWM that could potentially be subject to Form T1135 – Foreign Income Verification Statement. Note, however, that the information received from only one financial institution may be insufficient or inaccurate to complete Form T1135. For example, if you choose the "Asset by Asset" method of reporting, the cost amount or adjusted cost base (ACB) of an asset is not necessarily known by your financial institution. You may hold identical securities in several financial institutions or in several non-registered accounts (dealer and direct broker), and therefore the book value of the securities in the report of one particular financial institution will not reflect the cost amount or the ACB of your identical securities held in all financial institutions, since the tax rules regarding "identical properties" will not have been respected. (See the section on fiscal ACB in the Tax and Investment Guide 2020.)

The Client's Responsibility

It is your responsibility to adequately complete Form T1135. You can mandate an expert to help you with the foregoing. National Bank of Canada, its subsidiaries and their advisors do not offer this service. For information purposes only, your Advisor can provide certain information regarding your foreign securities held at NBFWM, which should help you complete Form T1135.

Description and Limitations of the Report

Your Advisor can provide two separate reports:

- 1- The "Month End Market Value Report," which is helpful for completing Category 7 of Form T1135 - Part B (Detailed Reporting Method); and/or
- 2- The "Month End Book Value Report," which is helpful for completing Categories 2, 3 or 4 of Form T1135 - Part B (Detailed Reporting Method).

Note that the two reports can also provide the information necessary for completing Part A of Form T1135 (Simplified Reporting Method).

How to use the "Month End Market Value Report" to complete Form T1135: Category 7 ("By Canadian Brokerage Account and by Country")

Form T1135's Category 7 requires information regarding the fair market value by country and by account. For this purpose, Form T1135's instructions specify:

"The maximum fair market value during the year may be based on the maximum month-end fair market value."

Hence, for each country, the monthly report allows you to identify the highest month-end fair market value. This amount is shaded and reported in the summary on page 1.

As well, it is possible that certain securities may be identified in the "Unknown" section due to lack of information. At this time, the CRA allows you to indicate "Other" in the country code.

See the instructions for Form T1135 under "Country codes."

FOREIGN PROPERTY (CAD) National Bank Financial Inc. Your Investment Advisor

Period from January 1, 20XX to December 31, 20XX

Month End Market Value / Long Positions

Description	Symbol	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	Income	Realized Gains and Losses
Germany															
KFV EMTN GBP 2% EDC18	YS2972	47,418.70	47,815.66	47,382.32	47,287.81	47,384.87	47,888.78	47,757.62	47,891.43	47,723.19	47,688.73	47,488.17	47,442.18	920.00	0.00
Total Germany		47,418.70	47,815.66	47,382.32	47,287.81	47,384.87	47,888.78	47,757.62	47,891.43	47,723.19	47,688.73	47,488.17	47,442.18	920.00	0.00
Unknown															
BK NEDER GBP 1.875% TDC18	Y16400	48,089.32	48,193.91	48,048.74	47,938.29	48,213.94	48,388.07	48,387.10	48,387.88	48,393.29	48,184.89	48,318.23	48,228.78	881.25	0.00
EURO INV GBP 2.25% 7MR20	Y22773	47,889.88	48,267.28	48,214.41	47,812.48	47,838.88	48,484.88	48,888.28	48,888.88	48,823.74	48,241.48	48,229.20	48,228.44	1,036.00	0.00
Total Unknown		95,979.20	96,461.19	96,263.15	95,750.77	96,052.82	96,872.95	97,275.98	97,276.76	97,217.03	96,426.37	96,547.43	96,457.22	1,917.25	0.00
Total		143,397.90	144,276.85	143,645.47	143,038.58	143,437.69	144,761.73	145,033.60	145,168.19	144,940.22	144,115.10	144,035.60	143,901.40	2,837.25	0.00

Summary long positions

Country	Maximum Market Value During the Year	Market Value At Year End	Earned Income	Realized Gains/Losses
Unknown	97,317.03	96,009.20	1,916.25	0.00
Germany	47,723.15	47,442.15	920.00	0.00
Total	145,040.18	144,011.35	2,836.25	0.00

Account Number: [REDACTED] Account Type: [REDACTED] Name: [REDACTED] Currency: CAD Market Value (CAD): 338,553.12

How to use the "Month End Book Value Report" to complete Form T1135: Categories 2, 3 and, 4 ("Asset by Asset")

If you choose to complete categories 2, 3 and, 4 of Form T1135, you will need the cost indicated for each asset. The "book value" is indicated on a monthly basis so that you can identify the month with the highest value for each asset, as well as the asset's book value at the end of the year. Note that for categories 2, 3 and 4 ("Asset-by-Asset"), the summary and the totals are not helpful. You should remember that it is possible that the book value indicated in the report is not equal to the cost to the client for the security.

FOREIGN PROPERTY (CAD) National Bank Financial Inc. Your Investment Advisor

Period from January 1, 20XX to December 31, 20XX

Month End Book Value / Long Positions

Description	Symbol	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	Income	Realized Gains and Losses
Germany															
KFV EMTN GBP 2% EDC18	YS2972	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	920.00	0.00
Total Germany		46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	46,593.40	920.00	0.00
Unknown															
BK NEDER GBP 1.875% TDC18	Y16400	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	47,075.20	881.25	0.00
EURO INV GBP 2.25% 7MR20	Y22773	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	46,326.60	1,036.00	0.00
Total Unknown		93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	93,401.80	1,917.25	0.00
Total		139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	139,995.20	2,837.25	0.00

Summary long positions

Country	Maximum Book Value During The Year	Book Value Year End	Earned Income	Realized Gains/Losses
Unknown	93,401.80	93,401.80	1,916.25	0.00
Germany	46,593.40	46,593.40	920.00	0.00
Total	139,995.20	139,995.20	2,836.25	0.00

Account Number: [REDACTED] Account Type: [REDACTED] Name: [REDACTED] Currency: CAD Market Value (CAD): 338,553.12

Limitations Applicable to All Reports

Although the information contained in the reports can help you produce your income tax return as well as Form T1135, some limitations must be noted:

- Note that certain securities may not be “specified foreign properties” and as a result, would not need to be included on Form T1135. You or your accountant or tax expert should identify which securities correspond to the definition prior to completing the form.
- The book value does not necessarily represent the cost amount or the ACB of your asset. Accordingly, the gain (loss) column may not represent the “tax” gain (loss). For example, the adjusted cost base of a security must reflect the cost of all the identical securities held in all of your non-registered accounts across all financial institutions.
- It is recommended that you reconcile the total of the “Income” column of the Report with what is stated on your income tax return and tax slips.
- The report may have some inconsistencies with respect to certain securities.

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