

Canadian tax law contains reporting requirements for Canadian residents who have foreign investments, own shares in foreign affiliates, have made loans or transferred property to a non-resident trust, or have received a distribution or loan from a non-resident trust.

To help us determine whether you are required to file any of the forms relating to these reporting requirements, we ask that you answer the following questions. It is very important that you carefully consider these questions when answering them. There are substantial penalties that will apply if the forms are not filed on time or filed incomplete.

If you answer **NO** to all four questions, this indicates to us that you will not have to complete any of the forms.

If you answer **YES** to one or more of these questions, you may have to complete one or more of the forms.

1. **Did you own or hold foreign property (i.e., assets located outside of Canada) at any time during the year with a total cost of more than CAN\$100,000?** Yes No

Foreign property includes assets such as bank accounts, shares of Canadian companies held through a foreign broker, shares in non-resident companies (even if held in a Canadian brokerage account), foreign real estate (except for vacation property owned strictly for personal use) and loans to a person not resident in Canada.

Do not consider assets held in your RRSP/PRPP, RRIF, TFSA, or FHSA when answering this question.

2. **Do you, together with related persons (including individuals, corporations or trusts), own 10% or more of the shares of a company that is not resident in Canada (i.e. a foreign affiliate)?** Yes No

Note that this would include any shares you hold indirectly, such as through a Canadian corporation. In addition, certain non-resident trusts in which you, together with related persons, have a 10% or more interest are deemed to be non-resident corporations (and therefore will also be foreign affiliates).

3. **Have you ever transferred property or made a loan to a trust that is not resident in Canada?** Yes No

A trust will be considered to be not resident in Canada if management and control of the trust is exercised outside Canada. When answering this question, consider loans and transfers made at any time, even in prior years.

4. **Have you received a distribution or loan from a trust that is not resident in Canada during the year, or were you, at any time in the taxation year, indebted to a trust that is not resident in Canada?** Yes No

For example, did you receive a distribution from an offshore trust set up by a non-resident family member?

Keep in mind that if you answer **NO** to all of the above questions, we will assume that you do not have any requirement to file the forms and will not be contacting you for any further information. Therefore, if you do not understand any of these questions, please contact us for clarification as to how the reporting requirements affect you. **After answering the above questions, please sign and date this checklist and return it to us with your tax information.**

Print Name

Signature

Date

Appendix A: Form T1135, *Foreign Income Verification Statement* Information for Individuals

Form T1135 must be filed by Canadian-resident individuals who at any time during a year owned specified foreign property, or SFP, (including most types of income-earning property held outside of Canada, other than personal property and property used in carrying on an active business) costing in total more than \$100,000 (Canadian).

Note, however, that an individual does not have to file Form T1135 for the year in which the individual first becomes a resident of Canada.

This form must be filed on or before the due date of your income tax return.

Form T1135 contains detailed information requirements for each SFP. Note that there is a simplified reporting option available if the total cost of SFP held at any time during the year exceeds \$100,000 but was less than \$250,000. Using this simplified reporting, you can check the box for each type of property you held during the year rather than providing the details of each property.

Otherwise, detailed reporting for each SFP includes:

- The name of the specific foreign institution, investment or other entity holding funds outside Canada.
- The specific country to which the foreign property relates.
- The cost of the property at the end of the year, the highest cost amount during the year, and the income or gains generated from the foreign property in the year, on a property-by-property basis.

The reporting must generally be done on a property-by-property basis. There is, however, an exception for SFP held in an account with a Canadian registered securities dealer or a Canadian trust company whereby you have the option to select a streamlined reporting method and report aggregate amounts for all such properties on a country-by-country basis. The aggregate amounts to be reported in respect of SFP with each dealer or trust company are:

- The highest month-end fair market value during the year (or the highest fair market value at the end of any month during the year).
- The fair market value at the end of the year.
- The aggregate income (loss) earned in the year.
- The gain (loss) realized from all dispositions during the tax year.

The extensive reporting requirements could result in significant time required to complete Form T1135, depending on your circumstances. As such, we will need detailed information if you would like A-R Partners to complete the form on your behalf. For accounts held through Canadian registered securities dealers and Canadian trust companies, rather than report information on individual investments, you can use the streamlined reporting method discussed above. Please send us the summary reports from your investment advisor containing the information to be reported on the form, and under Category 7 in particular. If you do not receive such a report, we suggest asking your advisor if they could provide you with a foreign property report for your account(s).

For any SFP not held through a Canadian registered securities dealer or Canadian trust company, your SFP must be reported on an investment-by-investment basis on the form so this must first be identified, and then the requested information gathered. Note that in these cases, we will need your monthly statements in order to obtain all the information required for reporting on the T1135 form.

On the other hand, if you choose, you (or your investment advisor) can review the monthly statements for your Canadian brokerage and investment accounts and provide a summary of the required information, referring to Appendix B for further instructions.

For other SFPs, please refer to Appendix B for a description of each category and forward the details you have for each property. There is no streamlined reporting available, and therefore, full details will be required for each of these SFPs.

If you have any further questions or require clarification, please contact us to discuss your specific situation.

Appendix B: Excerpts from Form T1135 and the CRA website

Categories of specified foreign property

Form T1135 contains seven tables corresponding to different categories of specified foreign property. If completing Section B, report the details of each particular property that was held at any time during the year in the appropriate category.

1. Funds held outside Canada

Funds held outside Canada include money on deposit in foreign bank accounts, money held with a foreign depository for safekeeping and money held by any other foreign institution at any time during the year. Prepaid debit or credit cards and negotiable instruments, such as cheques and drafts, are also included in this category. Marketable securities should be reported in Category 3.

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

Report all shares of non-resident corporations whether or not they are physically held in Canada. Do not report shares of a foreign affiliate corporation. Generally, a foreign affiliate is a non-resident corporation (or certain non-resident trusts) of which you hold at least 1% of the shares individually, and, either alone or with related persons, hold 10% or more of the shares. If you have a foreign affiliate, you may have to file Form T1134, *Information Return Relating to Controlled and Not Controlled Foreign Affiliates*.

3. Indebtedness owed by non-residents

Report all amounts owed to you by a non-resident person (other than a foreign affiliate corporation) whether the indebtedness is held inside or outside Canada. Include all promissory notes, bills, bonds, commercial paper, debentures, loans, mortgages, and other indebtedness owed to you by a non-resident person. Marketable securities, such as guaranteed investment certificates, government treasury bills and term deposits issued by a non-resident, should be reported under this category.

4. Interests in non-resident trusts

Report all interests in non-resident trusts acquired for consideration, other than a non-resident trust that is a foreign affiliate for the purposes of section 233.4 of the *Income Tax Act* (Act). If you contributed to, or received a distribution or loan from, a non-resident trust you may be required to file Form T1141, *Information Return in Respect of Contributions to Non-Resident Trusts, Arrangements or Entities* or Form T1142, *Information Return in Respect of Distributions from and Indebtedness to a Non-Resident Trust*.

5. Real property outside Canada

Report all real property located outside of Canada other than real property used in an active business or used primarily for personal use (such as a vacation property used primarily as a personal residence). Rental property outside Canada should be included in this category.

6. Other property outside Canada

This category should include any property that does not correspond to any of the other categories. Other property includes: shares of corporations resident in Canada held by you or for you outside Canada; an interest in a partnership that holds specified foreign property where the partnership is not required to file the Form T1135; foreign insurance policies; precious metals or bullion (e.g., gold and silver) situated outside Canada; commodity or future contracts, options or derivatives that constitute a right to, a right to acquire, or an interest in, specified foreign property; and any other rights to, rights to acquire, or interests in, specified foreign property.

7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company

A taxpayer who held specified foreign property with a Canadian registered securities dealer (as defined in subsection 248(1) of the Act) or with a Canadian trust company (as determined under paragraph (b) of the definition of restricted financial institution in subsection 248(1) of the Act) is permitted to report the aggregate amount of all such property in this category. [ARP note: The reporting is to be done on a country-by-country basis. The total value to be reported is the highest fair market value at the end of any month during the year in addition to the fair market value at year-end. The aggregate income (loss) earned in the year, and the gain (loss) realized from all dispositions during the tax year must also be reported. We understand that many dealers and trust companies can provide summaries of this information.]

Cost amount/Maximum cost amount

Cost amount is defined in subsection 248(1) of the Act and generally would be the acquisition cost of the property. If you immigrated to Canada, the cost amount is the fair market value of the property at the time of immigration. Similarly, if you received specified foreign property as a gift, or inheritance, the cost amount is its fair market value at the time of the gift or inheritance. The maximum cost amount during the year can be based on the maximum month-end cost amount during the year.

Foreign currency conversion

The amounts to be reported on Form T1135 should be determined in the foreign currency and then translated into Canadian dollars. Generally, when converting amounts from a foreign currency into Canadian dollars, use the exchange rate in effect at the time of the transaction (i.e. the time the income was received, or the property was purchased). If you received income throughout the year, an average rate for the year is acceptable. The following summarizes how other amounts of the form should be translated: maximum funds held during the year - the average exchange rate for the year; funds held at year-end - the exchange rate at the end of the year; maximum fair market value during the year - the average exchange rate for the year; and fair market value at year-end - the exchange rate at the end of the year.

Penalties for non-reporting

There are substantial penalties for failing to complete and file Form T1135 accurately and by the due date. For additional information regarding penalties, see the CRA website at: <https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/table-penalties.html>

For further information, refer to the detailed instructions provided on Form T1135 and on the CRA website: <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1135.html>