

TAX FLASH BULLETIN

CRA Announces Permanent Modifications to T1135 Reporting

On July 8, 2014, CRA announced permanent modifications to the [T1135 Foreign Income Verification Statement](#) after closing consultations with various stakeholder groups. The form itself and the instructions have been modified for taxation years ending in 2014 and for future years. CRA will accept the [2013 version](#) of the form until July 31, 2014 for tax years ending in 2014. All forms filed after July 31, 2014 must be the new 2014 version of the form.

The changes are intended to lessen the new reporting burdens of Canadians who hold foreign securities in accounts with Canadian securities dealers. CRA provided temporary reporting relief for the 2013 taxation year to help taxpayers transition into reporting a higher level of detail on the T1135. Instead of cutting off the relief for subsequent years, CRA modified the transitional rules so that the reporting is less detailed than originally required, but not as simple as the 2013 transitional method. The modified requirements are intended to be permanent. Below we highlight the modified requirements for you.

Information Added:

- New Category 7 to report assets held in an account with a Canadian registered securities dealer
- Country by country aggregation of assets, income, and gains/losses in Category 7, which may be further separated by account, if desired
- Actual country code for country totals (entering “CAN” was formerly acceptable for 2013 transition method)
- Maximum fair market value during the year with the option to use month-end values instead of at any time during the year for Category 7
- Fair market value at year end for Category 7

Information Eliminated

- Maximum cost amount at any time during the year for Category 7 assets
- Cost amount at year end for Category 7 assets
- Account number for Category 7 totals (formerly required for 2013 transition method)
- T3/T5 reporting exception eliminated so that a reporting taxpayer must disclose account information in Category 7 or detail foreign securities in Category 2, 3 or 4

Foreign Currency Conversion

CRA also clarified the exchange rates to be used when calculating amounts for the various fields on the form. If the taxpayer does not elect to report amounts in functional currency, they must translate foreign currencies into Canadian dollars. Use the average exchange rate for the year when determining the maximum fair market value during the year. Use the exchange rate at the end of the year when determining the fair market value at the end of the year. Use the exchange rate in effect at the time of purchase when determining cost and the rate in effect at the time of sale when determining proceeds for gain/loss calculations.

Example of Category 7 reporting for a Raymond James Ltd. account:

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 (loss)	Gain (loss) on disposition	
Raymond James Ltd.	AUS	\$14,546	\$13,975	\$368	\$0	
Raymond James Ltd.	BMU	\$5,554	\$5,254	\$222	\$0	
Raymond James Ltd.	CHE	\$16,350	\$16,350	\$0	\$0	
Raymond James Ltd.	DEU	\$5,368	\$5,314	\$183	\$0	
Raymond James Ltd.	DNK	\$4,520	\$0	\$72	\$257	
Raymond James Ltd.	ESP	\$5,151	\$5,151	\$0	\$0	
Raymond James Ltd.	USA	\$88,653	\$83,502	\$2,596	\$5,369	
			Total	\$129,546	\$3,441	\$5,626

CRA has made it clear to the investment and accounting communities that T1135 reporting will not be eliminated for taxpayers with Canadian securities accounts. Taxpayers and their accountants must be prepared to complete the form on an annual basis if they meet the cost reporting threshold of \$100,000CAD in foreign property. Raymond James will continue to investigate methods to assist our clients in meeting their tax reporting obligations.

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