

Tax Tip

“Stronger Reporting Rules with Respect to Foreign Property”

Individuals, corporations, trusts and partnerships that at any time in the year own specified foreign investment property costing more than \$100,000, on a cumulative basis, must complete and file prescribed Form T1135 “Foreign Income Verification Statement”.

The Canada Revenue Agency (“CRA”) has announced several changes and revisions to both the basic details and the disclosures required by the form. The form now requires the name of the specific institution or other entity holding funds outside of Canada, the specific country in which the property is located and the income generated from the foreign property.

A new exclusion to these rules is the exception where a taxpayer has been issued a T3 or a T5 “Investment Slip” by a Canadian issuer in respect of specified foreign property. Although excluded from the new detail requirements, checking off the appropriate box on the form for the property value is still required as it forms part of the cumulative cost.

Specified foreign property includes funds held on deposit outside Canada, foreign real estate (other than personal use residential property) and shares or debt of non-resident corporations (including those held in Canadian brokerage accounts).

For individuals who have indicated in the past that they have specified foreign property in a taxation year with a total cost of more than \$100,000, a reminder will now be included on their future Notice of Assessments (commencing in the 2013 tax year) that they may have to file Form T1135 no later than April 30 of each year.

The penalty for failing to file this form on time is \$25 per day up to \$2,500.

If a taxpayer has failed to report income from a specified foreign property on their income tax return and the form was not filed on time or a specified foreign property was not identified (or improperly identified), the CRA can now re-assess within six years following the day the original tax return Notice of Assessment has been sent to the taxpayer.

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TAX TIP deals with a wide variety of issues and the information is general in nature. As each person’s circumstances are unique, readers are urged to consult W&P prior to acting on the basis of material in this Tax Tip.

If you have any questions regarding the content of this or any other Tax Tips, please contact the W&P Tax Group.