What is the purpose of the Canada Revenue Agency’s Foreign Income Verification Statement (Form T1135)?
The Foreign Income Verification Statement (Form T1135) is used to identify foreign investment property—what the Canada Revenue Agency (CRA) calls “specified foreign property.” Specifically, a Canadian resident individual, corporation, trust or partnership must file Form T1135 if they own specified foreign property at any time during the year.

What is the Foreign Securities Report Package?
The package has two reporting components: the Foreign Securities Report and the Details of Foreign Securities Report.

• The Foreign Securities Report is an aggregated report produced by MD to help clients complete Form T1135.

• The Details of Foreign Securities Report is a breakdown of the Foreign Securities Report showing data used. Clients should compare these data to their own records to ensure accuracy and completeness.

Important information about the Foreign Securities Report Package
Please note that the reports in the Foreign Securities Report Package are provided by MD for your information only and are not official statements. You may use the information in the reports to help you complete Form T1135, but you should be aware that some information may be based on estimates and/or data provided by third parties. Therefore, MD cannot guarantee the accuracy or completeness of the information in the Foreign Securities Report Package and is not liable for any errors or omissions in the reports.

When will the Foreign Securities Report Package be ready?
The Foreign Securities Report Package will be ready in mid February. This timing is because the Foreign Securities Report and Details of Foreign Securities Report use information from multiple tax slips and statements, which are generally available by end of January.

Why have I received a Foreign Securities Report Package?
You will receive a Foreign Securities Report Package if, according to the information we have in our systems, you held specified foreign property at MD that had an aggregate cost of more than C$100,000 in any month(s) during the current tax year. Please review your own records to make sure that the cost amounts used in the package are in alignment. Ultimately, it is your responsibility to determine whether you have to complete Form T1135 or not.

What currency is used in the Foreign Securities Report Package?
The currency used is Canadian dollars.

What is specified foreign property?
Specified foreign property is defined in subsection 233.3(1) of the Income Tax Act (Canada) and includes but is not limited to:

• 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 held by the taxpayer or by an agent on behalf of the taxpayer;

• an interest in a non-resident trust that was acquired for consideration, other than an interest in a non-resident trust that is a foreign affiliate for the purposes of section 233.4 of the Act;

• shares of corporations resident in Canada held by you, or for you, outside Canada;

• an interest in a partnership that holds a specified foreign property unless the partnership is required to file Form T1135;

• an interest in, or right with respect to, an entity that is a non-resident;

• a property that is convertible into or exchangeable for a property that is specified foreign property; or that 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; and

• precious metals, gold certificates and futures contracts held outside Canada.

Specified foreign property does not include:

• a property used or held exclusively for carrying on an active business;

• a share of the capital stock or indebtedness of a foreign affiliate;

• an interest in a trust described in paragraph (a) or (b) of the definition of “exempt trust” in subsection 233.2(1) of the Act;
• a personal-use property as defined in section 54 of the Act; and
• an interest in, or a right to acquire, any of the above-noted excluded foreign property.

Speak with your tax advisor to determine whether your specific assets are considered specified foreign property.

Are MD and MDPIM mutual funds considered specified foreign property?
No, MD and MDPIM mutual funds are not considered to be specified foreign property for reporting purposes. Although some MD and MDPIM mutual funds do hold underlying foreign investments, these mutual funds are Canadian registered mutual funds and do not need to be reported on CRA Form T1135.

Does specified foreign property held in registered plans, such as RRSPs, RRIFs, RESPs and TFSAs, have to be reported on CRA Form T1135?
Specified foreign property held in a registered plan is excluded from Form T1135 reporting requirements.

Why have I received two Foreign Securities Report Packages?
A Foreign Securities Report Package is issued for every joint account and individual account. If you hold both individual and joint accounts, you will receive two Foreign Securities Report Packages.

Why haven’t I received a Foreign Securities Report Package?
To limit confusion, we do not send the package to clients who, based on the information we have in our systems, did not hold specified foreign property at MD that had an aggregate cost of more than C$100,000 in any month(s) during the current tax year. However, please review your records to be sure that your specified foreign property had an aggregate cost below the reporting threshold.

Ultimately, it is your responsibility to determine whether you need to complete Form T1135 or not. If, based on your records and assets held outside MD, you believe you require a Foreign Securities Report Package, please contact your MD Advisor, who can provide you with a copy, or visit your My MD account to access an online copy.

How can I get a Foreign Securities Report Package?
Please contact your MD Advisor*, who can provide you with a copy of your Foreign Securities Report Package.

Is the Foreign Securities Report Package provided to the CRA?
No, the Foreign Securities Report Package is not provided to the CRA. The package is created to help you complete Form T1135; no information is sent to the CRA. If your records conflict with the information in the Foreign Securities Report Package, you should use your records to complete Form T1135.

How do I use the Foreign Securities Report Package?
Use the information in the Foreign Securities Report and Details of Foreign Securities Report to help you complete Section 7 of Form T1135.

The information in the reports is an amalgamation of your investment statements, transaction receipts and tax slips. You should also refer to your own records when completing CRA Form T1135.

1. Review the Details of Foreign Securities Report first and compare it with your records to ensure accuracy and completeness. Note: Always use the information in your records if it is different from the information in the Details of Foreign Securities Report.

2. When you have reviewed the information reported in the Details of Foreign Securities Report and determined it to be accurate and complete, you should use the Foreign Securities Report Package to populate Section 7 of CRA Form T1135.

What if I do not agree with the reports in the Foreign Securities Report Package?
The reports in the Foreign Securities Report Package are not official tax statements and are not submitted to the CRA. The package is provided for your information only. The Foreign Securities Report and Details of Foreign Securities Report are based on the information in our systems. Some third-party securities complete their own tax reporting and do not transmit any information to MD, which means we would not have that information. If your records conflict with the information in the Foreign Securities Report Package, you should use your records to complete CRA Form T1135.

How does MD determine that a security is specified foreign property?
Specified foreign property is identified using the information in our systems at the time the reporting components of the Foreign Securities Report Package are created. If your records conflict with the information in the Foreign Securities Report Package, you should use your records to complete Form T1135. The reporting components of the Foreign Securities Report Package are not official tax statements and are not provided to the CRA. They are provided for your information only.

Why is there no income/loss reported for my units of limited partnerships?
Income/loss from limited partnerships is not included in the Foreign Securities Report Package. This is because a significant number of limited partnerships complete their own tax reporting and do not provide information to MD. To avoid confusion and misrepresentation, we have left all income/loss from limited partnerships out of the package. This information can be found in the investment and tax statements provided by the limited partnerships, such as the CRA’s T5013 – Statement of Partnership Income, or the United States Internal Revenue Service’s Schedule K-1.
Why do the income amounts in the reporting components of the Foreign Securities Report Package not match my tax slips/records?

The reporting components of the Foreign Securities Report Package are not official tax statements and are therefore not provided to the CRA; they are provided for your information only. To enable us to deliver the package in a timely manner, we collect information from our internal systems on a specific date.

Occasionally, third-party institutions may provide additional information or adjustments after that date, which means this information will not be included in the package. Also, some third-party securities complete their own tax reporting and do not transmit any information to MD. If your records conflict with the information in the Foreign Securities Report Package, you should use your records to complete CRA Form T1135.

Why do the reporting components within the Foreign Securities Report Package show a higher capital gain than my Statement of Securities Transactions (T5008)?

In rare cases, the cost value of a security may be zero or nominal. This is likely in situations where the cost amount was not provided to MD, due to corporate re-organizations or transfers-in. In these cases the capital gain we report may be overstated. Please note that the reporting components of the Foreign Securities Report Package are not official tax statements and are not provided to the CRA. They are provided for your information only. If your records conflict with the information in the Foreign Securities Report Package, you should use your records to complete CRA Form T1135.

Why is there no income reported in Foreign Securities Report Package for a certain security?

To enable us to deliver the package in a timely manner, we collect information from our internal systems on a specific date. It is possible that information used to identify income for a specified foreign property was not provided to MD or was provided after this date. If your records conflict with the information in the Foreign Securities Report Package, you should use your records to complete Form T1135.

Are there penalties for failure to file Form T1135 or for omitting information from the form?

Yes, there are penalties for failing to file Form T1135 by the reporting deadline, and for making a false statement or omitting required information. For details, please visit the CRA’s table of penalties.

Can MD help me complete Form T1135?

No, MD cannot help you to complete Form T1135, nor can we advise whether you need to complete and submit the form or not. This is because you may have specified foreign property that is not held with us. Also, we cannot help you decide which, if any, of your investments meet the definition of specified foreign property. These types of questions should be directed to your accountant or tax specialist.

FOR MORE INFORMATION

If you have questions about Form T1135 that are not answered here, please visit the CRA’s Questions and answers about Form T1135.

* MD Advisor refers to an MD Management Limited Financial Consultant or Investment Advisor (in Quebec).

MD Management Limited – Member – Canadian Investor Protection Fund

The information contained in this document is not intended to offer foreign or domestic taxation, legal, accounting or similar professional advice, nor is it intended to replace the advice of independent tax, accounting or legal professionals. Incorporation guidance is limited to asset allocation and integrating corporate entities into financial plans and wealth strategies. Any tax-related information is applicable to Canadian residents only and is in accordance with current Canadian tax law including judicial and administrative interpretation. The information and strategies presented here may not be suitable for U.S. persons (citizens, residents or green card holders) or non-residents of Canada, or for situations involving such individuals. Employees of the MD Group of Companies are not authorized to make any determination of a client’s U.S. status or tax filing obligations, whether foreign or domestic. The MD ExO® service provides financial products and guidance to clients, delivered through the MD Group of Companies (MD Financial Management Inc., MD Management Limited, MD Private Trust Company, MD Life Insurance Company and MD Insurance Agency Limited). For a detailed list of these companies, visit md.ca. MD Financial Management provides financial products and services, the MD Family of Funds and investment counselling services through the MD Group of Companies.