



Form T1135 – Foreign Income Verification Statement

WELLINGTON-ALTUS

All Canadian taxpayers must report their worldwide income, including foreign-source income. Form T1135, first introduced in the 1996 federal budget for all tax years starting in 1997, requires Canadian taxpayers to also disclose certain foreign property with the objective of enhancing foreign-source income reporting compliance and to better target aggressive tax avoidance and evasion.

Canadian resident individuals, corporations and certain trusts and partnerships must complete form T1135 if they own “specified foreign property” with a total cost of more than C\$100,000 at any point during a given year. The T1135 is due on the same date as a taxpayer’s income tax or information return.

What is Specified Foreign Property (SFP)?

Specified Foreign Property Includes	Specified Foreign Property Does NOT Include
Funds or intangible property (patents, copyrights) situated, deposited or held outside of Canada. For example: US\$10,000 in a Swiss bank account.	Property used or held exclusively in carrying on an active business.
Tangible property situated outside of Canada. For example: A rental property located in Mexico.	A personal use property. For example: A vacation home in Florida.
A share of capital stock of a non-resident corporation. For example: A share of Apple Inc. traded on the Nasdaq, even if held in a Canadian brokerage account.	Certain exempt trusts, such as a foreign retirement arrangement and foreign tax-exempt trusts established principally to provide pension, retirement, or employee benefits.
A share of a corporation resident in Canada held outside of Canada. For example: A share of BCE Inc. held in a U.S. brokerage account.	A share of the capital stock or indebtedness of a foreign affiliate.
A debt owed by a non-resident, including government and corporate bonds, debentures, mortgages, and notes receivable. For example: A BNY Mellon Corp. bond owned in a Canadian brokerage account.	An interest in, or right to acquire, any of the above noted exclusions to SFP.
Precious metals, certificates and futures contracts held outside of Canada. For example: gold bullion held in a U.S. safety deposit box.	
An interest in a non-resident trust acquired for consideration. For example: A unit of a mutual fund trust traded on a U.S. stock exchange.	
An interest in a foreign insurance policy.	
A property that is convertible into, exchangeable for, or confers a right to acquire an SFP.	
An interest in a partnership that holds SFP, and the partnership does not file a T1135.	

Simplified versus detailed reporting method

- The simplified reporting method (Part A) of form T1135 can be used where the taxpayer's SFP has a cumulative cost of less than \$250,000 CDN throughout the year. The taxpayer must simply check a box indicating each type of SFP owned, identify the top three foreign jurisdictions where SFP is held, gross income reported from SFP for the year and the net total of any realized gains/losses for the year from SFP.
- Taxpayers owning SFP with a cost base more than C\$250,000 during the year must complete the detailed method (Part B) of the form. In brief, for each type of SFP owned, the country code, the maximum cost base during the year, the cost base at year end, the gross income reported and the net total of any realized gains/losses for the year must be provided.

Penalties for non-compliance

Several penalties may be assessed to taxpayers who do not complete, make a false statement, or omit certain information on a T1135. These penalties include, but are not limited to:

- Failure to file – \$25 per day (minimum \$100) up to a maximum of \$2,500. Where the failure is done knowingly or gross negligence is found, the penalty is \$500/month to a maximum of \$12,000.
- Failure to furnish foreign-based information – \$1,000 per month up to a maximum of \$24,000 less penalties already levied. These penalties apply where a demand to file a T1135 is issued and the taxpayer knowingly or in circumstances amounting to gross negligence does not comply.

Reference links

T1135 Form: <https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1135.html>

Common questions relating to the completion of Form T1135: <https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/questions-answers-about-form-t1135.html>

Individuals should contact their tax advisor as soon as possible if they have failed to file or realize they made an error on their T1135, as interest applies to these penalties.