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Canada Revenue Agency

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# Questions and answers about form T1135

This webpage addresses many of the more commonly asked questions about form T1135. For more information or specific details, call the general enquires line at:

- **1-800-959-5525** for businesses, self-employed individuals, and partnerships;
- **1-800-959-8281** for individuals (other than self-employed individuals) and trusts.

These questions are organized by category. Click on the topic below to view the list of questions related to that topic.

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## General filing information

### 1. Can I file form T1135 electronically?

As of February 9, 2015, **individual taxpayers** will be able to file this form electronically for the 2014 tax year. The CRA will make electronic filing of form T1135 available for corporations and partnerships in the future and will announce when the service becomes available.

### 2. Can I file the information requested on form T1135 on schedules attached to the form instead?

The online version of the form contains several features that ensure data integrity. Schedules attached to the form do not have these features. For this reason, the CRA requests that you complete the T1135 prescribed form. If you need more space, attach another T1135 form to the first completed form or attach a schedule to the prescribed form. The schedule must be in the identical format as the tables on form T1135. The CRA will not accept other methods of providing the required T1135 information.

**3. Do I have to report foreign personal-use property on form T1135?**

No, you do not have to report personal-use property. This includes vacation property that you use primarily as a personal residence (see real property questions below), and listed personal property such as works of art, jewelry, rare folios, rare manuscripts, rare books, stamps, and coins.

**4. If I have an investment in a U.S. mutual fund trust that holds portfolio investments in several corporations that are resident in Europe and Asia, what country code should I use on form T1135?**

Your investment is an interest in a U.S. mutual fund trust and not in the underlying investments of the trust. Report the country code of the residence of the trust, in this case, the USA.

**5. If I hold shares of a U.S. corporation in a United Kingdom brokerage account, should the country code of the shares be USA or GBR?**

For the purposes of form T1135, the country code for shares of a non-resident corporation is the country of residence of the corporation. Therefore, code these shares as USA.

## **Cost amount and the \$100,000 reporting threshold**

**6. Is the \$100,000 threshold based on the fair market value of the property?**

No, it is based on the cost amount. The cost amount is defined in subsection 248(1) of the *Income Tax Act* and generally is the adjusted cost base and not the fair market value.

**7. Assume that in 2013 I held shares in a non-resident corporation with a cost amount of \$75,000 and, at the same time, I had a bank account in the U.S. with \$35,000 on deposit. Am I exempt from filing form T1135 since neither of the foreign properties has a cost amount greater than \$100,000?**

No. You must file form T1135 since the total cost amount of all specified foreign property exceeds the \$100,000 threshold ( $\$75,000 + \$35,000 = \$110,000$ ).

**8. Assume I held specified foreign property during the year with a cost amount of more than \$100,000, but held less than \$100,000 at the end of the year (or no longer held the property). Do I still have to file form T1135?**

Yes. As long as you met the reporting requirement threshold of \$100,000 at any time in the year, you must report on form T1135 all **specified foreign properties** held during the year, even if you sold any or all of the property before the end of the year.

**9. How do I determine the cost amount of foreign property acquired by way of gift, bequest, or inheritance?**

The cost amount of foreign property acquired by way of gift, bequest, or inheritance is its fair market value at the time the gift, bequest, or inheritance was received.

## **Specified foreign property (as defined in subsection 233.3(1) of the *Income Tax Act*)**

**10. Are shares of non-resident corporations held through a broker (Canadian or foreign) specified foreign property?**

Yes. Shares of non-resident corporations are specified foreign property and should be reported, regardless of whether the shares are held through a broker.

There are different streamlined methods available for reporting specified foreign property held in certain Canadian accounts for 2013 and 2014 and later tax years. Refer to the frequently asked questions specific to the 2013 and 2014 and later tax years for further details.

**11. Are shares of a Canadian resident corporation held by a non-resident agent for the benefit of a Canadian reporting entity considered a specified foreign property for purposes of form T1135?**

Yes. Shares of a corporation are intangible property and will be specified foreign property if they are situated, deposited or held outside Canada. As a result, the shares of a Canadian resident corporation that are held by on deposit with a foreign agent constitute specified foreign property and would be reported in category 6, Other property outside Canada, with the country code indicating the location of the agent.

**12. Does specified foreign property include property that does not produce income (for example, vacant land)?**

Yes. Specified foreign property includes property that does not produce income.

**13. Does specified foreign property include shares or indebtedness denominated in a foreign currency issued by a Canadian resident corporation?**

No. Specified foreign property does **not** include shares or indebtedness issued by a Canadian resident corporation.

**14. Does a life insurance policy issued by a foreign issuer meet the definition of specified foreign property? If yes, how is the cost amount of a foreign insurance policy determined?**

Yes, a life insurance policy issued by a foreign issuer **meets** the definition of specified foreign property. The **adjusted cost basis** of an interest in a life insurance policy is defined in subsection 148(9) of the *Income Tax Act*. This amount can be considered as a reasonable approximation of the cost amount of the property for the purpose of form T1135.

## **Income (loss) and gain (loss) on disposition**

**15. Canadian residents must file form T1135 when the cost amount of their foreign property exceeds \$100,000 at any time during the year. Does this mean that a person does not have to report income from foreign property where the cost amount of that property is below \$100,000?**

Canadian resident taxpayers must report and include in their income for Canadian tax purposes all the income they earn from foreign property, regardless of the cost amount of the foreign property.

If the cost amount of the taxpayer's foreign property exceeds \$100,000, the taxpayer must **also** file form T1135.

The \$100,000 threshold means that many Canadians do not need to comply with the reporting requirements of form T1135, but this does not exempt them from paying tax on any income earned on such property.

**16. Do I report the gross income or the net income?**

You must report gross income from the specified foreign property on form T1135.

**17. Is the “gain (loss) on disposition” the capital gain (capital loss) or the taxable capital gain (allowable capital loss) on the disposition of a specified foreign property?**

The “gain (loss) on disposition” is the capital gain (capital loss) and **not** the taxable capital gain (allowable capital loss).

**18. Where a taxpayer's specified foreign property is an interest in a partnership that realizes a capital gain (loss), should this be reported as a "gain (loss) on disposition" or "income (loss)"?**

The taxable portion of a capital gain realized on disposition of the underlying assets of a partnership that is a specified foreign property should be reported as income. Only the gain (loss) on the disposition of the partnership interest itself should be reported as a "gain (loss) on disposition."

**19. Can capital losses from the disposition of Canadian property be netted against capital gains realized on the disposition of specified foreign property in completing form T1135?**

No. The income (loss) and the gain (loss) on the disposition of each particular specified foreign property have to be reported separately on form T1135. You cannot offset Canadian capital losses against foreign capital gains on form T1135. Note that the purpose of form T1135 is to identify foreign property and not to calculate taxable income.

## **Reporting responsibility**

**20. A joint venture has property outside Canada with a cost amount in excess of \$100,000 and the property is not used in an active business. Should the joint venture file form T1135 or should each party to the joint venture agreement file the information return, based on the cost amount of the property owned by each of them?**

A joint venture does not have to file form T1135. However, each party to the joint venture that is a specified Canadian entity may have to file form T1135, based on the cost amount of the property owned by each of them.

**21. Does a non-resident who has employment income earned in Canada have to file form T1135?**

Only taxpayers **resident in Canada** have to file form T1135, although a non-resident still may be taxable on employment income earned in Canada.

**22. If a partnership holds specified foreign property, who has to file form T1135, the partnership or the Canadian partner(s)?**

A partnership has to file a form T1135 if it is a specified Canadian entity and, at any time during the reporting period, the total cost amount of all specified foreign property it held was more than \$100,000. A partnership will be a specified Canadian entity where the total of all amounts, each of which is the income (or loss) attributable to non-resident partners, is less than 90% of the partnership's total income (or loss).

If a Canadian resident taxpayer holds an interest in a partnership that is a specified Canadian entity, the taxpayer is **not** required to report their interest in the partnership on form T1135.

If a Canadian resident taxpayer holds an interest in a partnership that is **not** a specified Canadian entity, a taxpayer is required to report their interest in the partnership on form T1135 if the partnership holds specified foreign property. The taxpayer should provide the details of their partnership interest in category 6, "Other property outside Canada."

**23. What are the implications to the partners if a partnership, that is a specified Canadian entity, does not file form T1135 on time or accurately?**

If a partnership that is required to file form T1135, but does not file the form on time or accurately, **and** a partner fails to report income from a specified foreign property on their tax return, the normal reassessment period for that Canadian resident partner will be extended by three years.

**24. Does a day trader have to file form T1135?**

Property that is used or held exclusively in the course of carrying on an active business is not required to be reported on form T1135.

The determination of whether the activities of day trader constitute carrying on an active business is a question of fact that can only be determined on a case by case basis.

**25. Does specified foreign property held in registered plans, such as registered retirement savings plans (RRSPs) or tax-free saving accounts (TFSAs), have to be reported on form T1135?**

Specified foreign property held in an RRSP or a TFSA is excluded from form T1135 reporting requirements.

**26. Does specified foreign property held in a Canadian mutual fund trust have to be reported on form T1135?**

A Canadian mutual fund trust (as defined in the *Income Tax Act*) is excluded from the definition of "specified Canadian entity," so it does not have to file form T1135. Also, the investor does not have to report their investment in a Canadian mutual fund trust because it is not a "specified foreign property."

The same applies to Canadian mutual fund corporations (as defined in the *Income Tax Act*).

**27. Does specified foreign property held by a non-resident mutual fund (trust or corporation) have to be reported on form T1135?**

Generally, the investment in a non-resident mutual fund, not the underlying property, would be a specified foreign property to the investors. Therefore, the investors only have to report their investment in the mutual fund on form T1135.

**28. What is the reporting requirement for new immigrants? How is the cost amount determined for property that was owned at the time of immigration to Canada?**

An individual does **not** have to file form T1135 for the tax year in which he or she first became resident in Canada. For a new resident, the cost amount of foreign property is its fair market value at the time he or she first became resident in Canada. Use this fair market value in determining the new resident's form T1135 filing requirement in future years.

## Real property questions

**29. If an individual owns a condominium in Florida that has a cost amount of \$120,000, is the property specified foreign property for the purposes of form T1135 if the condominium is:**

- a. **used exclusively by the taxpayer as a vacation property?**
- b. **rented out for eight months of the year with a reasonable expectation of profit and kept for personal use the other four months?**
- c. **rented out for part of the year without a reasonable expectation of profit for the purpose of recovering a portion of condominium expenses?**

Specified foreign property does not include personal-use property. Personal-use property is generally defined as property owned by the taxpayer that he or she or a related party uses primarily for personal and enjoyment purposes. The CRA takes the view that "primarily" means more than 50%. Whether a particular property is primarily for personal use and enjoyment is a question of fact that is determined on a case-by-case basis.

In situation (a), the individual does not need to report the condominium since it is held primarily for personal use and enjoyment.

In situation (b), the property is not held primarily for personal use and enjoyment. As a result, it is a specified foreign property and has to be reported on form T1135.

In situation (c), if there is no reasonable expectation of profit and the individual is merely recovering part of the condominium expenses, the CRA will consider it a personal-use property. As such, the property is not a specified foreign property and is excluded from the reporting requirements of form T1135.

**30. A taxpayer owns a four-unit property located outside of Canada. One unit is personal-use property of the taxpayer and the other three units are rented out with a reasonable expectation of profit. What are the form T1135 reporting requirements? Assume the taxpayer owns other specified foreign property with a total cost amount in excess of the \$100,000 reporting threshold.**

If all of the units have roughly the same size and value, the property would be a specified foreign property and the taxpayer would have to report the entire cost amount of the property on form T1135. Since 75% of the property is rented out for profit, it is not considered to be personal-use property.

**31. If a Canadian corporation has a warehouse in England with a cost amount of \$900,000 used to store business inventory, is the warehouse a specified foreign property?**

A property that is used or held exclusively in the course of carrying on an active business is excluded from the definition of specified foreign property. If the warehouse is used only for storing inventory used in the corporation's business, it does not have to be reported on form T1135.

**32. If a taxpayer acquires a specified foreign property for \$500,000 with a down payment of \$50,000 and the balance financed through a mortgage, does the taxpayer have to file form T1135 if the property is his or her only foreign property?**

Yes, the taxpayer still has to file form T1135. Although the down payment is \$50,000, the cost amount of the property, being \$500,000, exceeds the \$100,000 reporting threshold.

**33. If a taxpayer enters into a purchase contract to buy a \$500,000 specified foreign property that will be built and completed in two years, but has made a down payment of \$50,000, does the taxpayer have to report it if it is his or her only foreign property?**

The purchase contract should be reviewed to determine when the taxpayer acquires the property. If the **title of the property** has not passed to the taxpayer, the taxpayer does not have to report this foreign property.

## Reassessment period and penalties



**34. Are there penalties for failure to file form T1135 or for omitting any information on the form?**

Certain penalties apply for failing to file form T1135 by the reporting deadline and for making a false statement or omission about the required information. For more information, go to Table of penalties.

Note that for the 2013 tax year, the CRA extended the filing deadline to July 31, 2014 for all taxpayers.

Relief can be granted from these penalties under the taxpayer relief provisions upon written request from the taxpayer. Each request is considered on its own merit and circumstances. See the Request for Taxpayer Relief form.

**35. Under what circumstances is the normal reassessment period extended as a result of not filing form T1135 correctly?**

For the 2013 and later tax years, the period within which the CRA can reassess a taxpayer's tax return is extended by three years if both of the following conditions have been satisfied:

- the taxpayer has failed to report income from a specified foreign property on their income tax return; and
- form T1135 was not filed, was not filed on time, or was filed inaccurately.

Note that for the 2013 tax year, the CRA extended the filing deadline to July 31, 2014 for all taxpayers.

## Voluntary Disclosures Program

**36. Is the Voluntary Disclosures Program available to form T1135 filers?**

Yes, the Voluntary Disclosures Program may be available if certain conditions are met. Taxpayers who have provided incomplete information, omitted information, or who have not filed form T1135 are encouraged to come forward and correct their tax affairs through the program. To qualify for the program, a taxpayer must file a valid disclosure.

## Frequently asked questions specific to reporting for 2014 and later tax years

**37. There are two versions of form T1135 available on the CRA website. Which version can I use?**

The CRA encourages taxpayers to use the 2014 version of form T1135 for all tax years. However the CRA will accept the 2013 version of the form (and the use of the related reporting methods and exceptions):

- for the 2013 tax year; and
- for the 2014 tax year if filed prior to July 31, 2014.

The 2014 version of the form must be used for 2014 and later tax years if filed after July 31, 2014.

### **38. How do I report specified foreign property held through a Canadian broker?**

Taxpayers can provide the details of each specified foreign property in the appropriate category, however, if the property is held with a Canadian registered securities dealer (as defined in subsection 248(1) of the *Income Tax Act*) or with a Canadian trust company as determined under paragraph (b) of the definition of a restricted financial institution in subsection 248(1)), taxpayers are permitted to report the aggregate amount of all specified foreign property on a country-by-country basis in Category 7, "Property held in an account with a Canadian registered securities dealer or a Canadian trust company".

### **39. How do I know if my securities are held by a Canadian registered securities dealer or a Canadian trust company?**

The organization or person holding your securities will be able to confirm if they are a Canadian registered securities dealer (as defined in subsection 248(1) of the *Income Tax Act*) or a Canadian trust company (as determined under paragraph (b) of the definition of a restricted financial institution in subsection 248(1)).

## **Frequently asked questions specific to reporting for the 2013 tax year**

### **40. How do I report specified foreign property held through a Canadian broker?**

Taxpayers can provide the details of each specified foreign property in the appropriate category however, for certain property the taxpayer may have the option to use the T3/T5 Reporting Exception or the 2013 Transitional Reporting Method.

## **T3 / T5 Reporting exception**

For specified foreign property held through a Canadian registered securities dealer, a Canadian trust company, or by a unit trust see 2013 Transitional Reporting Method.

**41. Form T1135 states that where a taxpayer has received a T3 or T5 from a Canadian issuer for a specified foreign property for a tax year, that property is excluded from T1135 reporting for that year. Does that mean the property is also excluded from the calculation of the \$100,000 threshold?**

If this exception applies to you, you do not have to complete the detailed reporting requirements of form T1135 for that property. However, you still have to take the property into account in determining whether the total cost amount of all specified foreign property you held at any time in the year exceeds \$100,000, and whether or not you need to submit a form T1135. For more information, go to [Foreign Income Verification Statement](#).

**42. How does the reporting exception apply for a taxpayer who has a non-calendar tax year, given that T3 and T5 information slips are prepared on a calendar-year basis?**

If a T3 or T5 has been received, or will be received, from a Canadian issuer for all of the income earned on a particular property in the reporting period, the reporting exception is considered to be satisfied.

**43. How does the reporting exception apply when a specified foreign property was held by a foreign broker for part of the year and held by a Canadian broker for the remainder of the year?**

The reporting exception will apply where **all of the income** for a specified foreign property in the reporting period is subject to T3 or T5 reporting by a **Canadian issuer**. If a Canadian issuer has not reported on a T3 or T5 all of the income earned in the particular year on a foreign property, the reporting exception does not apply.

**44. How does the reporting exception apply where, in a particular tax year, a taxpayer owns shares of 20 non-resident corporations and has received dividends from 15 of these corporations for which a T5 has been received from a Canadian issuer?**

When the taxpayer has received a T3 or T5 from a Canadian issuer for a particular specified foreign property, the details of that particular specified foreign property do not have to be disclosed on form T1135. Therefore, the reporting exception applies to the shares of the 15 dividend-paying non-resident corporations. However, the details of the shares for the other five non-resident corporations must be provided on form T1135.

Note that the shares of all 20 non-resident corporations must be taken into account in determining whether the T1135 reporting threshold has been met; that is whether the total cost amount of all specified foreign property held by the taxpayer at any time in the year exceeds \$100,000.

**45. How does the reporting exception apply when a specified foreign property is jointly owned and a T5 is issued to only one person who represents all of the owners?**

When the T5 has been received from a Canadian issuer, all of the owners will be considered to have satisfied the reporting exception for that particular specified foreign property.

## **2013 Transitional Reporting Method**

**46. What is the purpose of the 2013 transitional reporting method?**

The CRA recognized the challenges some taxpayers were facing in meeting the reporting obligations after the revisions to form T1135 in June 2013, and that a transitional period would help taxpayers adapt to these new requirements. With this in mind, the CRA temporarily simplified the reporting for certain specified foreign property.

**47. When is the transitional reporting method applicable and for how long?**

The 2013 transitional reporting method applies only to the 2013 tax year.

**48. How do I know if my securities are held by a Canadian registered securities dealer?**

The organization or person holding your securities will be able to confirm if they are a Canadian *registered securities dealer* as defined in the *Income Tax Act*.

**49. If I have an account with a Canadian registered securities dealer, can I file form T1135 using the T3/T5 reporting exception?**

You have the option to use either the T3/T5 reporting exception or the 2013 transitional reporting method. If you choose to use the 2013 transitional reporting method in respect of any account with a Canadian registered securities dealer, you must use this method for reporting all other accounts with Canadian registered securities dealers. If you opt to use the T3/T5 reporting exception you are required to report the details of all those securities that are specified foreign property for which you have not received a T3 or T5.

**50. If I have already filed the current form T1135 can I file an amended information return applying the 2013 transitional reporting method?**

Yes, you may choose to file an amended return using the 2013 transitional reporting method for the 2013 tax year, even if you have previously completed the form T1135 using the T3/T5 reporting exception.

## Forms and publications

- [Form T1135 Foreign Income Verification Statement](#)

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