

T1135 Transitional guidance

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Late today, the Canada Revenue Agency (“CRA”) provided [transitional reporting guidance](#) in respect of prescribed Form T1135 for taxpayers who own specified foreign property with a cost of \$100,000 or more. There were two transitional provisions provided but such relief is **only** applicable for 2013:

1. The deadline for filing the T1135 for 2013 has been extended to July 31, 2014, and
2. Foreign property held in an account with a Canadian registered securities dealer may report on a combined basis the value of all property at the end of the year, rather than the details of each security as specified in the changes to the T1135 in June 2013.

In an attempt to catch international tax evasion, the government announced in 2013 that it would be expanding the reporting requirements for prescribed form T1135. On June 25, 2013, the CRA released the “new” T1135. Our June 28, 2013 [blog](#) discussed the much expanded reporting requirement and the significant increased work that would be required by tax preparers.

The new T1135 provided a reporting exclusion if the taxpayer received a T3 or T5 slip from a Canadian issuer in respect of a particular specified foreign property. However, if the taxpayer owned a specified foreign property held by Canadian registered securities dealer, and no T3 or T5 was issued (as the property did not earn any income), the taxpayer would be subject to the expanded T1135 requirements. This has been the subject of a large amount of criticism from the accounting community.

While the transitioning rules are certainly welcome, it appears that the CRA is still not wholly listening to tax accountants in Canada. Today’s announcement does not provide a permanent solution for the large amount of criticism with respect to the “T3/T5” exception. Many tax accountants were hopeful that all specified foreign property held by Canadian registered securities dealers would be excluded given the low risk for tax evasion involved with these accounts.

We are hopeful that the CRA continues to work towards a permanent solution with the accounting community that provides a more balanced approach.