AY Au-Yeung & Company LLP
Chartered Accountants

October 2014

Re: New T1135 – Foreign Income Verification Statement

Following our letter in January 2014 regarding the new T1135 reporting, CRA has announced an update on the reporting in July 2014, which will apply to 2014 and subsequent taxation years for Canadian resident individuals, corporations, trusts and partnerships that, at any time during the year, owned specified foreign property (includes most types of income-earning property held outside of Canada; excludes personal-use property and property used in an active business) costing in total more than $ 100,000. Please note that the criteria for those who must file a T1135 have not changed.

The 2014 T1135 for individuals will be due along with the 2014 T1 personal income tax return on April 30, 2015.

The update from CRA provided further relief and clarification. CRA confirmed that the 2013 transitional reporting method has been extended for the 2014 and subsequent taxation years with some modification. Specifically, all specified foreign property held with a Canadian-registered securities dealer or a Canadian trust company can be aggregated and reported on a country-by-country basis (instead of on a property-by-property basis).

Taxpayers that chose to use this transitional reporting method will require the following information based on a country-by country basis:

- Combined fair market value (FMV) of all specified foreign property at the end of the year
- Combined highest FMV of all specified foreign property during the year (using the highest month-end value)
- Combined income (loss) earned on all specified foreign property held at any time during the year
- Combined gains or losses realized on the disposition of all specified foreign property held at any time in the year

Please note that securities that are not held with a Canadian-registered securities dealer or a Canadian trust company would still require detailed information on a property-by-property basis, including the cost of the property at the end of the year, the maximum cost amount during the year (using the highest month-end cost amount) and the income, gains or losses generated from the foreign property for the year.

Also, the T3/T5 exception, which was a relief provided for detailed property reporting where a taxpayer has received a T3 or T5 in respect of a specified foreign property, has been eliminated.

Please feel free to contact us to review this matter in greater detail. You may also consider asking your investment advisor for assistance in gathering the information regarding foreign funds and foreign shares.

Thank you for your kind attention.

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