

Form T1135: Your Guide to Reporting Foreign Assets

Key Takeaways

Form T1135 is a tax form for Canadians who own foreign assets with a cost amount of more than \$100,000.

The form has two parts: Part A for simpler cases, and Part B for more complex foreign asset situations.

The deadline for filing Form T1135 is usually April 30, the same as for your income tax return.

What is Form T1135?

Form T1135, also called the Foreign Income Verification Statement, is a form you need to fill out come tax time if you own foreign assets with a total cost amount of more than \$100,000. Whether it's a bank account in France, investment property in Italy, or shares in an American tech company, Form T1135 is where you disclose your ownership of these assets to the CRA.

Now that you know what it is, let's dive into why the T1135 is so important. Filing this form is more than just a formality. It's a legal requirement for tax compliance in Canada. This means the CRA takes the T1135 very seriously. If you miss the filing deadline or forget to file altogether, you may risk fines and penalties which can impact your financial situation.

Do you need to file a T1135?

If you own what's known as "specified foreign property," and the total cost amount is more than \$100,000 (in Canadian dollars), then you need to file a Form T1135.

But what exactly is your total cost amount? It means more than just your cost or the amount you paid for your property. Your total cost amount is based on your adjusted cost base (ACB). ACB just means the original cost of an asset, plus any additional expenses such as brokerage or legal fees paid. It's different from fair market value, which is what you would receive if you sold the asset today.

Some examples:

Scenario 1: You bought shares in a German company for \$50,000 and spent \$2,000 in broker fees. You don't own any other specified foreign property. Your cost amount (that is, the adjusted cost base) is \$52,000. This is under the \$100,000 threshold—so a T1135 isn't needed, and you can sit back and relax.

Scenario 2: But let's say that, in addition to those German shares that cost \$52,000, you also have \$60,000 sitting in a savings account in Sweden. That brings your total cost amount to \$112,000, which puts you over the \$100,000 limit—and into T1135 filing territory.

What qualifies as specified foreign property?

What exactly goes into that “specified foreign property” category? This list covers many types of property, including:

- Bank accounts in other countries
- Shares in foreign companies
- Real estate outside of Canada
- Interest in a foreign trust
- Foreign mutual funds
- Loans made to non-residents
- Bonds and debentures from foreign entities
- Intellectual property (such as patents or copyrights) held outside Canada
- Partnership interest, in which that partnership holds specified foreign property
- Interest in a foreign insurance policy
- Precious metals and gold certificates held outside Canada
- Futures contracts held outside Canada

What's not considered specified foreign property?

Not all foreign assets need to be reported on a T1135, however. Foreign property that's exempt from T1135 reporting obligations includes:

- Property held in registered accounts (TFSA, RRSP, RRIF)
- Personal-use property (for example, a vacation home outside Canada that's used mainly for personal reasons)
- Property used exclusively in an active business
- Shares or debts of a foreign company that are affiliated with your Canadian business
- A principal residence outside of Canada
- Interest in an exempt trust
- A right to purchase any of the above

Completing Form T1135? Here's the info you'll need:

- Your Social Insurance Number (SIN)
- Details about each foreign asset you have that qualifies as specified foreign property
- The country where each asset is located (required to determine the correct country codes)
- The maximum funds held as well as the cost of each asset during the tax year
- Income gained or lost from each asset
- Any sale of the asset in the tax year and any capital gains or losses from the sale

Form T1135 has two parts—Part A and Part B. Complete only one of these parts.

Part A (Simplified reporting method)

You complete Part A if the total cost amount of your foreign assets total less than \$250,000 throughout the tax year. It's called the simplified reporting method. You need to check the boxes for the types of foreign property you own, plus list the top three countries in which you're holding these assets, based on the maximum cost amount, and report the aggregate total income and total capital gains from all countries.

Part B (Detailed reporting method)

If you own foreign assets with a total cost amount of \$250,000 or more—you'll need to fill out Part B. It's called the detailed reporting method. This part requires you to provide more in-depth information about each foreign asset according to property type, including details regarding maximum costs during the year and any capital gains or losses for each country.

When do you file Form T1135?

Don't miss the deadline for filing Form T1135. Make sure to file the form by the same date you're required to file your income tax return. For most people, that would be April 30 of the year following the tax year in question.

What happens if you don't file T1135?

Skipping out on filing Form T1135 does, unfortunately, have its consequences. The penalty for failing to file a T1135 on time is the greater of a minimum \$100 fine or \$25 for each day the return is late, up to a maximum of \$2,500.

For example, if you file your T1135 two days late, you'd be looking at a penalty of \$100. Extend your late filing to 10 days, and your fine would be \$250. Filing four months past the deadline? You'll pay the maximum of \$2,500 (even though you're late by more than 100 days).

Do you need to file T1135 every year?

You are required to file Form T1135 for any given tax year if the total cost amount of your foreign assets exceeds \$100,000 at any point during that year. So, if you go over this \$100,000 threshold every year, then, yes, you'll need to file a T1135 every year.