



Wealth
Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

Aaron Fennell, MBA, CFA
Portfolio Manager & Investment
Advisor
Tel: 416-313-6397
aaron.fennell@rbc.com

RBC Dominion Securities
181 Bay Street, Suite 2350
Toronto, ON M5J 2T3
www.aaronwfennell.com

Foreign Income Verification Statement – Form T1135

If you own “specified foreign property” with a total cost in excess of C\$100,000 at any time during the taxation year, you are required to report certain information relating to this property on *Form T1135 – Foreign Income Verification Statement*. Filing *Form T1135* does not impose any additional taxes; it only requires the disclosure of information about the ownership of foreign property. However, you may face significant consequences if you do not file or you make errors on the form.

This article provides an overview of the *Form T1135* reporting rules, such as who has to file the form, the types of property and information that you must report, and penalties for failing to complete and file the form.

Consequences of failing to file accurately and on time

Different types of penalties can apply when you do not comply with the specified foreign property reporting rules. For example, if you fail to file *Form T1135* by the due date, you may face a financial penalty. The penalty is \$25 per day, subject to a minimum amount of \$100 and a maximum of \$2,500. Further penalties may apply if the failure to file or if errors or omissions were made knowingly or resulted from gross negligence. These penalties can be significant.

In addition, failure to comply with the requirements of *Form T1135* or to report income from a specified foreign property on your income tax return may result in other tax consequences.

For most taxpayers, the Canada Revenue Agency (CRA) has three years from the date of original assessment of a year to reassess your tax return. A three-year extension to this normal reassessment period may apply to your entire tax return if you fail to report income from a specified foreign property on your tax return and *Form T1135* is not filed on time, or there is a false statement or omission on the *T1135* for that particular year. This means your tax return will not be statute-barred until six years after the date of the original notice of assessment or reassessment. This allows the CRA to review your entire return for the particular year, meaning their review is not restricted to just the information related to your foreign property.



Voluntary disclosure program (VDP)

If you haven't met your *Form T1135* filing obligations, you may want to consider the VDP. The VDP allows you to make an application to correct inaccurate or incomplete information, or to disclose information not previously reported on your tax return or the tax-related filings. Your disclosure must be voluntary, complete, involves an application or potential application of a penalty, include information that is at least one year or one reporting period past due, and include payment of the estimated tax owing, if any (or request for a payment arrangement subject to the CRA's approval). If you satisfy all of the VDP conditions, the CRA may waive some or all penalties with respect to the disclosure.

Due date for filing Form T1135

Form T1135 is due on or before the due date of your income tax return. For individuals, the filing deadline is generally April 30 of the following year (June 15 for self-employed individuals). When a due date falls on a Saturday, a Sunday, or a public holiday, the due date is extended to the next business day.

Who has to report?

Canadian resident taxpayers who own specified foreign property with a total cost amount of more than C\$100,000 at any time in the year are required to file *Form T1135*. The reporting requirement applies to Canadian resident individuals, corporations and certain partnerships and trusts. Individuals aren't required to file *Form T1135* for the year in which they become a resident of Canada. If you're a new Canadian resident, the cost amount of foreign property is its fair market value at the time you first became a resident in Canada. You use this fair market value in determining your *Form T1135* filing requirement in future years. Similarly, if you receive foreign property as a gift, or inheritance, the cost amount is generally the fair market value of the property at the time of receipt.

The threshold of C\$100,000 applies to the cost of all specified foreign property you own at any time in the year. This means you need to keep track of the total cost of all specified foreign property you own on a daily basis, not just at year-end or each month-end. The following example demonstrates this concept.

You own shares of a U.S. public corporation in a non-registered Canadian investment account with a cost of C\$75,000. You held this investment for the entire year. For three months during the year, you also had a bank account in the U.K. with C\$35,000 on deposit. However, during the year, you used the cash deposited in the U.K. bank account to travel. At the end of the year, the only foreign property held was the U.S. public company

Canadian resident taxpayers who own specified foreign property with a total cost amount of more than C\$100,000 at any time in the year are required to file *Form T1135*.

shares. As the total specified foreign property exceeded C\$100,000 ($\$75,000 + \$35,000 = \$110,000$) at one point during the year, you would be required to file *Form T1135* for the tax year even though you only held C\$75,000 of specified foreign property at the end of the year.

What property do you have to report?

Specified foreign property generally includes (but is not limited to):

- Funds deposited or held outside of Canada, even Canadian dollar funds deposited outside of Canada
- Intangible (e.g. patents, copyrights) and tangible property (e.g. land, building) situated outside of Canada
- Shares of foreign corporations, even if held in an investment account in Canada
- An interest in a non-resident trust that was acquired for consideration (e.g. foreign mutual funds and exchange traded funds listed on a U.S. exchange)
- Shares of a Canadian corporation if held outside of Canada (e.g. if you hold RBC shares in an investment account in the U.S.)
- An interest in a partnership that holds a specified foreign property, unless the partnership is required to file *Form T1135*
- An interest in, or right with respect to, an entity that's a non-resident (this could include an option to purchase shares of a foreign corporation)
- Property that's convertible into, exchangeable for, or confers a right to acquire a property that's specified foreign property
- Debt owed by a non-resident, including government and corporate bonds, debentures, mortgages, and notes receivable
- An interest in a foreign insurance policy, and
- Precious metals, gold certificates, and futures contracts held outside of Canada

The following are common types of property not considered specified foreign property:

- Foreign property held in registered accounts such as RPPs, RRSPs, RRIFs, RESPs, RDSPs, locked-in retirement plans, TFSAs and FHSAs

- Units of Canadian mutual fund trusts or mutual fund corporations that invest in foreign securities (e.g. RBC U.S. Equity Fund) or are held in a foreign currency
- Personal-use property (e.g. vacation homes, vehicles, jewellery, artwork, etc.), and
- Property used or held exclusively in carrying on an active business (e.g. foreign real estate where you operate your active business)

What information do you need to report?

The information you need to report and the reporting method you use depends on the total cost amount of the specified foreign property you hold during the year.

Simplified reporting method

The simplified reporting method is available to you, if you own specified foreign property with a total cost of more than C\$100,000 at any time in the year but less than C\$250,000 throughout the year. The amount of information required under the simplified reporting method is significantly less than the detailed reporting method. The simplified reporting method requires you to:

- Check a box for each category of specified foreign property you held (the seven categories are listed later in this article)
- Report the top three country codes based on the maximum cost amount of specified foreign property held during the year. In general, where the specified foreign property is located or where the issuers of the property are located determines the country codes. The month-end cost amount of all specified foreign property should be aggregated on a country-by-country basis. From those amounts, you can then choose the top three countries based on the highest month-end cost amount.
- Report the income from all specified foreign property, and
- Report the gains (losses) from the disposition from all specified foreign property

Detailed reporting method

If you own specified foreign property with a total cost of C\$250,000 or more at any time in the year, you will need to report using the detailed reporting method. For detailed reporting, the *Form T1135* is divided into seven categories that correspond to the different types of specified foreign property:

1. Funds held outside of Canada
2. Shares of non-resident corporations (other than foreign affiliates)
3. Indebtedness owed by non-resident

The information you need to report and the reporting method you use depends on the total cost amount of the specified foreign property you hold during the year.

4. Interests in non-resident trusts
5. Real property outside of Canada (other than personal use and real estate used in an active business)
6. Other property outside of Canada
7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company

If you hold specified foreign property in any of the categories from 1 to 6, you are required to list each such property in the appropriate category and provide the related information requested on *Form T1135*.

The following information is required for each specified foreign property in categories 1 to 6:

- The name of the foreign entity holding the property, name of corporation issuing shares, description of debt/property or name of foreign trust
- The country code for each property — this is the country of residence of the issuer or trust or the country where the property is located
- The maximum cost amount of the property during the year
- The cost amount at year-end, and
- The amount of any gross income/loss that the particular foreign property generated in the year, as well as any capital gain/loss realized during the year for each foreign property

The cost amount is generally the acquisition cost of the property. You can use the month-end highest cost amount of a particular specified foreign property to determine the maximum cost amount during the year.

As an example, let's assume you purchased 1,000 XYZ shares for a cost of C\$100 in March, then you purchased an additional 100 XYZ shares for C\$10 in July. You purchased an additional 200 XYZ shares in November for C\$20 but before the end of November, you sold all of your XYZ shares. The highest cost amount would be based on July's month-end cost of C\$110. Although the highest cost amount that you held was in November when you held 1,300 XYZ shares with a cost amount of C\$130, you can report July's month-end cost amount as the maximum cost. This is possible because you are allowed to base the maximum cost amount during the year on the month-end maximum. In this example, the cost amount at year-end would be C\$0.

Aggregate reporting – Property held in an account with a Canadian registered securities dealer or Canadian trust company (category 7)

If you hold specified foreign property with a Canadian registered securities dealer or Canadian trust company (as defined in the Income Tax Act), you may report it on **Form T1135** in category 7. The advantage of aggregate reporting in category 7 is that you don't have to provide detailed information on every single specified foreign property held at these institutions. Instead, you may report the aggregate amount of specified foreign property you hold with a particular institution, as long as it's broken down and reported on a country-by-country basis. Alternatively, you may choose to report the aggregate totals for each account at a particular institution on a country-by-country basis.

For all specified foreign property held with a particular Canadian registered securities dealer or Canadian trust company, you will need to provide the following information on a country-by-country basis if you choose this method of reporting:

- The name of the registered security dealer/trust company;
- The country code for each country reported;
- The maximum fair market value during the year for each country reported — this may be based on the maximum month-end fair market value for each country;
- The fair market value at year-end for each country reported;
- The gross income (loss) earned on the property during the year for each country; and
- The total gain (loss) realized on the disposition of the property during the year for each country reported.

It's important to note that if you choose to report under category 7, you will need to determine the country code for each foreign security held during the year, regardless of whether you hold that security at the end of any month or at the end of the year. This determines all of the countries that have to be reported in category 7 on **Form T1135**. You can find a description of how to determine country codes in the instructions on **Form T1135**.

Foreign currency conversion

All amounts reported on **Form T1135** need to be in Canadian dollars (there are rare exceptions). Generally, when converting amounts from a foreign currency into Canadian dollars, you should use the exchange rate in effect at the time of the transaction (i.e. the time the income was received or when the property was purchased or sold). However, if you receive income throughout the year, it's also acceptable to use the average exchange rate for the year.

If you hold specified foreign property with a Canadian registered securities dealer or Canadian trust company (as defined in the Income Tax Act), you may report it on **Form T1135** in category 7.

For category 7 on the **T1135**, you should use the average exchange rate for the year to determine the maximum fair market value during the year. However, the CRA has said that it's also acceptable to use the exchange rate in effect at the time of a transaction for this purpose. You should use the exchange rate at the end of the year to determine the fair market value at year-end.

Next steps

The foreign reporting rules may require you to provide a significant amount of detailed information to the CRA, especially if you hold specified foreign property with a total cost amount of C\$250,000 or more at any time in the year. In addition, not filing on time or making errors on **Form T1135** could result in penalties and an extended reassessment period. For these reasons, consider gathering the information required to complete the form as early as possible to ensure you can file accurately and on time. For further information regarding filing **Form T1135**, contact a qualified tax advisor.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.



Wealth
Management

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Wealth Management Financial Services Inc. (RBC WMFS), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the “Companies”) and their affiliates, RBC Direct Investing Inc. (RBC DI)* and Royal Mutual Funds Inc. (RMFI). *Member – Canadian Investor Protection Fund. Each of the Companies, their affiliates and the Royal Bank of Canada are separate corporate entities which are affiliated. “RBC advisor” refers to Private Bankers who are employees of Royal Bank of Canada and mutual fund representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WMFS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI or RBC DS. Estate and trust services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies, RBC DI or RMFI, clients may request a referral to another RBC partner. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Wealth Management Financial Services Inc. is licensed as a financial services firm in the province of Quebec. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we cannot guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WMFS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. In certain branch locations, one or more of the Companies may carry on business from premises shared with other Royal Bank of Canada affiliates. Notwithstanding this fact, each of the Companies is a separate business and personal information and confidential information relating to client accounts can only be disclosed to other RBC affiliates if required to service your needs, by law or with your consent. Under the RBC Code of Conduct, RBC Privacy Principles and RBC Conflict of Interest Policy confidential information may not be shared between RBC affiliates without a valid reason. ®/™ Trademark(s) of Royal Bank of Canada. Used under licence. © Royal Bank of Canada 2026. All rights reserved.