

Jason Baba Wealth Management Group Newsletter



Views and opinions
for the clients and friends of

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Important 2016 Tax Changes

On December 7, Finance Minister, Bill Morneau, announced some key tax measures that may have a direct impact on you.

Tax Free Savings Accounts

If you are a Canadian Resident, 18 years of age or older, with a valid social insurance number, you are eligible to open a TFSA and contribute the full TFSA dollar limit for that year. The contribution limit was \$5000 per year for the years 2009 to 2012 inclusive, \$5500 for 2013 and 2014, \$10,000 for 2015 and \$5500 for 2016. As of 2016, the total cumulative contribution room for a TFSA is \$46,500. The TFSA contribution limit will be indexed to inflation and rounded to the nearest \$500. If you did not use your contribution room in a previous year, the unused room is carried forward indefinitely.

Changes to Form T1135

If you held "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 to the Canada Revenue Agency (CRA), for the year, certain information related to your foreign property on Form T1135 – Foreign Income Verification Statement. These foreign reporting rules do not impose any additional taxes but require only the disclosure of information about the ownership of foreign property.

The CRA has implemented changes to Form T1135 for the 2015 and later tax years. The changes provide those who hold specified foreign property with a total cost that is less



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than C\$250,000 throughout the year to report under a new simplified reporting method. Detailed reporting is still required for those who hold specified foreign property with a total cost of C\$250,000 or more at any time during the year.

Simplified Reporting Method

The amount of information required under the simplified reporting method is significantly less than the detailed reporting method. It requires individuals to:

1. Check a box for each category of specified foreign property held
2. Report the top three country codes based on the maximum cost amount of specified foreign property held during the year
3. Report the income from all specified foreign property
4. Report the gains (losses) from the disposition from all specified foreign property

Detailed Reporting Method

Those who owned specified foreign property with a total cost of C\$250,000 or more at any time in the year 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 Canada
2. Shares of non-resident corporations
3. Indebtedness owed by non-resident
4. Interests in non-resident trusts
5. Real property outside Canada (other than personal use and real estate used in an active business)
6. Other property outside Canada
7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company

Consequences of Failure to File Accurately and on Time

If you fail to file Form T1135 by the due date, you may face a penalty. The penalty is \$25 per day, subject to a minimum penalty 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 which can include a reassessment of previous tax years.

Due Date for Filing the T1135

Your 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).

The foreign reporting rules may require a significant amount of detailed information, especially if you held specified foreign property with a total cost amount of C\$250,000 or more at any time in the year. In addition, the government increased the penalties and tax consequences for not filing on time or making errors on your T1135. For these reasons, consider gathering information to complete your T1135 as early as possible to ensure you can file Form T1135 accurately and on time. There is a report available upon request that will assist you in completing the T1135 for assets that you hold with RBC Dominion Securities. Please contact us if you would like to receive this report.

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We are able to offer you access to our in house RBC Wealth Management team of lawyers, accountants and financial planning professionals. If you are interested in reviewing your estate or financial plan, please call us to book an appointment.



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