

# TAX & INVESTMENT GUIDE

CANADA  
(Except QC)

2023



NATIONAL BANK  
FINANCIAL

WEALTH MANAGEMENT

## TABLE OF CONTENTS

<b>1. Disclaimer</b>	<b>5</b>
<b>2. Introduction</b>	<b>5</b>
<b>3. Useful Links</b>	<b>5</b>
<b>4. Mailing Deadlines for Various Tax Slips</b>	<b>6</b>
<b>5. T3 Slip – Statement of Trust Income (Allocations and Designations)</b>	<b>7</b>
5.1. Summary of Trust Income	8
5.2. Detailed Description of Each Type of Income:	8
> Interest and other income	8
> Dividends from taxable Canadian corporations	8
> Dividends from foreign corporations	9
> Foreign non-business income	9
> Capital gains/Capital losses	9
> Capital income	9
5.3. FAQ – T3	9
5.4. Joint Accounts	10
<b>6. T5 Slip – Statement of Investment Income</b>	<b>11</b>
6.1. Lending Revenue from a Fully Paid Securities Lending Program (FPL Program)	11
6.2. Dividends from Taxable Canadian Corporations	12
6.3. Foreign Income	12
6.4. Foreign Spin-Off	12
6.5. Equity Linked Notes Interest	13
6.6. Accrued Interest on Debt Securities	13
6.7. Transfer of Securities to a Registered Account	13
6.8. Investment Income Summary	13
6.9. Joint Accounts	14
<b>7. T5008 Slip – Statement of Securities Transactions</b>	<b>15</b>
7.1. How Capital Gain or Loss is Calculated	17
7.2. Realized Capital Gains and Losses Report	18
7.3. Limitations of the <i>Realized Capital Gains and Losses Report</i> (hereinafter the “Report”)	21
7.4. Linked Notes	21
7.5. Premium or Discount Bonds	26
7.6. FAQ –T5008	27
<b>8. T5013 Slip – Statement of Partnership Income</b>	<b>28</b>

8.1.	FAQ –T5013 .....	29
8.2.	Joint Accounts.....	29
<b>9.</b>	<b>RRSP .....</b>	<b>30</b>
9.1.	RRSP Contribution Receipt .....	30
9.2.	Spousal or Common-Law Partner’s RRSP .....	31
9.3.	Excess Contributions.....	31
9.4.	Withdrawal of Excess Contributions.....	31
<b>10.</b>	<b>RRSP or RRIF Withdrawal – T4RSP and T4RIF Slips.....</b>	<b>32</b>
10.1.	Attribution Rules: Calculation of the Amount to be Included in Your Income and in the Income of Your Spouse or Common-Law Partner.....	32
10.2.	Exceptions.....	33
<b>11.</b>	<b>Transfer of a RRIF/LIF to an RRSP/LIRA.....</b>	<b>34</b>
<b>12.</b>	<b>RESP Withdrawal – T4A Slip.....</b>	<b>34</b>
<b>13.</b>	<b>Tax-Free Savings Account (TFSA) .....</b>	<b>35</b>
13.1.	Eligibility.....	35
13.2.	Annual TFSA Contribution Limit .....	35
13.3.	Excess Contributions.....	36
13.4.	Withdrawals.....	36
13.5.	Plan’s Maturity Date.....	36
13.6.	Operating a Business .....	36
<b>14.</b>	<b>First Home Savings Account (FHSA) - T4FHSA .....</b>	<b>38</b>
14.1.	Eligibility.....	38
14.2.	Maximum participation period (end of FHSA).....	38
14.3.	Annual Ceiling .....	38
14.4.	Contributions from another registered account .....	39
14.5.	Deductibility of contributions.....	39
14.6.	Contributions carried forward .....	39
14.7.	Excess contributions .....	40
14.8.	Withdrawals.....	40
>	Non-eligible withdrawal.....	41
14.9.	T4FHSA.....	41
<b>15.</b>	<b>Miscellaneous.....</b>	<b>42</b>
15.1.	Real Return Bonds (RRBs) in Non-Registered Accounts .....	42
15.2.	NR4 Slip (Federal) – Statement of Amounts Paid or Credited to Non-Residents of Canada.....	42
15.3.	Stripped Coupons and Residual Bonds.....	42

15.4.	Calculation of Gain (Loss) if Sold Before Maturity.....	44
<b>16.</b>	<b>U.S. Tax Slips.....</b>	<b>46</b>
16.1.	Form 1042-S (Foreign Person’s U.S. Source Income Subject to Withholding) .....	46
16.1.1.	Rules for Publicly Traded Partnerships (PTPs) generating Effectively Connected Income (ECI) in the United States	46
16.2.	Form K-1 US Partnership Tax Returns (Partner's Share of Income, Deductions, Credits, etc.).....	48
16.3.	Form 1099 – DIV (Dividend and Distributions) and Form 1099-INT (Interest Income).....	49
16.4.	Form 1099-B (Proceeds from Broker and Barter Exchange Transactions).....	51
	<b>FAQ – Tax Slips and Miscellaneous.....</b>	<b>52</b>
	<b>T1135 - GUIDE.....</b>	<b>56</b>

## 1. Disclaimer

---

The information in this Guide is for informational purposes and should in no way be regarded as legal or tax advice. Clients should always consult their accountant or tax specialist before acting based on the information found in this Guide.

## 2. Introduction

---

This Guide has been prepared by National Bank Financial – Wealth Management (“NBFWM”) to present the various tax slips and information reports you may receive from us. You will find information regarding government tax slips and associated summaries. This Guide does not apply to non-resident corporations, trusts, or individuals.

Please note that this document is not meant to be an exhaustive reference on how to report income, capital gains and losses. We strongly recommend that individuals consult their accountant or tax specialist to complete their tax return. This Guide is a summary covering Federal taxation. However, some provinces have specific requirements to be considered by individuals residing in those provinces.

## 3. Useful Links

---

### Canada Revenue Agency (CRA):

- > [Website \(home page\)](#)
- > ["My Account" for Individuals](#)
- > [Income Tax Package](#)
- > [Financial slips and summaries](#)

#### 4. Mailing Deadlines for Various Tax Slips<sup>4</sup>

Below is a table of the various government tax slips and summaries you may potentially need to prepare your income tax return. Please note that these documents reflect the transactions and income recorded during the calendar year and some slips may not apply to your situation. Before completing your tax return, we ask you to ensure you have received all your slips. This will avoid having to file an amended tax return. Note that the various summaries can be used as tools in verifying your tax slips.

Non-Registered		
Type of Income/Fees	Slip and Summary	Mailing Deadline <sup>1</sup>
Dividends, interest, foreign income	T5 and summary	February 29, 2024
All investment income, interest and fees paid	<i>Investment Income Summary</i> <sup>3</sup>	February 29, 2024
Realized gains and losses	T5008 and <i>Securities Transactions Summary</i> <sup>3</sup>	February 29, 2024
Income from strip coupons	<i>Accumulated Interest Report</i>	February 29, 2024
Trust income <sup>2</sup>	T3 and <i>Summary of Trust Income</i> <sup>3</sup>	March 31, 2024
Limited partnerships	T5013	March 31, 2024
Registered Investments		
Withdrawal from a registered investment account:		
RRSP	T4RSP	February 29, 2024
RRIF/LRIF/ LIF	T4RIF	February 29, 2024
RESP/RDSP	T4A	February 29, 2024
FHSA <sup>4</sup>	T4FHSA	February 29, 2024

- 1 - Government-prescribed date.
- 2 - The first time T3 slips are issued, a "Summary of Upcoming Trust Units" may be sent to you. This summary will list trusts for which the issuers have not yet provided the tax information necessary for the filing of tax slips, and for which a tax slip will be sent later.
- 3 - This summary is not government-prescribed, but NBFWM commits to issuing it at the specified date, if needed.
- 4 - T4FHSA also includes RRSP contributions and transfers.

RRSP Contributions		
Time of Contribution	Contribution Deadline	Time of Reception
First 60 days of 2023	March 1, 2023	You should have received your contribution slip in March 2023.
Rest of the year 2023	N/A	You should have received your contribution slip in January 2024.
First 60 days of 2024	February 29, 2024	You should receive your contribution slip in March 2024.

## 5. T3 Slip – Statement of Trust Income (Allocations and Designations)

If you hold investments in income trusts (usually referred to as “mutual funds”), royalty trusts, and real estate investment trusts (REITs), you will receive a T3 slip and a *Summary of Trust Income* specifying amounts and the nature of these distributions in your account.

Canada Revenue Agency		Agence du revenu du Canada		Statement of Trust Income Allocations and Designations - T3						
YEAR	49	Actual amount of eligible dividends	50	Taxable amount of eligible dividends	51	Dividend tax credit for eligible dividends	21	Capital gains	30	Capital gains eligible for deduction
	23	Actual amount of dividends other than eligible dividends	32	Taxable amount of dividends other than eligible dividends	39	Dividend tax credit for dividends other than eligible dividends	26	Other income	Year	Month
Other information (see the back)		Box	Amount	Box	Amount	Footnotes				
Recipient's name (last name first) and address						Trust's name and address				
12	Recipient identification number	14	Account number	16	Report code	18	Beneficiary code	• For information, see the back. 2		

Mutual fund companies generally issue their own tax slips. You should receive a T3 slip for each separate mutual fund. For example, if you own a “Canadian Corporation” mutual fund and a “Fixed Income” mutual fund from ABC Company Mutual Inc., you should receive two T3 slips from ABC Company Mutual Inc. You should wait to receive all your slips before filing your income tax return.

Several fund companies issue consolidated T3 slips; if you deal with one of these companies, you will receive one “consolidated” slip.

You can now use the CRA’s “My Account” and the auto-fill application to help in the preparation of your tax return. However, please note that the T3 slips are issued under the name of the Trust and you will not find NBFWM’s name on it. The information shown on your T3 slips will be reported in the name of each trust listed in the CRA’s “My Account;” you must, therefore, refer to the details on your *Summary of Trust Income* to reconcile the amounts reported.

### Amounts reported on your T3 may include:

- > Interest and other income
- > Dividends from taxable Canadian corporations
- > Dividends from foreign corporations
- > Foreign non-business income
- > Capital gains/Capital losses
- > Capital income

## 5.1. Summary of Trust Income

The *Summary of Trust Income* is issued by NBFWM. It provides detailed information regarding each trust, the nature of the distributions, as well as the associated boxes in chronological order. This information will allow you to reconcile your T3 slip from each trust.

*Most of the expenses in the section “PAID BY YOU” are associated with foreign withholding taxes. (see below image)*

SUMMARY OF TRUST INCOME 20XX (Excluding Mutual Funds)						
FIRST NAME SURNAME ADDRESS ADDRESS ADDRESS			Reference XXXXX Investment Advisor FIRST NAME SURNAME Telephone S.I.N. 000 000 000 Resident QUEBEC			
DATE 20XX	QUANTITY	DESCRIPTION	T3/REL16 BOX NO.	PAID BY YOU	AMOUNT	PAID TO YOU
YOUR CANADIAN ACCOUNT XX-XXXX-X						
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
20xx/xx/xx	50	ARTIS REIT TAJ	(26/G)			0.71
20xx/xx/xx	50	ARTIS REIT TAJ	(42/M)			3.79
	(26/G)	OTHER INCOME				7.81
	(42/M)	RETURN OF CAPITAL *				41.69
TOTAL						
	(26/G)	OTHER INCOME				7.81
	(42/M)	RETURN OF CAPITAL *				41.69

## 5.2. Detailed Description of Each Type of Income:

### > Interest and other income

Interest and other income (e.g., interest, rental income) are reported in box 26 “Other income” on the T3 slip.

### > Dividends from taxable Canadian corporations

In order to differentiate *Eligible dividends* from *Dividends other than eligible dividends (or “non-eligible dividends”)*, please see the “Dividends from Taxable Canadian Corporations” section below.

#### 1- Eligible dividends:

Federal: The actual amount (not grossed-up) of eligible dividends received by the unit holder is reported in box 49 of the T3 slip. This amount is not the one to be used in your Federal tax return. Instead, the taxable amount (grossed-up) shown in box 50 of the T3 slip should be the amount included in your tax return. You will be entitled to an eligible dividends tax credit which is shown in box 51 of the T3 slip. The components of the “grossed-up dividend” and dividend tax credit are part of the integration mechanism of income earned by a corporation. Since dividends represent a distribution of



corporate profits after taxes, adjustments (the gross-up and credit) must be made in order to avoid double taxation on this income.

**2- Dividends other than eligible dividends (or “non-eligible dividends”):**

Federal: The actual amount (not grossed-up) of dividends other than eligible dividends received by the holder is reported in box 23 of the T3 slip. Once again, this amount is not to be used in the Federal tax return of the individual. The amount shown in box 32 of the T3 slip, the taxable amount (grossed-up) should be reported. The credit for dividends other than eligible dividends will be shown in box 39 of the T3 slip.

> **Dividends from foreign corporations**

Please note that dividends from foreign corporations (American, European, etc.) will be reported in box 25 of the T3. These will not be grossed-up and are not entitled to a tax credit, as the integration mechanism applies only to dividends from Canadian corporations.

> **Foreign non-business income**

For Canadian tax purposes, foreign dividends income is taxed/treated in the same way as interest income. All gross (prior to withholding) foreign income received by the trust will be found in box 25 of the T3. Please note that foreign income is generally subject to a foreign withholding tax in the country of origin. Although you have received the amount after deduction of the foreign withholding tax, you must report the gross amount. You cannot deduct the foreign tax amount directly from the gross income, but you may be entitled to a foreign tax credit for a portion of the amounts withheld. The foreign withholding tax, which could entitle you to a foreign tax credit, can be found in box 34 of the T3. Please note that if the investment is held in a registered account, the withheld amounts cannot be recovered through the foreign tax credit.

> **Capital gains/Capital losses**

Trust investments may generate capital gains (or losses) with the sale of underlying assets. Only capital gains will be allocated to unitholders based on an allocation provided by the investment manager of the trust. The capital gain will be reported in box 21 of the T3. 50% of capital gains are not taxable and must reduce the capital loss otherwise realized in the same year. All these elements are covered in *Schedule 3 – Capital gains (or losses) of your Income Tax and Benefit Return* for the current year.

> **Capital income**

The amount in box 42 of the T3 represents a distribution of a return of capital from the trust. Note that this amount is not taxable and does not have to be included in your tax return. However, this amount must be considered when calculating the adjusted cost base (ACB) of your trust units. The ACB of your trust units will be reduced by the return of capital. Please keep this information to validate that this adjustment has been made to the ACB of your trust units.

### 5.3. FAQ – T3

> **Q.1.: My T3, and Summary of Trust Income refer to a capital gain, but I have received nothing in my account. Do I have to report these amounts?**

**A.1.:** Yes, these amounts must be reported. Sometimes, capital gains known as “phantom distributions” (non-cash distributions) are attributed by mutual funds without any actual payment made to the account. You must generally, thereafter, make an ACB adjustment if this has not already been done. In order to obtain accurate information on these distributions, please refer to the mutual fund's website.

> **Q.2.: Why did I receive my T3 slips so late in the month of April?**

**A.2.:** Trust companies must also file tax returns. Coordination between these filings and the issuance of slips is often the reason these companies wait until the prescribed limit (i.e., 90 days after year-end) before providing the issuers with the necessary data to produce T3 slips, which in turn leads to filing delays.

> **Q.3.: Why did I receive amended T3?**

**A.3.:** As previously mentioned, trust companies very tardily prepare the information related to their distributions to coordinate them with their own returns. Sometimes, corrections are required after the deadline that may, among other causes, result from adjustments or errors in their own tax returns.

> **Q.4.: I received a T3 sli from NBFWM. However, I do not find any T3 slips issued in NBFWM's name in the CRA's "My Account." Why?**

**A.4.:** T3 slips are issued by NBFWM, but on behalf of the different trusts. The income shown on the T3 slips you received will be displayed in the trust's name in the CRA's "My Account." You will not find any T3 slips in the name of NBFWM. To reconcile the trust information, set out in the CRA's "My Account," you must refer to the details provided in your *Summary of Trust Income*.

#### 5.4. Joint Accounts

Note that when an account is held jointly between spouses, the client must allocate the income, the gains, and the losses generated based on everyone's contribution, even if only one tax slip is issued.

Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to a spouse, common-law partner, and minor children, and even, in certain circumstances, to loans (interest-free or at low rates) to an adult child.

## 6. T5 Slip – Statement of Investment Income

The T5 is used to report dividend income, interest income, and foreign taxes paid on your investments held in a non-registered account. The amounts in the boxes of the T5 represent the total of the amounts shown on the *Investment Income Summary*. You will receive a separate T5 if you hold a USD-denominated account. Please note that the slip will not be issued if the total investment income is less than \$50, but you must still include this income in your tax return. Note that the income from discount bonds, such as Treasury Bills and commercial paper, are not included on the T5 but they must also be reported.

If you own shares of a split-share corporation, you will receive a separate T5 for expenses and income related to investments in this stock class. In addition, you may also receive a T5 if you hold shares in a real estate investment trust (REIT) or shares of U.S. limited capital investment funds.

Moreover, incorporated mutual funds (that are not trusts) also issue T5 slips to report their dividend distributions and allocation of capital gains.

### 6.1. Lending Revenue from a Fully Paid Securities Lending Program (FPL Program)

The full amount of lending revenue realized by you in connection to your loaned securities must be included in your tax return. This lending income is included in box 14 – *Other Income from Canadian source* of your T5 slip and will also be included on your *Investment Income Summary*. You should be entitled to deduct the administration fees paid to Natcan Trust Company. You should speak to a tax specialist to find out all the tax implications of your participation in the FPL program. Please see the details in the *Investment Income Summary* section below.

Canada Revenue Agency		Agence du revenu du Canada		T5 Statement of Investment Income		2021		Protected B when completed	
Dividends from Canadian corporations		Federal credit		Year					
24 Actual amount of eligible dividends	25 Taxable amount of eligible dividends	26 Dividend tax credit for eligible dividends	13 Interest from Canadian sources	18 Capital gains dividends					
89763.13	123873.12	18605.49	10.00						
10 Actual amount of dividends other than eligible dividends	11 Taxable amount of dividends other than eligible dividends	12 Dividend tax credit for dividends other than eligible dividends	21 Report code	22 Recipient identification number	23 Recipient type				
			0		2				
Other information (see the back)		14	276.90	Box	Amount	Box	Amount		
27 Foreign Currency	28 Transf	29 Recipient Account number							
Recipient's name and address					Payer's name and address				

T5(09/21) See the privacy notice on your return.

• For Recipient - Attach to your Income Tax Return For information, see the back

2

Canada Revenue Agency		Agence du revenu du Canada		T5 Statement of Investment Income		2021		Protected B when completed	
Dividends from Canadian corporations		Federal credit		Year					
24 Actual amount of eligible dividends	25 Taxable amount of eligible dividends	26 Dividend tax credit for eligible dividends	13 Interest from Canadian sources	18 Capital gains dividends					
89763.13	123873.12	18605.49	10.00						
10 Actual amount of dividends other than eligible dividends	11 Taxable amount of dividends other than eligible dividends	12 Dividend tax credit for dividends other than eligible dividends	21 Report code	22 Recipient identification number	23 Recipient type				
			0		2				
Other information (see the back)		14	276.90	Box	Amount	Box	Amount		
27 Foreign Currency	28 Transf	29 Recipient Account number							
Recipient's name and address					Payer's name and address				

T5(09/21) See the privacy notice on your return.

• For Recipient - Keep for your records For information, see the back.

3

## 6.2. Dividends from Taxable Canadian Corporations

To respect the principle of integration between a corporation and its shareholders, the dividends you receive from taxable Canadian corporations are subject to a gross-up and dividend tax credit. This principle is essential in taxation to ensure "tax neutrality." That is, any income earned by a corporation that has been distributed to you in the form of a dividend (net of corporate tax) should be subject to the same tax burden as if you had earned that income directly.

Essentially, the gross-up and dividend tax credit will vary depending on the type of dividend you received from a taxable Canadian corporation, i.e., "eligible dividends" or "dividends other than eligible dividends" (or non-eligible dividends). Essentially, the gross-up/tax credit results in "eligible dividends" being taxed at a lower rate than "dividends other than eligible dividends."

The determination of the type of dividend depends primarily on the corporate tax rate applicable to the income earned by the corporation. Generally, corporate income is subject to the "general tax rate" or a "lower small business tax rate." "Eligible dividends" (generally from Canadian public corporations) are paid on corporate income subject to the "general tax rate." "Dividends other than eligible dividends" (mostly from Canadian private corporations) are paid out of income subject to the "lower small business tax rate."

### 1 - Eligible dividends:

Federal: Eligible dividends paid to you during the year are found in box 24 of the T5 slip. However, this is not the amount to be reported in your federal tax return; you must report the grossed-up amount shown in box 25 – Taxable amount of eligible dividends of your T5 slip. This amount is equal to box 24 multiplied by 1.38. In addition, you will find the tax credit for eligible dividends in box 26.

### 2 - Dividends other than eligible dividends (or "non-eligible dividends"):

Federal: Dividends other than eligible dividends paid to you over the year are found in box 10 of the T5 slip. However, this is not the amount to be reported in your return; you must report the grossed-up amount shown in box 11 of the T5 slip – Taxable amount of dividends other than eligible dividends. This amount is equal to box 10 multiplied by 1.15. In addition, you will find the tax credit for non-eligible dividends in box 12 of the T5 slip.

## 6.3. Foreign Income

Earnings from dividends, interest, or any other type of foreign income are shown in box 15 of the T5. The foreign tax paid pertaining to such income is reported in box 16 of the T5. All types of foreign income are grouped together in the same box. The Canadian tax system makes no distinction between them; they are taxed in the same way. The foreign tax credit mechanism will allow you to recover a portion of the foreign tax paid in your tax return. Please note that if this investment is held in a registered account, the withholding tax cannot be recovered through the foreign tax credit.

## 6.4. Foreign Spin-Off

For Canadian tax purposes, when a reorganization occurs and a foreign corporation issues shares of a new corporation, the value of these new shares must be reported as a foreign dividend (box 15 of the T5) when the shares are held in a non-registered account. The event is generally taxable in Canada, even if there are no tax implications in the foreign country.

However, a Canadian tax deferral may be possible when the foreign spin-off meets certain requirements of the *Income Tax Act* (the Act governing Canadian Federal income taxes, hereinafter referred to as the "ITA"). To take

advantage of this deferral, foreign corporations must provide the CRA with information on the spin-off. Foreign corporations usually provide the CRA permission to publish the fact that their "spin-off shares" are eligible for the tax deferral. Thus, eligible foreign spin-offs are usually listed on the CRA's website at the following address: [Eligible spin-offs](#).

In order to take advantage of this deferral, you must file an election with your Federal tax return: [Information for Canadian shareholders](#)

Note that even when the foreign reorganization qualifies for the tax deferral and this election is filed on time, the amount still appears on box 15 of the T5 slip. When the election is filed, the adjusted cost base of the old shares and the new shares must be adjusted. The necessary adjustments are explained with [this example](#). This will require manual adjustment in the financial institution's systems, so it is important to let your advisor know.

### **6.5. Equity Linked Notes Interest**

All gains realized at the time of disposition or transfer must be considered as accrued interest. This interest must be registered in box 30 of the T5. Box 21 (proceeds of disposition or settlement amount) on the T5008 slip will not include the interest declared on the T5.

*(See section 7.4 "Linked Notes" below)*

### **6.6. Accrued Interest on Debt Securities**

Accrued interest during the year on discount debt securities (e.g., stripped coupons and residual bonds) and compound interest debt securities (e.g., guaranteed investment certificates) must be reported annually, even if interest is not paid. This interest is included on your T5 slip, except for interest on stripped coupons and residual bonds which are both reported on the provided Accumulated Interest Report. *(See section 7.5. below Premium or Discount Bonds below)*

### **6.7. Transfer of Securities to a Registered Account**

If savings bonds or other types of bonds are transferred with accrued interest to a Registered Retirement Savings Plan (RRSP), a Registered Disability Savings Plan (RDSP), a Tax-Free Savings Account (TFSA), a First Home Savings Account (FHSA) or a Registered Education Savings Plan (RESP), the interest amounts will be included on the T5 slip and will also be shown on the *Investment Income Summary*.

### **6.8. Investment Income Summary**

This summary lists, in chronological order, all the investment income paid to your non-registered accounts during the period.

In addition, it contains information on the interest you paid during the year, for example, interest on the outstanding balance of margin accounts and accrued interest paid upon the purchase of a bond. The accrued interest that was paid should not be deducted from interest received. It should be added to other deductible financial expenses. Note that the annual administration fees of an RRSP, RRIF, TFSA, FHSA, RESP, RDSP, LIRA, LRIF or Locked-in RRSP are not deductible, even if paid through a non-registered account.

Fully Paid Securities Lending (FPL) entries appear as SLR and E45 on the *Investment Income Summary*. You should be entitled to deduct any agent fees paid by you since these constitute fees that are incurred by you to earn property or business income in connection with your securities loans. The agent fees that were paid by you should be added to other deductible financial expenses. The agent fees will be included on your *Investment Income Summary*.

DATE 2021	QUANTITY	DESCRIPTION	AMOUNT	
			PAID BY YOU	PAID TO YOU
21.09.01		SL Ag. Fee/Frais agent PT (W) SLR	21.52	
21.09.01		SL revenues/Revenus PT (2) SLR		54.21
21.09.01	945	ENBRIDGE INC (1) DIV		789.08
21.09.15	5,600	EXCHANGE INCOME CORP (1) DIV		1,064.00
21.09.15	6,100	NORTHLAND POWER INC (1) DIV		610.00
21.09.15	1,000	PARK LAWN CORP (1) DIV		38.00
21.09.16		INTEREST TO SEP 16 (0) INT	22.48	
21.09.23	1,550	ALIMENT COUCHE-TARD-B SV (1) DIV		135.63
21.09.29	4,200	TRANSALTA RENEWABLES INC (1) DIV		328.99
21.10.01		SL Adv. Fee/Frais gest PT (W) E45	2.54	
21.10.01		SL Ag. Fee/Frais agent PT (W) SLR	10.38	
21.10.01		SL revenues/Revenus PT (2) SLR		26.07
21.10.14	1,000	PARK LAWN CORP (1) DIV		38.00

DATE 2021	QUANTITY	DESCRIPTION	AMOUNT	
			PAID BY YOU	PAID TO YOU
TOTALS FOR ALL ACCOUNTS :				
		(0) TOTAL ELIGIBLE INTEREST FROM CANADIAN SOURCES	95.15	10.00
		(1) TOTAL ELIGIBLE DIVIDENDS FROM CANADIAN CORPS		89,762.12
		(2) TOTAL OTHER INCOME FROM CANADIAN SOURCES		276.90
		(W) TOTAL ADMINISTRATION FEES	135.78	

## 6.9. Joint Accounts

Note that when an account is held jointly between spouses, the client must allocate the income, the gains, and the losses generated based on everyone's contribution, even if only one tax slip is issued.

Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to a spouse, common-law partner, and minor children, and even, in certain circumstances, to loans (interest-free or at low rates) to an adult child.

## 7. T5008 Slip – Statement of Securities Transactions

If you have sold securities from your non-registered account during the year, you will receive a T5008 statement.

Agence du revenu du Canada	Year Année	VOID ANNULÉ	10 Report code Code du feuillet	11 Recipient type Type de bénéficiaire	12 Recipient identification number Numéro d'identification du bénéficiaire	13 Foreign currency Devises étrangères	Protected B / Protégé B when completed / une fois rempli <b>T5008</b> Statement of Securities Transactions État des opérations sur titres
	20XX	<input type="checkbox"/>	0	1	000 000 000		
Canada Revenue Agency	14 Date MMDD – MMJJ	15 Type code of securities Code de genre de titres	16 Quantity of securities Quantité de titres	17 Identification of securities Désignation des titres			
Canada Revenue Agency	18 ISIN/CUSIP number Numéro ISIN/CUSIP	19 Face amount Valeur nominale	20 Cost or book value Coût ou valeur comptable	21 Proceeds of disposition or settlement amount Produits de disposition ou paiements			
Canada Revenue Agency	22 Type code of securities received on settlement Code de genre de titres reçus en guise de règlement	23 Quantity of securities received on settlement Quantité de titres reçus en guise de règlement	24 Identification of securities received on settlement Désignation des titres reçus en guise de règlement				
Recipient Bénéficiaire	Last name (print) – Nom de famille (en lettres moulées)			First name and initials – Prénom et initiales			
	FIRST NAME SURNAME PRÉNOM NOM ADDRESS ADRESSE			Name and address of trader or dealer in securities Nom et adresse du négociant ou du courtier en valeurs  NAME & ADDRESS NOM & ADRESSE			

See the privacy notice on your return.  
Consultez l'avis de confidentialité dans votre déclaration.

T5008 (XX)





- > Boxes 14 to 21 on page 1 of your T5008 slip are empty, since the information relating to the securities transactions you carried out during the year appears on the page(s) entitled “Securities Transactions Details”.
- > The amount indicated in box 20 of the T5008 slip represents the data in our systems and should generally be equal to the book value indicated on the *Realized Capital Gains and Losses* Report provided by your Advisor. This amount represents the initial cost including a few adjustments, such as for transactions fees, reinvested distributions, as well as returns of capital and/or certain market events associated with the securities you hold (see the "Limitations of the report" section below for more information). Exceptionally, the amount in box 20 of the T5008 slip may differ from the amount in the *Realized Capital Gains and Losses* Report.
- > Additionally, as indicated in [the CRA Guide](#), the amount shown in box 20 of the T5008 slip may not represent the Adjusted Cost Base (ACB) required to calculate the gain/loss, even if it is equal to the amount in the *Realized Capital Gains and Losses* Report.
- > In all cases, you must take the "adjusted cost base" calculated based on your aggregate data as indicated on the following page. IMPORTANT: Keep the explanations of your ACB calculations, especially if they differ from the values shown in box 20 of your T5008 slips. This will allow you to respond to requests for additional information from tax authorities, as required.
- > If box 20 is left blank, it is because the institution does not have accurate information to report a book value. In this case, you will need to check your records to determine the ACB to calculate your gain or loss for tax purposes.
- > Note that if electronic slips are used, you must add the adjusted cost base manually in Schedule 3, otherwise the gain will be overvalued. Please see the section below outlining the concept of ACB.

## 7.1. How Capital Gain or Loss is Calculated

The fiscal gain or loss is calculated as: Proceeds of disposition minus (ACB minus the expenses incurred to sell the asset). Therefore, for tax purposes, the ACB is used to calculate the taxpayer’s loss or gain at the time of disposition.

- > **Proceeds of Disposition:** Proceeds of disposition is the amount received or receivable in return for property or goods and is, generally, the sale price. Box 21 of the T5008 slip represents the proceeds of disposition before commissions or any expenses are disbursed.
- > **Commissions or Fees:** The fees or commissions disbursed are necessary to complete the calculation of the capital gain or loss mentioned above. Please refer to your portfolio statements or trade confirmations. For more information, contact your Advisor.
- > **ACB for Tax Purposes:** This is typically the cost of acquiring a security with certain upward or downward adjustments. For example, brokerage fees or commissions are added to the ACB and, for some securities, the ACB is reduced by capital distributions. Thus, “ACB” is a term defined by our tax laws.

- > **Special Rules for Identical Properties:** If an individual buys identical properties but at different prices, an average ACB must be calculated after each purchase. Dispositions of identical properties do not affect the ACB. The CRA considers that identical properties are securities that are similar based on key elements, such that a potential buyer will have no preference for one over the other. For example, shares of the same class of the capital stock of a corporation or units of a mutual fund trust will be considered identical properties.

Here is the link to the CRA's website that explains, in detail, the calculation of gains and losses on capital property, and how to properly complete your income tax return (e.g., Schedule 3) : [Calculating and reporting your capital gains and losses](#)

The following example outlines the calculation of the average ACB for the same class of shares for the "XYZ Inc." corporation (i.e., the ACB for identical properties):

XYZ Inc.		A	B	C			D	E
Date		Number of shares sold or bought	Purchase price/Sell price	Total (AxB)	Total Shares	Average ACB	Average ACB per share	Gains (losses) C – (AxD)
10-Feb	BUY	100	12	1200	100	1200	12	
12-Mar	BUY	150	9	1350	250	2550	10.2	
15-Mar	SELL	(50)	8	400	200	2040	10.2	(110)
25-Jul	BUY	200	5	1000	400	3040	7.6	

#### Settlement Date vs. Transaction Date

A disposition for tax purposes is triggered on the settlement date rather than on the date the transaction was ordered.

#### Conversion to Canadian Dollars

Please note that all information reported on your income tax return must be in Canadian dollars (with a few exceptions). Therefore, for capital gain and loss purposes, the ACB must be calculated in Canadian dollars, even if the security (Canadian or foreign) is denominated in a different currency. The exchange rates in effect at the time of purchase and at the time of disposition must be used to calculate the ACB and the proceeds of disposition accordingly, in order to calculate the gain or loss. The same is true for items that affect the calculation of the ACB (e.g., capital distributions), as well as those that affect the calculation of the gain or loss (e.g., sales charges). The exchange rate to be used must be on the settlement date, i.e. the date on which there was legally an acquisition or disposition. When the date of sale or the date of acquisition is mentioned on government sites or guides, this is the settlement date (i.e. the date of transfer of ownership of the property).

Note that in certain income situations, the CRA administratively allows the use of the average annual exchange rate, but this ministerial discretion does not apply to items related to the calculation of the capital gain or loss.

## 7.2. Realized Capital Gains and Losses Report

Your advisor can provide you with a *Realized Capital Gains and Losses* report. This report is a tool that will facilitate the collection of data for taxpayers who must complete Schedule 3 of their Federal *Income Tax and Benefit Return*. The *Realized Capital Gains and Losses* Report has its limitations (see the "Limitations of the

Report" section 7.3.), and you or your accountant will have to analyze the report to determine how to properly complete Schedule 3. In particular, the cost stated in the report (Column 8) may not be the fiscal cost (for example, if the same property is held by you in another non-registered account, or when adjustments were not made). Please find below a sample of the *Realized Capital Gains and Losses Report* and a brief description of the data it presents.

M. NICOLAS COPERNIC (88-9991-A)  
Cash  
Period from January 1, 20XX to December 31, 20XX

**REALIZED GAINS AND LOSSES (CAD)**

1	2	3	4	5	6	7	8	9	10	11	12	13
Settlement Date	Type	Quantity	Description	Unit Price	Proceeds of Disposition	Unit ACB	Book value	Gain (or Loss)	% Gain (or Loss)	No. of Days	Interest Portion	Accrued Interest
2021/04/22	Sell	(1,196)	ALBERTA 3.05% 1DC48	101.56	1,228.84	103.49	1,237.73	(23.08)	(1.86)	307		14.19
2021/04/22	Sell	(1,339)	BMO NVCC FIX-F/R 17JN30	101.71	1,371.43	100.17	1,341.27	20.56	1.53	307		9.60
2021/04/19	Sell	(275)	BMO ULTRA S/T BD ETF-ACCM	53.83	14,803.25	54.78	15,064.70	(261.45)	(1.74)	213		
2021/11/01	Sell	(210)	BMO ULTRA S/T BD ETF-ACCM	53.84	11,306.40	54.78	11,503.95	(197.55)	(1.72)	409		
<b>Total BMO ULTRA S/T BD ETF-ACCM</b>					<b>\$ 26,109.65</b>		<b>\$ 26,568.65</b>	<b>\$ (459.00)</b>				
2021/04/20	Sell	(1,300)	BOND BASKET H		0.00	0.00	0.00	0.00		1		
2021/03/01	Sell	(33,669)	BR ICM LP F /NL/N	99.53	3,351.22	99.54	3,351.25	(0.03)		516		
2021/04/22	Sell	(1,508)	CANADA S-XG49 5.75% 1JN33	144.32	2,210.15	154.26	2,326.21	(149.79)	(6.44)	1,413		33.73
2021/12/20	Sell	(840)	CANADA S-XG49 5.75% 1JN33	144.60	1,217.15	154.26	1,295.76	(81.12)	(6.26)	1,655		2.51
<b>Total CANADA S-XG49 5.75% 1JN33</b>					<b>\$ 3,427.30</b>		<b>\$ 3,621.97</b>	<b>\$ (230.91)</b>				<b>\$ 36.24</b>
2021/04/22	Sell	(2,288)	CDA HSG TR 590 1.8%15DC24	103.55	2,383.58	104.80	2,397.82	(28.68)	(1.20)	160		14.44
2021/04/22	Sell	(2,483)	CIBC DEP NT 1.9% 26AP21	100.02	2,506.51	100.27	2,489.74	(6.24)	(0.25)	1,035		23.01
2021/04/26	Redemption	(7,640)	CIBC DEP NT 1.9% 26AP21	100.00	7,640.00	100.27	7,660.74	(20.74)	(0.27)	1,039		
<b>Total CIBC DEP NT 1.9% 26AP21</b>					<b>\$ 10,146.51</b>		<b>\$ 10,150.48</b>	<b>\$ (26.98)</b>				<b>\$ 23.01</b>
2021/11/25	Sell	(743,435)	FID S/C AM CN /NL/N	18.83	14,000.00	11.95	8,884.78	5,115.22	57.57	938		
2021/02/25	Sell	(1,166)	HORIZONS ACTV C/B-E ETF	11.19	13,047.77	10.94	12,758.81	288.96	2.26	1,358		
2021/03/02	Sell	(1,166)	HORIZONS ACTV C/B-E ETF	11.03	12,855.38	10.94	12,758.81	96.57	0.76	1,363		
2021/03/05	Sell	(1,219)	HORIZONS ACTV C/B-E ETF	11.07	13,494.57	10.94	13,338.76	155.81	1.17	1,366		
2021/03/15	Sell	(1,219)	HORIZONS ACTV C/B-E ETF	11.06	13,482.63	10.94	13,338.76	143.87	1.08	1,376		
<b>Total HORIZONS ACTV C/B-E ETF</b>					<b>\$ 52,880.35</b>		<b>\$ 52,195.14</b>	<b>\$ 685.21</b>				
2021/01/07	Contribution	(152,535)	MLI GL EQ F /NL/N	39.33	5,999.96	37.57	5,730.76	269.20	4.70	34		
2021/01/28	Sell	(2,000,000)	NBI CPA NBC F /NL/N		2,000.00	1.00	2,000.00	0.00		171		
2021/03/01	Sell	(2,000,000)	NBI CPA NBC F /NL/N		2,000.00	1.00	2,000.00	0.00		203		
2021/03/29	Sell	(2,000,000)	NBI CPA NBC F /NL/N		2,000.00	1.00	2,000.00	0.00		14		
2021/04/15	Sell	(500,000)	NBI CPA NBC F /NL/N	1.00	500.00	1.00	500.00	0.00		31		
2021/04/16	Sell	(572,400)	NBI CPA NBC F /NL/N	1.00	572.40	1.00	572.40	0.00		32		
2021/04/28	Sell	(2,000,000)	NBI CPA NBC F /NL/N		2,000.00	1.00	2,000.00	0.00		5		
2021/05/28	Sell	(2,000,000)	NBI CPA NBC F /NL/N		2,000.00	1.00	2,000.00	0.00		35		
2021/06/28	Sell	(2,000,000)	NBI CPA NBC F /NL/N		2,000.00	1.00	2,000.00	0.00		66		

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. The information contained in this report was obtained from sources which we believe to be reliable. However, this information is not guaranteed by NBFWM, and may be incomplete. This report was prepared to make it easier to manage your portfolio. We must underline the fact that NBFWM's liability shall be limited to the accuracy of the information contained in your Investment Portfolio Statement. Therefore, information in your Investment Portfolio Statement will always take precedence over the information contained in the above-mentioned report.

Page: 1 / 2  
2022/01/12  
11:41 AM

## Details :

- 1. Settlement date:** Date when the transaction is payable; also used to calculate the number of days the security was held.
- 2. Type:** Type of transaction that triggers a calculation of gains and/or losses. Other than a sale, there are other types of dispositions like maturity dates, contributions in-kind, or reimbursements. These transactions may not necessarily appear on the Realized Capital Gains and Losses Report.
- 3. Quantity:** Represents the number of units sold, contributed, or reimbursed during the transaction. Note that for the same security, the transactions are shown separately.
- 4. Description:** Description of the security as shown in all reports and on the firm's statements.
- 5. Unit price:** Security price at the time of the sale, the contribution, or the reimbursement.
- 6. Proceeds of disposition:** Net amount of the disposition. If the transaction is subject to brokerage fees, these have already been subtracted from the total.
- 7. Unit acb:** Disbursed cost at the time of acquisition of the security, per unit.
- 8. Book value:** Equivalent to the original cost with certain adjustments required by our tax laws to determine the adjusted cost base (ACB) necessary to calculate the tax gain or loss. For example, returns of capital reduce this amount. Please note that this amount may not represent the "adjusted cost base" required to calculate the capital gain or loss.
- 9. Gain (or loss):** Equivalent to the difference between the amount under "BOOK VALUE" and the amount under "PROCEEDS OF DISPOSITION." If the result is positive, there is a gain and if it is negative, there is a loss.
- 10. % Gain (or loss):** This percentage is obtained by dividing the amount of the gain (or the loss) by the "ADJUSTED COST BASE" multiplied by 100.
- 11. No. of days:** The actual number of days that a security is held, if this information is available. If the security was received following a transfer or was not purchased with the firm, a date will automatically be applied to allow for the calculation of the gain or the loss and, in this case, the number of days shown may be inaccurate.
- 12. Interest portion:** The amount shown includes interest accrued since holding the security. This amount must be considered in the calculation of the gain (loss), i.e., *Column 6 (PD) minus Column 8 (BOOK VALUE) minus Column 12 (interest portion) = Column 9 (gain or loss)*. Note that a portion of the interest indicated has been included in your income for previous years. (Refer to the "Stripped Coupons and Residual Bonds" and "Premium or Discount Bonds" sections for more details concerning the taxation of interest income and the calculation of capital gain or loss).
- 13. Accrued interest:** At the time of the sale or the disposition of a discount security, this column displays the portion of interest included in the transaction total indicated in the "PROCEEDS OF DISPOSITION" column. This is additional information for the benefit of the client when completing a tax return.
- 14. Disclaimer** from NBFWM stating that information contained in the report was obtained from sources we believe to be reliable. However, this information is not guaranteed and may be incomplete.
- 15. Pagination, date, and production time of the report.**

### 7.3. Limitations of the Realized Capital Gains and Losses Report (hereinafter the “Report”)

As mentioned earlier, the *Realized Capital Gains and Losses* Report is not a form prescribed by the tax authorities. Therefore, certain limitations must be taken into consideration when filing your income tax return. Note that the tax authorities require financial institutions to submit, through the T5008 slip, specific information as described above.

- > **Book Value indicated on the Report:** the amount representing the “book value” in the Report may not represent the “adjusted cost base” required to calculate the fiscal gain or loss. For example, the Report does not consider identical properties that you may hold in another account to be an important consideration in determining ACB as defined under tax legislation (e.g., ITA).
- > **Reconciliation of your T5008 slip and the Report:** Certain transactions that do not appear on the Report may nevertheless be reported on the T5008 slip. For example, the contribution in-kind of a security to an RRSP or a TFSA generates a deemed disposition at fair market value. When this results in a capital loss, the latter is deemed to be nil according to tax legislation (“deemed to be nil”) and, therefore, is not included in the Report. However, the CRA requires that the transaction still be reported on the T5008 slip. Furthermore, the disposition of an investment in a money market security does not appear on the Report, because the cost and proceeds of disposition are the same and have not changed. However, since it is still considered a disposition, it must appear on the T5008 slip.

Warning: When the money market security is denominated in a foreign currency, a foreign exchange gain or loss may be realized depending on whether the exchange rates vary at the time of purchase and/or sale.

- > **Options to buy or sell:** Options transactions are subject to special tax rules. The Report contains information relevant to the calculation of the tax gain or loss from the various transactions involving put or call options. However, it is recommended not to use the information shown in the Gain (or Loss) column exclusively, but rather to use the data from the Report to calculate the gain or loss related to the transaction and such, in accordance with the rules pursuant to the ITA. Note that the calculation differs depending on the situation, i.e., whether you are the holder or signatory of the option, whether the option is exercised or not, etc. For more information on the taxation of options, please refer to KPMG's Guide entitled “[Equity Options Tax Regime](#)” available on the Montreal Exchange TMX website:
- > **Exchange rate:** Note that when transferring a security from any account (internal or external), the exchange rate history may not have been transferred in the Report. However, to change your exchange rate history, please contact your Advisor.

### 7.4. Linked Notes

A linked note is a debt obligation, most often issued by a financial institution, the return on which is linked in some manner to the performance of one or more reference assets or indexes over the term of the obligation. Previously, selling a linked note prior to maturity generally only produced a capital gain or loss. All or a portion of any gain realized on the sale of a linked note is deemed to be interest that has accrued on the debt obligation. This measure ensures that any positive return on a linked note retains the same character, whether it is earned at maturity or reflected in a secondary market sale.

Caution: Certain products may be referred to as “Notes,” but may not be subject to the rules of the Notes if the legal nature of the product doesn’t fall within the definition of “linked bills” under ITA. For example, bills with fixed coupons (redeemable or not) are exempt because they don’t provide for any variable or conditional interest in addition to fixed interest. Thus, these bills, whose interest payments do not depend in any way on the performance of at least one reference asset or index during the term, receive the same tax treatment as a conventional bond (see the section “Taxation of Bonds” below).

The following three elements must be identified at the sale or maturity of a linked note:

- 1 - Taxable interest (T5 slip)
- 2 - Interest paid to the seller at purchase; this is deductible at the Carrying charges and interest expenses (no prescribed slip is required) section.
- 3 - Gain or loss, as applicable (T5008 slip and calculation of the ACB).

We recommend that you calculate each of the steps above in the following order:

- 1 - *Calculation of interest:* Paragraph 20(14.2) ITA stipulates that the difference between the amount received in exchange for the linked note (hereinafter, the "Sell Price") and the remaining capital (hereinafter, the "Face Value") is considered interest income, regardless of whether the linked note was sold before or after maturity. When there are returns of capital during the holding period, the repaid amount reduces the Face Value for the calculation of interest at the time of the disposition or the maturity of the linked note (see Example 6 below). Note that even if a capital loss is realized in the third step calculation, this capital loss does not reduce the interest calculated in this first step.
- 2 - *Calculation of interest paid to the seller at purchase:* When a premium is paid upon the acquisition of a linked note, it is generally considered as interest paid to the seller. In this case, the purchaser would be entitled to deduct an amount, limited to the interest calculated in Step 1 and indicated on the T5 slip as "interest paid" pursuant to paragraph 20(14)(b) ITA. This amount must be provided in the section – Carrying charges and interest expenses. The interest paid also reduces the acquisition cost for the purpose of calculating the ACB (see Example 3 below).
- 3 - *Calculation of the gain or loss:* Upon the disposition or the maturity of the linked note, it is necessary to calculate whether there is a gain or loss. For this purpose, the proceeds of disposition must be reduced by the interest income included at the time of disposition or maturity (Step 1 above). In addition, the initial cost must be modified in certain circumstances to obtain the ACB required to calculate the capital gain or loss. For additional information, please refer to the section entitled "How capital gain or loss is calculated" above.

The disposition or maturity must also be reported on a T5008 (box 15 = ELN or BLA for Linked Notes). However, the proceeds of disposition on the T5008 are reduced by the portion of interest indicated on the T5.

Note: If the proceeds of disposition indicated in the Report are different from the ones identified on the T5008, please use the value indicated on the T5008 slips.

The following are examples illustrating the calculation of the interest and the capital gain (or loss) resulting from the disposition or the maturity of the linked note.

### Example 1: Purchase at face value

Issue Price	\$1 000,00
Investor's Purchase Price	\$1 000,00
Sell Price	\$1 020,00
Interest (T5)	\$20,00
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1 020,00
Adjustment (interest T5)	\$20,00
Proceeds of Disposition (T5008)	\$1 000,00
Initial Cost	\$1 000,00
Adjustment	\$0,00
Adjusted Cost Base	\$1 000,00
Gain (loss)	\$0,00

### Example 2: Commissions

The payment of a commission requires an adjustment to the calculation of the capital gain (loss). If a \$25 commission was paid at the time of disposition, this amount must be considered in the calculation of the gain (loss). Please refer to the section "How capital gain or loss is calculated" above for more information. No adjustment is required when the commission is integrated into the product, that is, provided in the linked note's issuing document.

Issue Price	\$1 000
Investor's Purchase Price	\$1 000
Sell Price	\$1 020
Purchase Commission	\$0
Sale Commission	\$25
Interest (T5)	\$20
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1 020
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$1 000
Purchase Commission	\$25
Initial Cost	\$1 000
Adjustment	\$0
Adjusted Cost Base	\$1 000
Gain (loss)	\$25

### Example 3: Acquisition cost exceeds face value

When a premium is paid upon the acquisition of a linked note, it is generally considered as interest paid to the seller. In this case, the purchaser would be entitled to deduct the amount as “interest paid” pursuant to paragraph 20(14)(b) of the ITA. This amount must be shown on line 22100 – Carrying charges and interest expenses. The interest paid also reduces the acquisition cost for the purpose of calculating the ACB.

Issue Price	\$1 000
Investor's Purchase Price	\$1 050
Sell Price	\$1 070
Interest (T5)	\$70
Deduction for interest paid purchase	\$50
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1 070
Adjustment (interest T5)	\$70
Proceeds of Disposition (T5008)	\$1 000
Initial Cost	\$1 050
Adjustment (interest paid on purchase)	\$50
Adjusted Cost Base	\$1 000
Gain (loss)	\$0

### Example 4: Acquisition cost below face value

Issue Price	\$1 000
Investor's Purchase Price	\$998
Sell Price	\$1 000
Interest (T5)	\$0
Deduction for interest paid on bought	\$0
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$1 000
Adjustment (interest T5)	\$0
Proceeds of Disposition (T5008)	\$1 000
Initial Cost	\$998
Adjustment (interest paid)	\$0
Adjusted Cost Base	\$998
Gain (loss)	\$2



### Example 5: Foreign currency linked notes

Interest received (and taxable) is converted using the exchange rate at the time of payment. Interest paid (deductible on line 22100 – Carrying charges and interest expenses) is converted at the exchange rate applicable at the time of acquisition.

For the purposes of calculating the gain (loss), proceeds of disposition and related expenses are converted at the exchange rate at either the time of disposition or maturity, as the case may be. Proceeds of disposition are reduced by the interest included in Canadian dollars. Finally, the initial cost is converted to the exchange rate at the time of acquisition. ACB adjustments (such as interest paid) are converted at the exchange rate when they occur.

	US		Rate of conversion in CDN dollars	
Issue Price	\$1,000	1/16/20X0	1.1	\$1,100
Investor's Purchase Price	\$1,050	4/18/20X1	1.2	\$1,260
Sell Price	\$1,070	11/26/20X2	1.3	\$1,391
Interest (T5)	\$70		1.3	\$91
Deduction for interest paid on bought	\$50		1.2	\$60
<b>Gain (loss) calculation</b>				
Proceeds of Disposition	\$1,070		1.3	\$1,391
Adjustment (interest T5)	\$70		1.3	\$91
Proceeds of Disposition (T5008)	\$1,000			\$1,300
Initial Cost	\$1,050		1.2	\$1,260
Adjustment (interest paid)	\$50			\$60
Adjusted Cost Base	\$1,000			\$1,200
Gain (loss)	\$0			\$100

### Example 6: Return on capital

When there are returns of capital during the holding period, the repaid amount reduces the face value for the calculation of interest at the time of the disposition or the maturity of the linked note. This amount also reduces the purchase price to obtain the ACB for the calculation of the gain or loss.

Issue Price	\$1 000
Investor's Purchase Price	\$1 000
Return on capital	\$200
Sell Price	\$820
Interest (T5)	\$20
<b>Gain (loss) calculation</b>	
Proceeds of Disposition	\$820
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$800
Initial Cost	\$1 000
Adjustment (Return on capital)	\$200
Adjusted Cost Base	\$800
Gain (loss)	\$0

## 7.5. Premium or Discount Bonds

Generally, a bond that trades in a secondary market allows investors to buy and sell the bond at prices that fluctuate due to several factors, including the interest rate in effect at the time of the transaction. Thus, the bond may be **sold** at a lower price (at a discount), a higher price (at a premium), or at a price equal to its face value.

Bonds will often have interest income and the potential for capital gain (loss). If it is a capital loss, it cannot be applied against interest income (capital losses only indicate capital gains, with the possibility of being carried over to the previous 3 years or indefinitely in the future, always against capital gains).

### Calculation of the interest portion

ITA requires taxpayers who hold investment contracts (including bonds) acquired after December 31, 1989, to report their interest income annually. Thus, interest income must be declared annually on the anniversary date of the investment. Interest is added to the ACB annually. At the time of sale, it is likely a portion of the accrued interest will be included in the sale price. Therefore, the seller must add this portion of accrued interest to his/her income. The purchaser may **deduct the interest paid**. Note that the buyer will receive the T5 slip for the full year, but deduct the portion paid to the seller.

Here is a summary of some tax impacts:

- Interest accrued since the last payment is part of the sale price (20(14)(b) LIR).
- The buyer will receive the T5 slip for the full year, but deducts the portion paid to the seller from it in their income tax return.
- The deduction is granted in the tax year in which the accrued interest was included in the taxpayer's income.

### Calculation of gain (loss) in the year of disposition

For the seller, the difference between the **sale price** and the **price paid after subtracting the portion representing the interest accrued since the last interest payment** will then constitute a capital gain or loss.

#### Example for the seller of a bond

- > Bond acquired on January 1, 2023 and maturing in 2036
- > Interest rate = 3% annually payable semi-annually on June 30 and December 31 of each year
- > Face value: \$10,000
- > Price paid: \$10,000.
- > Sale of the bonds before maturity on July 31, 2023 at a price of \$9,500 This amount includes accrued interest since the last payment.
- > Tax impact for the seller:

Face value		10,000 \$	
Interest rate		3%	
Interest income calculation	20X0		
Half-yearly payment 1	Jan. 1 to June 30	148.77 \$	181/365
Half-yearly payment 2	July 1 to July 31	25.48 \$	31/365
	<b>TOTAL</b>	<b>174.25 \$</b>	
Capital Gain (Loss) Calculation	20X0		
Selling price		9,500.00 \$	
Reduction of accrued interest		25.48 \$	
ACB		10,000.00 \$	
Capital loss		(525.48) \$	
Allowable capital loss		(262.74) \$	

- > The seller must include \$174.25 in interest income. Moreover, he also realizes a capital loss which must reduce the capital gains of the same year. The excess can be carried over to the previous 3 years or indefinitely in the future.

## 7.6. FAQ –T5008

- > **Q.1.: Under what circumstances may adjustments to the amount shown in box 20 of my T5008 slips be required to determine the ACB for tax purposes?**

**A.1.:** There are a wide variety of reasons why the amount in box 20 may not accurately reflect the ACB, including:

- > when a security was transferred into your account, the information that was provided by the institution that transferred the security may have been incorrect. It is necessary to check whether the cost of the security indicated on the broker's statement following the change is the correct tax cost or whether it is the market value at the time the client changed firm.
  - > when interest paid on bonds acquired between 2 interest payment periods for which the deduction of such interest paid is forgotten
  - > when you hold identical securities in more than one non-registered account, even when the accounts are all at the same institution.
  - > when you have a history of losses subject to the superficial loss regulations.
  - > when you have made a tax election, undertaken certain rollover transactions (including a spousal or estate rollover), or have been subject to "deemed disposition" rules for the security.
  - > certain market events such as mergers, acquisitions, and foreign spin-off reorganizations may not have been properly considered.
  - > if you disposed of interests in mutual funds, income trusts, royalty trusts, real estate investment trusts (REITs), exchange traded funds (ETFs), or limited partnerships, the amount in box 20 may not reflect reimbursements of capital (which reduce the ACB) or reinvested distributions (which increase the ACB).
  - > if you have entered short sale transactions, the book value may not be accurately reflected.
- > **Q.2.: If there is a difference between the amount that is shown on the T5008 and the Report, which number takes precedence?**

**A.2.:** What takes precedence is the calculation of the adjusted cost base (ACB) according to the terms of the tax law. Therefore, when there is a difference, it is wise to validate the information linked to the PBR as it should be calculated (see section 7.1).



## 8.1. FAQ –T5013

- > **Q.1.: I received a T5013 slip from NBFWM. However, I do not find any T5013 slips issued under NBFWM's name in the list provided in the CRA's "My Account." Why?**

**A.1.:** The T5013 slips are issued by NBFWM, but on behalf of the partnership. The revenues shown on the T5013 slips are reported under the partnership's name in "My Account." Therefore, you will not find a T5013 slip issued under NBFWM's name in "My Account."

## 8.2. Joint Accounts

When an account is held jointly between spouses, the client must allocate the income, the gains, and the losses generated based on everyone's contribution, even if only one tax slip is issued.

Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to a spouse, common-law partner, and minor children, and even, in certain circumstances, to loans (interest-free or at low rates) to an adult child.



## 9.2. Spousal or Common-Law Partner's RRSP

You can contribute into a spousal or common-law partner's RRSP instead of yours. These contributions will be deductible on your income tax return based on your RRSP deduction limit (i.e., RRSP contribution room). You will need to separately identify, in Schedule 7, the contributions made to your own RRSP from those made to your spousal or common-law partner's RRSP.

## 9.3. Excess Contributions

A special tax of 1% per month is payable on contributions made to an RRSP that exceed your RRSP deduction limit by more than \$2,000.

If you are subject to this special tax, you must complete a T1-OVP return, "Individual Tax Return for RRSP, SPP and PRPP - Excess Contributions," send it to your tax center and make a payment within 90 days following the end of the calendar year to avoid paying a penalty or interest.

The application of this special tax (1%) may cease either:

- > when you have new RRSP contribution room;
- > at the time of withdrawal of excess contributions.

## 9.4. Withdrawal of Excess Contributions

If you withdraw excess contributions from your RRSP, you will have to include the withdrawn amount in your income for the year of withdrawal, even if you have never deducted this amount in your previous tax returns. However, an offsetting deduction can be claimed when certain conditions are met. You can refer to [Form T746](#) to find out if you are eligible for this offsetting deduction.

## 10. RRSP or RRIF Withdrawal – T4RSP and T4RIF Slips

If you made a withdrawal from your RRSP or RRIF account during the year, you will receive a T4RSP or T4RIF slip, as applicable, showing the amount withdrawn and taxes withheld. The taxes withheld will be credited to your taxes owed on your income tax return. You may still have to pay taxes, particularly if you have other sources of income.

Canada Revenue Agency / Agence du revenu du Canada		Statement of Income from a Registered Retirement Income Fund / État du revenu provenant d'un fonds enregistré de revenu de retraite										T4RIF	
Year / Année	16 Taxable amounts / Montants imposables	18 Amounts deemed received by the annuitant / Personne décédée	20 Deregistration / Annulation de l'enregistrement	22 Other income or deductions / Autres revenus ou déductions	24 Excess amount / Montants excédentaires	26 Spousal or common-law partner's RRIF / FERR au profit de l'époux ou conjoint de fait	28 Income tax deducted / Impôt sur le revenu retenu	30 Year / Année	32 Spouse's or common-law partner's social insurance number / Numéro d'assurance sociale de l'époux ou conjoint de fait	34 Transfers on breakdown of marriage or common-law part. / Transferts après rupture de mariage ou de l'union de fait	36 Spouse's or common-law partner's social insurance number / Numéro d'assurance sociale de l'époux ou conjoint de fait	38 Spouse's or common-law partner's social insurance number / Numéro d'assurance sociale de l'époux ou conjoint de fait	40 Contract number / Numéro de contrat
Recipient's name and address – Nom et adresse du bénéficiaire												12 Social insurance number / Numéro d'assurance sociale	14 Contract number / Numéro de contrat
Last name / Nom de famille												60 Name of payer (carrier) of fund / Nom du payeur (émetteur) du fonds	
First name / Prénom												61 Account number / Numéro de compte	
Initials / Initiales												36 Tax-paid amount / Montant libéré d'impôt	
See the privacy notice on your return / Consultez l'avis de confidentialité dans votre déclaration T4RIF (23)												*If your social insurance number is not shown, see the back of this slip. / *Si votre numéro d'assurance sociale n'est pas indiqué, lisez le verso de ce feuillet. / <b>Protected B when completed / Protégé B une fois rempli</b>	

Canada Revenue Agency / Agence du revenu du Canada		Statement of RRSP Income / État du revenu provenant d'un REER										T4RSP	
Year / Année	16 Annuity payments / Paiements de rentes	18 Refund of premiums / Remboursement des cotisations individuelles	20 Refund of unused contributions / Rentes reçues au décès	22 Withdrawal and commutation payments / Retrait de paiements de cotisations	24 LIFP withdrawal / Retrait LIFP	26 Amounts deemed received on deregistration / Montants réputés reçus lors de l'annulation du rattachement	28 Other income or deductions / Autres revenus ou déductions	30 Income tax deducted / Impôt sur le revenu retenu	32 Annuity purchase / Achat de rente viagère différée à un âge avancé	34 Amounts deemed received on death / Montants réputés reçus au décès	36 HESP withdrawal / Retrait HESP	38 Spouse's or common-law partner's social insurance number / Numéro d'assurance sociale de l'époux ou conjoint de fait	40 Contract number / Numéro de contrat
Recipient's name and address – Nom et adresse du bénéficiaire												12 Social insurance number / Numéro d'assurance sociale	14 Contract number / Numéro de contrat
Last name / Nom de famille												60 Name of payer (issuer) of plan – Nom du payeur (émetteur) du régime	
First name / Prénom												61 Account number / Numéro de compte	
Initials / Initiales												40 Tax-paid amount / Montant libéré d'impôt	
See the privacy notice on your return / Consultez l'avis de confidentialité dans votre déclaration T4RSP (23)												*If your social insurance number is not shown, see the back of this slip. / *Si votre numéro d'assurance sociale n'est pas indiqué, lisez le verso de ce feuillet. / <b>Protected B when completed / Protégé B une fois rempli</b>	

### 10.1. Attribution Rules: Calculation of the Amount to be Included in Your Income and in the Income of Your Spouse or Common-Law Partner

When you withdraw from a spousal or common-law partner's RRSP, it is possible that all or part of the amount on the T4RSP or T4RIF slip is reattributed to you (even if the slip is issued in the annuitant's name), meaning that the amount must be included in your income tax return (the contributor's tax return).

If you contributed to a spousal or common-law partner's RRSP in 2021, 2022, or 2023, you may have to include in your 2023 income some or all the amounts withdrawn from the spousal or common-law partner's RRSP.

In the year of withdrawal (e.g., 2023), you must include the lesser of the amount you contributed to your spouse's RRSP for the year of withdrawal (2023) as well as the two previous years (2021 and 2022) or the amount that your spouse or common-law partner has withdrawn from his/her RRSP (e.g., 2023).

Please review the [CRA website](#) for more information.



Use Form T2205, “Amounts from a Spousal or Common-law Partner RRSP, RRIF or SPP to Include in Income” to calculate the amount to be included in your own income tax return and in the return of your spouse or common-law partner.

In all cases, the individual whose name appears on the slip must declare the tax withheld. Most of the time, after a withdrawal, the information slip is made in the name of the annuitant. However, you must report income as calculated in Parts 1 and 2 of Form T2205.

## 10.2. Exceptions

The attribution rules do not apply in the following situations:

- > You and your spouse or common-law partner were living separately at the time of withdrawal due to a breakdown of the relationship.
- > At the time of withdrawal, you or your spouse or common-law partner were non-residents of Canada.
- > Regarding the Prescribed Minimum RRIF Amount: the attribution rules apply only to amounts in excess of the minimum withdrawal for the year.
- > In the year of death.

## 11. Transfer of a RRIF/LIF to an RRSP/LIRA

It is possible, in certain circumstances, that an annuitant transfers funds from his/her RRIF/LIF to his/her RRSP/LIRA. While this transfer is not taxable, the amount transferred from the RRIF (LIF) to the RRSP (LIRA) will trigger the issuance of a T4RIF, and a tax receipt marked 60 I) (v). The T4RIF will result in the inclusion of the amount in declared income, while the tax receipt marked 60 I) (v), included as appropriate on Schedule 7 of the Federal income tax return (transfer section), will provide a deduction that will negate the inclusion of the income.

Note, however, that the following transfers do not generate tax slips and do not affect the reporting of income: an RRSP/LIRA to an RRSP/LIRA, an RRSP/LIRA to an RRIF/LIF, or an RRIF/LIF to an RRIF/LIF.

## 12. RESP Withdrawal – T4A Slip

RESP income or grant withdrawal will trigger the issuance of a T4A slip in the name of the beneficiary of the plan. RESP capital withdrawals are not taxable.

Canada Revenue Agency / Agence du revenu du Canada

Année [ ]

### T4A

Statement of Pension, Retirement, Annuity, and Other Income  
État du revenu de pension, de retraite, de rente ou d'autres sources

Payer's name – Nom du payeur [ ]

061 Payer's program account number / Numéro de compte de programme du payeur [ ]

012 Social Insurance number / Numéro d'assurance sociale [ ]

013 Recipient's program account number / Numéro de compte de programme du bénéficiaire [ ]

016 Pension or superannuation – ligne 11500 / Prestations de retraite ou autres pensions – ligne 11500 [ ]

022 Income tax deducted – ligne 43700 / Impôt sur le revenu retenu – ligne 43700 [ ]

018 Lump-sum payments – ligne 13000 / Paiements forfaitaires – ligne 13000 [ ]

020 Self-employed commissions / Commissions d'un travail indépendant [ ]

024 Annuities / Rentes [ ]

048 Fees for services / Honoraires ou autres sommes pour services rendus [ ]

Recipient's name and address - Nom et adresse du bénéficiaire

Last name (print) – Nom de famille (en lettres moulées) First name – Prénom Initials – Initiales

[ ]

Other information (see page 2) / Autres renseignements (voir à la page 2)

Box – Case	Amount – Montant	Box – Case	Amount – Montant
[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]

T4A (23) Protected B when completed / Protégé B une fois rempli

## 13. Tax-Free Savings Account (TFSA)

The TFSA is an account that allows a taxpayer to save and invest on a tax-free basis. Any amounts accumulated in a TFSA or withdrawn from the account are generally not taxable.

### 13.1. Eligibility

Any individual who is 18 years of age or older and who has a valid Canadian Social Insurance Number is eligible to open a TFSA. To make contributions, the holder must be a tax resident of Canada. Individuals who reach the age of 18 during the year must wait until their birthday to open a TFSA. In Canadian provinces where the age of majority is 19 (British Columbia, New Brunswick, Nova Scotia, Nunavut, the Northwest Territories, Yukon, and Newfoundland/Labrador), a TFSA account for an individual who is 18 years of age must be opened as follows: "Name of the Child, C/O name of the guardian, tutorship to minors." When the individual turns 19, a new TFSA account will have to be opened in the individual's name and new documents must be signed by the individual.

### 13.2. Annual TFSA Contribution Limit

The limit will be indexed to the inflation rate for subsequent years and will be rounded to the nearest \$500. The TFSA contribution limit for the year 2023 is \$6,500 and \$7,000 for 2024. The annual contribution limit from 2009 to 2012 was \$5,000. The contribution limit for each of 2013, 2014, 2016, 2017 and 2018 was \$5,500. Exceptionally, the 2015 contribution limit was \$10,000.

A TFSA contribution is not deducted from income (unlike an RRSP contribution). Unused contribution room will be carried forward to future years indefinitely and there is no cumulative limit. In addition, withdrawals from a TFSA in any given year will be added to the individual's contribution room for the following year. This allows individuals withdrawing money from their TFSA to use their accumulated savings to recontribute an amount equivalent to the withdrawal in the following or subsequent years.

The calculation of the annual contribution room is as follows:

$$\text{Unused contribution room from previous years} + \text{withdrawals made in the previous year} \\ + \text{current year's contribution room.}$$

For example, an individual has unused contribution room of \$10,000 and withdraws \$7,000 in a given year. The following year, that individual may, therefore, contribute \$17,000 in addition to that year's contribution limit. As with RRSPs, it is not possible for financial institutions to calculate, for the client, the amount they are entitled to contribute to their TFSA. Note, however, that it is possible to find this information on the CRA's "My Account." For more information, see the following webpage: [TFSA Contributions](#)

"In-kind" contributions are allowed. The amount of the contribution will be equal to the fair market value (FMV) of the property. CRA considers that there was a disposition of the property at FMV at the time of the contribution. If the FMV exceeds the fiscal cost of the property, a capital gain must be reported when filing your tax return. However, if the fiscal cost is greater than the FMV, no capital loss will be permitted since the loss would be considered "deemed to be nil" under ITA.

There is no maximum age for contributing. No tax slip will be issued. Each year, CRA will determine the permitted contribution amount for the TFSA holder. Interest paid on money borrowed and invested in a TFSA is not deductible for tax purposes.

### 13.3. Excess Contributions

Excess TFSA contributions are subject to a 1% tax per month. If the CRA suspects that the excess contributions were deliberate, a 100% tax will be levied on income earned on these contributions. There is no special procedure to withdraw excess contributions, i.e., a regular withdrawal must be made. The withdrawal of excess contributions will not allow the holder to accumulate new contribution room. You will find some examples in the [CRA's Tax-Free Savings Account \(TFSA\), Guide for Individuals \(page 16\)](#).

### 13.4. Withdrawals

TFSA withdrawals may be made at any time, for any reason, and are not taxable. The total amount of the withdrawals may be re-contributed to the TFSA in the following or subsequent years (due to the increase in contribution room). Hence, a TFSA withdrawal restores contribution room, which is not the case for RRSP withdrawals.

### 13.5. Plan's Maturity Date

Unlike an RRSP where you must terminate the plan when reaching 71 years of age, there is no termination date for a TFSA. The TFSA, therefore, offers seniors aged 71 and over a tax-free savings vehicle.

### 13.6. Operating a Business

Income/gains earned in TFSAs (structured as trusts) are generally not taxable except for business income. Indeed, if the CRA determines that the TFSA trust is used during "carrying on a business," the income/gains earned by that business (net of business losses) may be subject to tax. Note that it is the TFSA trust and not you (via personal tax return(s)) that is subject to tax at the top marginal rate on the first dollar of taxable income.

#### What is business income?

Depending on the circumstances, frequent trading activities with a short holding period (or "day trading") may be considered to be carrying on a business - even if it takes place in a TFSA trust.

In recent years, the CRA has increased its scrutiny of TFSAs where frequent or speculative trading is taking place.

Several factors are considered when determining whether a TFSA trust is being used for business purposes. These factors include: the frequency of trading, the repetition of similar transactions, the length of time the securities have been held, the intention to purchase securities for short-term profit, the speculative nature and quantity of securities traded, the knowledge of the securities markets, and the amount of time spent by the holder studying those markets. None of these factors is determinative and they are all considered in concluding that a person is carrying on a business.

A key trigger for the CRA appears to be where the FMV of the account is significantly greater than the total maximum TFSA contributions that can be made to date.

For example, if a TFSA has an abnormally high FMV and there have been several trades with a short holding period ("day trading"), the CRA may consider that the increase in value of the TFSA indicates it is held by a holder with special knowledge of securities who is engaged in market speculation. Therefore, business income is present.

If the CRA determines the TFSA holder has carried on a business in their TFSA trust, any gains/income (net of losses) related to that business activity realized by the TFSA trust will be taxed as business income. Such income

will be taxed via a Trust Income Tax and Information Return at the highest rate applicable to individuals (approximately 50% depending on the holder's province of residence). Income that is subject to tax in the TFSA trust includes dividends and interest, as well as the full amount of gains net of realized losses. Gains and losses do not benefit from the 50% tax rate because the TFSA trust is considered to be carrying on a securities trading business.

The TFSA holder is jointly and severally liable with the trustee of the TFSA trust for any tax payable on income earned from carrying on a business in the TFSA trust, such that the CRA will be able to look directly to the holder to collect it if there are insufficient assets in the TFSA to pay it. If you are thinking of operating a business through your TFSA trust, call your Advisor.

## 14. First Home Savings Account (FHSA) - T4FHSA

### 14.1. Eligibility

Any individual who is a resident of Canada, is at least 18 years old and is a “first-time home buyer” as defined in the Act is eligible to open a [FHSA](#). As any FHSA must be closed no later than December 31 of the year in which the holder reaches 71 years of age, any individual wishing to open an account must be under 71 years of age.

An individual will be considered a “first-time home buyer” if he or she has not been, at any time during the calendar year preceding the opening of a FHSA or the four preceding calendar years, occupying a qualifying home (or what would be a qualifying home if it were located in Canada) as the principal place of residence of which he or his current spouse or common-law partner is or was the owner or co-owner.

In the context of FHSA, a qualifying home means a home located in Canada. It may also be part of the share capital of a housing cooperative which gives the holder the right to own housing located in Canada. Overall, a qualifying home has the same meaning whether in the context of FHSA or the Home Buyers’ Plan (HBP).

The eligibility conditions must all be met for each opening of a FHSA, whether the individual already holds an account or not.

### 14.2. Maximum participation period (end of FHSA)

When the maximum participation period is reached, all of an individual's FHSA accounts cease to be tax-exempt and, if no other action is taken, the amount of the fair market value of the account is included in the holder's income for the current year. To avoid an income inclusion, a holder can either make a qualifying withdrawal or transfer the amounts from the FHSA to an RRSP or RRIF before the end of the maximum participation period.

More precisely, the maximum participation period

- > begins when the FHSA is opened (the first account, if many), and
- > ends at the end of the year following the year in which the earliest of the following events occur:
  - the 14th anniversary of the date the individual first opens a FHSA
  - the individual attains 70 years of age, and
  - the individual makes a qualifying withdrawal from the FHSA.

Although an individual could have multiple FHSA’s under their name, it is the lifespan of the first account that will determine the end of all their FHSAs.

### 14.3. Annual Ceiling

An individual can contribute up to \$8,000 per year and \$40,000 for life to the FHSA. The contribution limits are not indexed annually. Contributions to the FHSA can be made by means of a contribution or a transfer from an RRSP (in the case of a transfer, the amount will not be deductible, although it will still affect the FHSA contribution room, see section below).

Only the holder can contribute to the FHSA and deduct the amount contributed. Unlike an RRSP, it is not possible to contribute to your spouse's FHSA based on your own contribution room. A person could, however, lend or give money to their spouse so that they can contribute to their FHSA, but it is always the person who contributed on their own account who will be entitled to a deduction from their income (and not the spouse who gave or lent the funds). The attribution rules will not apply to a contribution made to one's own FHSA even if the funds contributed came from the spouse.

## 14.4. Contributions from another registered account

### > From an RRSP to a FHSA

Individuals can contribute to their own FHSA by transferring an amount from their RRSP. The transfer can be made directly from one account to another, without triggering an RRSP withdrawal and therefore without any immediate tax consequences. However, to avoid the tax consequences normally associated with an RRSP withdrawal, the transfer must be made using the prescribed form, Form RC720, Transfer from your RRSP to your FHSA account.

An amount transferred from the RRSP to the FHSA will reduce the annual FHSA contribution room, but cannot be deducted from income. In addition, the transfer does not allow the annuitant to recover RRSP contribution room for the amount transferred.

### > From a TFSA to a FHSA

Contributions to a FHSA from a TFSA cannot be made by direct transfer: the assets must first be withdrawn from the TFSA and then contributed to the FHSA. Since TFSA withdrawals are tax-exempt, there are no tax consequences, and the holder will regain his or her TFSA contribution room at the beginning of the following year. The FHSA contribution made (indirectly) from the TFSA will have the effect of reducing the holder's contribution room, but the contribution will be deductible.

Since the FHSA contribution is not direct when it comes from the TFSA, attention must be paid to the undesirable consequences, such as the taxation of a capital gain or a deemed nil loss, which can arise when identical assets are disposed of and then reacquired over a short period of time.

### > From one FHSA to another FHSA

Individuals who own more than one FHSA can transfer assets from one FHSA to another with no immediate tax consequences, if the transfer is made using the prescribed form (**Form RC721 - Transfer from a FHSA to your FHSA, RRSP or RRIF**). Such a transfer will not reduce the individual's contribution room and will not be deductible.

## 14.5. Deductibility of contributions

An individual may choose to deduct the amount of his contribution either in the year in which it is made or in a subsequent year, even after the account has been closed. The deduction is made when calculating net income. However, the deduction cannot be carried forward to a year prior to the contribution. So, unlike RRSPs, contributions made in the first 60 days of the year cannot be deducted in the previous year's tax return.

Please note that after the first eligible withdrawal and as long as the account is not closed, the holder may continue to contribute to the FHSA, but the contributions are no longer deductible. However, the amounts contributed remain transferable to an RRSP or RRIF.

## 14.6. Contributions carried forward

The unused portion of the annual contribution limit may be carried forward from one year to the next, but only up to a maximum of \$8,000. In other words, a FHSA holder will never be able to contribute more than \$16,000 in the same year, i.e. the total of the maximum carry-forward of \$8,000 and the annual contribution limit of \$8,000. However, they will still be able to deduct more than \$16,000 in a given year if they have unused deductions from previous years.

## 14.7. Excess contributions

No amount of excess contribution is tolerated, and a penalty is imposed from the first dollar of excess contribution. The penalty represents a tax of 1% per month calculated, for each month, on the highest excess amount.

The penalty may cease to apply as soon as:

- > new contribution rights are created on 1 January of the following year
- > an amount is designated, using **Form RC727, Designate an Excess FHSA Amount as a Withdrawal from your FHSA or as a Transfer to your RRSP or RRIF**, as a withdrawal from the FHSA or as a transfer to an RRSP or RRIF in order to eliminate the excess contribution. The designated withdrawal is not included in the holder's income and the designated transfer does not reduce unused RRSP deduction room.

## 14.8. Withdrawals

Withdrawing funds from a FHSA can be done either by a qualifying withdrawal (which is non-taxable), a non-qualifying withdrawal (which is taxable) or by designating an amount in the case of an excess contribution. The other option is to transfer the funds to an RRSP or RRIF. If the transfer is made in accordance with the prescribed terms and conditions, it is not considered a withdrawal.

- > Eligible withdrawal

For a withdrawal from a FHSA to be tax-free, it must qualify as a "qualifying withdrawal". The concept of a qualifying withdrawal is based primarily on the idea of a withdrawal made for the purpose of purchasing a first home as a principal place of residence.

More specifically, for a withdrawal to be eligible, the account holder must, at the time of the withdrawal:

- > submit a written request for a qualifying withdrawal using the prescribed form that indicates the location of the qualifying home that they have begun to use as their principal place of residence or intend to begin using for that purpose no later than one year after acquiring it.
- > reside in Canada throughout the period beginning at the time of the withdrawal and ending at the earliest time between the acquisition of the qualifying home and the holder's death.
- > not have been an owner-occupant (*Owner-occupant within the meaning of paragraph 146.01(2)(a.1) of the ITA (provision dealing with the Home Buyers' Plan)*) during the period starting at the beginning of the fourth calendar year before the withdrawal and ending on the 31st day before the withdrawal. In other words, at the time of the withdrawal, the account holder did not own, jointly or with another person, a home that was his or her principal place of residence during the previous four years.

Unlike the requirements for opening a FHSA (and unlike the requirements for participating in the HBP program), having lived in a property owned by your spouse does not disqualify you from making a qualifying withdrawal. So, if a FHSA holder has moved into a home owned by their spouse since opening their account, they could still make a qualifying withdrawal, even if they are no longer eligible to open a new FHSA.

- > have entered into a written agreement for the acquisition or construction of the qualifying home before October 1 of the calendar year following the year in which the amount is received.
- > not have acquired the qualifying home more than 30 days before.

Once a withdrawal qualifies as a qualifying withdrawal, the amount withdrawn is non-taxable whether or not it is used as a down payment for the purchase of a first qualifying home.



The maximum value of the eligible withdrawal corresponds to the total value of the FHSA. In comparison, the maximum withdrawal limit for the HBP is \$35,000 and the amount withdrawn must be repaid. No repayment is required (or even possible) under the FHSA. However, a person may only take advantage of the FHSA once in their lifetime.

An individual may also choose to make a qualifying withdrawal for an amount that is less than the amount available in the FHSA. However, making an eligible withdrawal triggers the account closure countdown. Unless another event causes the account to be closed earlier, the account will cease to be a FHSA on December 31 of the year following the year of the first eligible withdrawal. If any amounts remain in the FHSA at the time of closure, they will become taxable in the year. To avoid this taxation in the year of closure, the holder may elect to transfer an amount from their FHSA to their RRSP or RRIF tax-free at any time before the account ceases to be a FHSA. The amount the holder chooses to transfer is not limited by the holder's RRSP contribution limit, but the amount transferred will ultimately be taxable when withdrawn from the RRSP or RRIF.

### > Non-eligible withdrawal


Where a withdrawal does not qualify as a qualifying withdrawal, the withdrawal will be considered a taxable non-qualifying withdrawal and will be subject to withholding tax at source. To avoid immediate taxation at the time of withdrawal, the holder may transfer the savings accumulated in the FHSA to an RRSP or RRIF, tax-free, at any time before the FHSA is closed.

### > Outgoing transfers

In addition to a transfer from one FHSA to another, FHSA assets can be transferred to an RRSP or RRIF under which the holder is the annuitant using form RC721, Transfer from a FHSA to your TFHSA, RRSP or RRIF. The transfer is tax-free, and the tax consequences are deferred until the RRSP or RRIF is withdrawn. The most striking advantage of this transfer option is that the amount the holder chooses to transfer is not limited by and has no impact on RRSP contribution room. On the other hand, the RRSP contribution is not deductible and the FHSA contribution limits are not reinstated following a transfer.

## 14.9. T4FHSA

The T4FHSA slips are used by first home savings account (FHSA) issuers to report taxable amounts allocated to FHSA.



Canada Revenue Agency  
 Agence du revenu du Canada

**Protected B** when completed/  
**Protégé B** une fois rempli

First Home Savings Account Statement  
État du compte d'épargne libre d'impôt pour l'achat d'une première propriété

Year Année	18 Contributions Cotisations	20 Qualifying withdrawals Retraits admissibles	22 Taxable withdrawals Retraits imposables	24 FHSA beneficiary distributions received Distributions bénéficiaire reçues du CELIAPP	26 Amount deemed received on FHSA cessation Montant réputé reçu à la cessation du CELIAPP
28 Security for a loan Garantie pour un prêt	30 Income tax deducted Impôt sur le revenu retenu	32 RRSP transfers in Transferts reçus du REER	34 Spousal RRSP transfers in Transferts reçus du REER au profit du conjoint	36 Designated – RRSP/RRIF transfers out Montants Désignés – transferts vers le REER ou le FERR	38 Designated – withdrawals Montants Désignés – retraits
Recipient's name and address – Nom et adresse du particulier  Last name / Nom de famille: _____ First name / Prénom: _____ Initials / Initiales: _____  Address / Adresse: _____				12 Social insurance number Numéro d'assurance sociale	14 FHSA contract number Numéro de contrat du CELIAPP
16 FHSA identification number Numéro d'identification du CELIAPP					
60 Name of payer (issuer) of plan Nom du payeur (émetteur) du régime					
61 Payer (issuer's) account number Numéro de compte du payeur (émetteur)					

See the privacy notice on your return  
Consultez l'avis de confidentialité dans votre déclaration

T4FHSA



compounded annually. Once the "actual annual return" is determined, the following formula is applied for each year:

$$(\text{Purchase price plus interest from previous years}) \times \text{real interest rate} \times \text{number of days the warrant is held} \div \text{number of days in the year of sale} = \text{interest to be included in income}$$

The imputed interest accrued during each fiscal year is calculated based on the anniversary date of the issuance of the underlying bond. For example, if a stripped coupon or residual bond was purchased on February 1 of a year and the anniversary date of its issuance was June 30, notional interest would only need to be accrued for five months in the year of purchase. However, for each subsequent year, notional interest would have to be earned from the preceding July 1 to June 30 of the subsequent year.

- > Example: A residual bond of \$5,000 is acquired on February 2, 2018, for a price of \$3745. The anniversary date of the underlying bond is June 30. The bond will mature on June 30, 2023. Therefore, there is a real annual yield of 5.5%.

Actual Output 5.5%	Underlying Bond Anniversary Date Date of Bond Acquisition	June 30 February 2, 2018	# of Days Held
YEAR	Basis for Interest Calculation	Notional Interest	DAYS
2018	\$3,745.00	\$84.05	149
2019	\$3,829.05	\$210.52	
2020	\$4,039.57	\$222.09	
2021	\$4,261.67	\$234.31	
2022	\$4,495.97	\$247.19	
2023	\$4,743.16	\$260.78	
		<b>\$1,258.94</b>	

ACCUMULATED INTEREST (CAD)								
Client Name	Description	Last Purchase	Trans. Type	Quantity	YTM Cost	THEORETICAL PRICE		Accum. Interest
						Beginning	Ending	
	INT-ONTARIO PROV 2JUN20	2019/03/29	Held			n/a	n/a	n/a
	INT-QUEBEC HYD 15AG21	2019/03/29	Sell	(51,510)	1.91	96.27	97.53	658.47
	INT-QUEBEC HYD 15AG21	2019/03/29	Sell	(51,525)	1.91	96.27	97.99	893.97
								<b>\$ 1,552.45</b>
	INT-ONTARIO PROV 2JN22	2019/03/29	Held	43,785	2.14	93.82	95.84	881.95
	INT-ONTARIO PROV 2DC22	2020/03/25	Buy	35,961	1.09	97.12	97.85	263.03
	INT-ONTARIO PROV 2DC22	2020/03/25	Sell	(8,170)	1.09	97.12	97.32	16.20
								<b>\$ 279.23</b>
	INT-ONTARIO PROV 2JN26	2019/06/28	Buy	54,000	2.11	86.45	88.15	919.90
	INT-QUEBEC HYD 15AG27	2019/03/29	Held	82,650	2.77	80.24	82.48	1,856.91
	INT-QUEBEC HYD 15AG28	2019/03/29	Held	56,235	2.55	79.60	81.64	1,148.63
	INT-QUEBEC HYD 15AG28	2019/08/19	Buy	18,000	1.90	84.35	85.94	286.87
	INT-QUEBEC HYD 15AG28	2019/09/17	Buy	9,900	2.29	81.61	83.32	169.27
								<b>\$ 1,604.76</b>

To help you prepare your income tax return, you will receive an annual Interest Accrued report indicating the amount to be added to your return.

If you have disposed of stripped coupons or residual bonds and you have received a Realized Capital Gains and Losses Report (See example in section 7.2.) please note that the amount indicated under Portion of interest corresponds to the cumulative amount of interest **since the acquisition of the security**.

#### 15.4. Calculation of Gain (Loss) if Sold Before Maturity

Disposal of a stripped coupon prior to maturity will result in a capital gain or loss.

Let's take the previous example, but with the coupon sold on September 30, 20X0, for a sale price of \$4,400.

Interest Calculation		
Proceeds of Disposition		\$4,400.00
Adjusted Cost Base		
	Initial Cost	\$3,745.00
	Initial Income 20X0	\$84.05
	Initial Income 20X1	\$210.60
	Initial Income 20X2	\$281.26 *
	*To Anniversary Date (June 30, 20X2)	\$222.18
	*July 1 to Sale Date (September 30, 20X2)	\$59.08
		\$4,320.91
	Gain (Loss)	\$79.09

Actual Output (5.5%)		Underlying Bond Anniversary		June 30	# of Days Held		
		Date					
		Date of Bond Acquisition		February 2, 20X0			
YEAR		Basis for Interest Calculation		Notional Interest	DAYS		
20X0		\$3,745.00		\$84.05	149	February 2, 20X0	Buy
20X1		\$3,829.05		\$210.60	365		
20X2		\$4,039.65		\$222.18	365		
20X3 (July 1 to September 30)		\$4,261.83		\$59.08	92	September 30, 20X3	Sale
20X4		- \$		- \$	0		
20X5		- \$		- \$	0		
				<b>575.91 \$</b>			

## 16. U.S. Tax Slips

---

### 16.1. Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding)

If you are not a U.S. citizen and you have received U.S. source income from an indirect account (i.e., a non-registered account for which the beneficiary is a limited partnership, an investment club or association that is not incorporated, a unique shareholder, a transferor trust, or a simple trust), you will receive Form 1042-S. This slip will show the income generated by your account, as well as withholdings remitted to the U.S. Internal Revenue Service (IRS).

RESP, TFSA and FHSA accounts are treated as individual accounts. Due to its QI (Qualified Intermediary) status, the Bank is therefore not obligated to produce individual 1042-S slips to RESP, TFSA and FHSA account holders who have had income from U.S. sources during the year. A joint statement will be sent to the IRS according to QI obligations (pooled reporting).

U.S. withholding tax may be charged on your Registered Retirement Savings Plan (RRSP), Registered Retirement Income Fund (RRIF), Life Income Fund (LIF), Locked-In Retirement Account (LIRA) and/or Locked-In Retirement Savings Plan (LRSP) if the account holder is a non-resident.

The Canada-U.S. tax treaty provides an exemption from withholding tax on U.S. source income earned in an RRSP, RRIF, LIF, LIRA and/or LRSP. However, paragraph 2(h) of Article XXIX A of this treaty specifies that if the holder of an RRSP, RRIF, LIF, LIRA and/or LRSP has been a non-resident of Canada for more than 5 years and is not a resident or citizen of the U.S., the registered accounts mentioned above are subject to withholding tax on U.S. source income under the terms of the tax treaty between the holder's current country of residence and the U.S.

Note that for Canadian tax purposes, these accounts remain registered and continue to be treated as Canadian trusts.

#### 16.1.1. Rules for Publicly Traded Partnerships (PTPs) generating Effectively Connected Income (ECI) in the United States

Holding PTP units can result in the issue of several US tax slips. Thus, a PTP shareholder who is not a US citizen, or a US tax resident could receive a 1042-S for each type of passive income generated by the PTP. In addition, the new legislation, and regulations on PTPs that came into force on 1 January 2023 mean that when a PTP is disposed of (sales and transfers - change of ownership), 10% of the proceeds of disposal will be withheld by the broker. The 10% withholding applies regardless of whether there is an actual gain or loss.

A 1042-S will be issued to report the proceeds of disposition and the 10% withholding. A unitholder may wish to file a U.S. tax return to recover some or all of the withholding tax so that he or she is taxed only on the actual gain, if any. Note that in order to file a U.S. tax return, the holder must have a U.S. Individual Taxpayer Identification Number (ITIN). A unitholder will need to apply for a U.S. ITIN prior to or at the same time as their U.S. tax return.

Note: Each PTP generates a 1042-S slip. Example: 5 PTPs from 5 different companies can generate 5 1042-S slips.

Form **1042-S** Foreign Person's U.S. Source Income Subject to Withholding  
 Department of the Treasury Internal Revenue Service  
 Information about Form 1042-S and its separate instructions is at www.irs.gov/form1042.  
**20XX** OMB No. 1545-0096  
**Copy B** for Recipient

**AMENDED** **PRO-RATA BASIS REPORTING**

1 Income code 04	2 Gross income 357.58	3 Chap. 3 3a Exemption code: 00 3b Tax rate: 15.00	4 Chap. 4 4a Exemption code: 15 4b Tax rate: 00.00	5 Withholding allowance	6 Net income	7 Federal tax withheld 0.00	8 Tax withheld by other agents 53.64	9 Tax assumed by withholding agent 53.64	10 Total withholding credit 53.64	11 Amount repaid to recipient	Check if tax not deposited under escrow procedure <input type="checkbox"/>	
12a Withholding agent's EIN 00000000	12b Ch. 3 status code 12	12c Ch. 4 status code	14e Primary Withholding Agent's Name (if applicable) BDOX INC	14f Primary Withholding Agent's EIN 00000000	15a Intermediary or flow-through entity's EIN, if any	15b Ch. 3 status code 10	15c Ch. 4 status code	15d Intermediary or flow-through entity's name 3859-PRISON SCH	15e Intermediary or flow-through entity's GIN	16 (e) Address (number and street) City or town, state or province, country, ZIP or foreign postal code	16 (f) Address (number and street) City or town, state or province, country, ZIP or foreign postal code	
13a Withholding agent's name FINANCIERE BANQUE NATIONALE	13b Withholding agent's Global Intermediary Identification Number (GIN) XXXXXXXXXX	13c Country code CA	13d Foreign taxpayer identification number, if any	16a City or town, state or province, country, ZIP or foreign postal code MONTREAL QC H3C 1A3	16b City or town, state or province, country, ZIP or foreign postal code	17 Recipient's GIN	18 Recipient's foreign tax identification number, if any	19 Recipient's account number XXXXXX	20 Recipient's date of birth	21 Payer's name	22 Payer's TIN	23 Payer's GIN
13e Recipient's U.S. TIN, if any	13h Ch. 3 status code 19	13i Ch. 4 status code	14a Recipient's name	14b Recipient's country code	14c City or town, state or province, country, ZIP or foreign postal code	24 State income tax withheld	25 Payer's state tax no.	26 Name of state				

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Cat. No. 11366R Form **1042-S** (20XX)

Date 20XX	Quantité	Description	Type d'entree	Devises du compte	Montant Tax com.	USD
VOTRE COMPTE CANADIEN XX-XXXX-X						
04,10	40	CREVSON CORP	DIV	44.66	0.9173	42.80
04,10	40	CREVSON CORP	WTR92	7.00	0.9173	6.42
06,10	47	JOHNSON & JOHNSON	DIV	35.84	0.9173	32.89
06,10	47	JOHNSON & JOHNSON	WTR92	5.37	0.9173	4.93
06,12	150	MICROSOFT CORP	DIV	45.59	0.9212	42.00
06,12	150	MICROSOFT CORP	WTR92	4.84	0.9212	4.30
09,09	47	JOHNSON & JOHNSON	DIV	34.23	0.9081	32.90
09,09	47	JOHNSON & JOHNSON	WTR92	5.43	0.9081	4.93
09,10	40	CREVSON CORP	DIV	44.79	0.9107	42.79
09,10	40	CREVSON CORP	WTR92	7.05	0.9107	6.42
09,11	150	MICROSOFT CORP	DIV	44.20	0.9090	42.00
09,11	150	MICROSOFT CORP	WTR92	6.93	0.9090	6.20
12,09	47	JOHNSON & JOHNSON	DIV	37.62	0.8745	32.90
12,09	47	JOHNSON & JOHNSON	WTR92	5.65	0.8745	4.94
12,10	40	CREVSON CORP	DIV	45.07	0.9122	42.00
12,10	40	CREVSON CORP	WTR92	7.34	0.8722	6.42
12,11	150	MICROSOFT CORP	DIV	53.58	0.8479	44.50
12,11	150	MICROSOFT CORP	WTR92	6.04	0.8479	5.09
TOTAL DES SLIPS						
Total de revenu brut à la case 2						357.58
Total de crédit retenu à la case 10						53.44

1042-S IRS REVENUS DE PLACEMENTS - 20XX

## **16.2. Form K-1 US Partnership Tax Returns (Partner's Share of Income, Deductions, Credits, etc.)**

Another new feature with regard to the holding of PTPs is that a broker acting as nominee must transmit all the information necessary for the production of the K-1 US tax slip to the PTP or to the accounting firm hired by the PTP to issue these K-1 slips.

To this end, the broker is required by U.S. tax regulations to make a request to unitholders for their U.S. ITIN. The broker must keep proof of this request, even if the unitholder does not have a U.S. ITIN. It is therefore highly likely that a unitholder does not have a U.S. ITIN and should potentially make a request to the U.S. tax authorities.

The K-1 is a U.S. tax form used to complete a U.S. income tax return. Thus, holders of units in PTP or other tax-transparent US entities may receive a K-1 if certain criteria are met, such as the type of income generated. The K-1 is a U.S. tax form that shows the PTP's portion of income, gains, losses, deductions and credits as a partner.

As mentioned above, K-1 slips are issued by the PTP or the accounting firm hired by the PTP. Thus, a holder who requires an amended K-1 slip should contact directly the PTP or the accounting firm engaged by the PTP to issue the K-1.

Holders of these PTP units may be required to file a U.S. tax return. We strongly suggest that clients consult their tax advisor to review their obligations with respect to the K-1 tax form



For calendar year 2023, or tax year beginning / / 2023 ending / /

**Partner's Share of Income, Deductions, Credits, etc.**  
See separate instructions.

Part I Information About the Partnership		Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items													
<b>A</b> Partnership's employer identification number		<b>1</b> Ordinary business income (loss)	<b>14</b> Self-employment earnings (loss)												
<b>B</b> Partnership's name, address, city, state, and ZIP code		<b>2</b> Net rental real estate income (loss)													
<b>C</b> IRS center where partnership filed return:		<b>3</b> Other net rental income (loss)	<b>15</b> Credits												
<b>D</b> <input type="checkbox"/> Check if this is a publicly traded partnership (PTP)		<b>4a</b> Guaranteed payments for services													
<b>E</b> Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)		<b>4b</b> Guaranteed payments for capital	<b>16</b> Schedule K-3 is attached if checked <input type="checkbox"/>												
<b>F</b> Name, address, city, state, and ZIP code for partner entered in E. See instructions.		<b>4c</b> Total guaranteed payments	<b>17</b> Alternative minimum tax (AMT) items												
<b>G</b> <input type="checkbox"/> General partner or LLC member-manager <input type="checkbox"/> Limited partner or other LLC member		<b>5</b> Interest income													
<b>H1</b> <input type="checkbox"/> Domestic partner <input type="checkbox"/> Foreign partner		<b>6a</b> Ordinary dividends													
<b>H2</b> <input type="checkbox"/> If the partner is a disregarded entity (DE), enter the partner's TIN _____ Name _____		<b>6b</b> Qualified dividends	<b>18</b> Tax-exempt income and nondeductible expenses												
<b>I1</b> What type of entity is this partner?		<b>6c</b> Dividend equivalents													
<b>I2</b> If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here <input type="checkbox"/>		<b>7</b> Royalties													
<b>J</b> Partner's share of profit, loss, and capital (see instructions):		<b>8</b> Net short-term capital gain (loss)	<b>19</b> Distributions												
<b>K1</b> Partner's share of liabilities:		<b>9a</b> Net long-term capital gain (loss)													
<table border="1"> <thead> <tr> <th></th> <th>Beginning</th> <th>Ending</th> </tr> </thead> <tbody> <tr> <td>Profit</td> <td>%</td> <td>%</td> </tr> <tr> <td>Loss</td> <td>%</td> <td>%</td> </tr> <tr> <td>Capital</td> <td>%</td> <td>%</td> </tr> </tbody> </table>		Beginning	Ending	Profit	%	%	Loss	%	%	Capital	%	%		<b>9b</b> Collectibles (28%) gain (loss)	<b>20</b> Other information
	Beginning	Ending													
Profit	%	%													
Loss	%	%													
Capital	%	%													
Check if decrease is due to:		<b>9c</b> Unrecaptured section 1250 gain													
<input type="checkbox"/> Sale or <input type="checkbox"/> Exchange of partnership interest. See instructions.		<b>10</b> Net section 1231 gain (loss)													
<b>K2</b> Check this box if item K1 includes liability amounts from lower-tier partnerships <input type="checkbox"/>		<b>11</b> Other income (loss)													
<b>K3</b> Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions <input type="checkbox"/>		<b>12</b> Section 179 deduction	<b>21</b> Foreign taxes paid or accrued												
<b>L</b> Partner's Capital Account Analysis		<b>13</b> Other deductions													
<table border="1"> <tbody> <tr> <td>Beginning capital account</td> <td>\$</td> </tr> <tr> <td>Capital contributed during the year</td> <td>\$</td> </tr> <tr> <td>Current year net income (loss)</td> <td>\$</td> </tr> <tr> <td>Other increase (decrease) (attach explanation)</td> <td>\$</td> </tr> <tr> <td>Withdrawals and distributions</td> <td>\$( )</td> </tr> <tr> <td>Ending capital account</td> <td>\$</td> </tr> </tbody> </table>	Beginning capital account	\$	Capital contributed during the year	\$	Current year net income (loss)	\$	Other increase (decrease) (attach explanation)	\$	Withdrawals and distributions	\$( )	Ending capital account	\$		<b>22</b> <input type="checkbox"/> More than one activity for at-risk purposes*	
Beginning capital account	\$														
Capital contributed during the year	\$														
Current year net income (loss)	\$														
Other increase (decrease) (attach explanation)	\$														
Withdrawals and distributions	\$( )														
Ending capital account	\$														
<b>M</b> Did the partner contribute property with a built-in gain (loss)?		<b>23</b> <input type="checkbox"/> More than one activity for passive activity purposes*													
<input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," attach statement. See instructions.		*See attached statement for additional information.													
<b>N</b> Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)		For IRS Use Only													
<table border="1"> <tbody> <tr> <td>Beginning</td> <td>\$</td> </tr> <tr> <td>Ending</td> <td>\$</td> </tr> </tbody> </table>	Beginning			\$	Ending	\$									
Beginning	\$														
Ending	\$														

**16.3. Form 1099 – DIV (Dividend and Distributions) and Form 1099-INT (Interest Income)**

If you are a “documented” U.S. investor, whether residing in the United States or not, you will receive Form 1099-DIV and/or Form 1099-INT corresponding to your U.S. source dividend income and/or interest income, respectively, generated by your investments in your RESP, RDSP, TFSA and FHSA accounts.

If you are an “undocumented” U.S. investor, you will receive Form 1099-DIV and/or Form 1099-INT for U.S. source income from your non-registered accounts in addition to those from your RESP, RDSP, TFSA and FHSA accounts, as well as withholdings made and remitted to the US tax authority, the Internal Revenue Service (“IRS”).

In this context, “documented” refers to the supporting documents establishing U.S. residency and/or citizenship of the client which can be established by completing the IRS Form W-9.

NATIONAL BANK FINANCIAL  
800 SAINT-JACQUES STREET  
SUITE 54001  
MONTREAL, QUEBEC H3C 1A3

IRS INVESTMENT INCOME SUMMARY - 20XX

RECIPIENT ID 00000000

FIRST AND LAST NAME  
ADDRESS  
ADDRESS  
ADDRESS

Date 2023	Quantity	Description	Entry Type	Account Currency	Amount Conv. Rate	US\$
<b>YOUR CANADIAN ACCOUNT</b> XX-XXXX-X						
23.06.15	27,000	XXXX C36 5.059%-FR DDMYY	INT	682.96	0.7640	521.78
<b>INTEREST TOTALS</b>						
<b>Total interest income not included in box 3</b>						<b>521.78</b>

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.  
NATIONAL BANK FINANCIAL  
800 SAINT-JACQUES STREET  
SUITE 54001  
MONTREAL, QUEBEC H3C 1A3

Payer's RTN (optional) OMB No. 1545-0112  
Form 1099-INT  
(Rev. January 2022)

**Interest Income**

1 Interest income \$ 521.78  
2 Early withdrawal penalty \$

PAYER'S TIN RECIPIENT'S TIN  
XXXXXX XXXXXXXX

3 Interest on U.S. Savings Bonds and Treas. obligations \$

4 Federal income tax withheld \$ 5 Investment expenses \$  
6 Foreign Tax Paid \$ 7 Foreign country or U.S. possession \$  
8 Tax-exempt interest \$ 9 Specified private activity bond interest \$  
10 Market discount \$ 11 Bond premium \$

12 Bond premium on Treasury obligations \$ 13 Bond Premium on tax-exempt bond \$  
14 Tax-exempt and tax credit bond CUSIP no. \$ 15 State 16 State identification no. \$ 17 State Tax Withheld \$

Account number (see instructions) XXXXXXXX

Form 1099-INT (Rev. 1-2022) (Keep for your records) www.irs.gov/form1099int Department of the Treasury - Internal Revenue Service

CORRECTED (if checked)

PAYER'S name, street address, city or town, province or state, country, ZIP or foreign postal code, and telephone no.  
NATIONAL BANK FINANCIAL  
800 SAINT-JACQUES STREET  
SUITE 54001  
MONTREAL, QUEBEC H3C 1A3

Payer's RTN (optional) OMB No. 1545-0112  
Form 1099-INT  
(Rev. January 2022)

**Interest Income**

1 Interest income \$ 521.78  
2 Early withdrawal penalty \$

PAYER'S TIN RECIPIENT'S TIN  
XXXXXX XXXXXXXX

3 Interest on U.S. Savings Bonds and Treas. obligations \$

4 Federal income tax withheld \$ 5 Investment expenses \$  
6 Foreign Tax Paid \$ 7 Foreign country or U.S. possession \$  
8 Tax-exempt interest \$ 9 Specified private activity bond interest \$  
10 Market discount \$ 11 Bond premium \$

12 Bond premium on Treasury obligations \$ 13 Bond Premium on tax-exempt bond \$  
14 Tax-exempt and tax credit bond CUSIP no. \$ 15 State 16 State identification no. \$ 17 State Tax Withheld \$

Account number (see instructions) XXXXXXXX

Form 1099-INT (Rev. 1-2022) www.irs.gov/form1099int Department of the Treasury - Internal Revenue Service

**Instructions for Recipient**

The information provided may be different for covered and noncovered securities. For a description of covered securities, see the Instructions for Form 990. For a taxable covered security acquired at a premium, unless you notified the payer in writing in accordance with Regulations section 1.6045-1(m)(5) that you did not want to amortize the premium under section 171, or for a tax-exempt covered security acquired at a premium, your payer must generally report either (1) a net amount of interest that reflects the effect of the amount of interest paid to you for the amount of premium amortization allocable to the payments, or (2) a gross amount for both the interest paid to you and the premium amortization allocable to the payments. If you did not notify your payer that you did not want to amortize the premium on a taxable covered security, then your payer will only report the gross amount of interest paid to you. For a noncovered security acquired at a premium, your payer is only required to report the gross amount of interest paid to you.

**Recipient's taxpayer identification number (TIN).** For your protection, this form may show only the last four digits of your TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)). However, the issuer has reported your complete TIN to the IRS. **FATCA filing requirement.** If the FATCA filing requirement box is checked, the payer is reporting on this Form 1099 to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. See the instructions to Form 9928.

**Account Number.** May show an account or other unique number the payer assigned to distinguish your account.

**Box 1.** Shows taxable interest paid to you during the calendar year by the payer. This does not include interest shown in box 3. May also show the total amount of the credits from clean renewable energy bonds, low clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, qualified school construction bonds, and build America bonds that must be included in your interest income. These amounts were treated as paid to you during the calendar year on the next allowance dates (March 15, June 15, September 15, and December 15). For more information, see the Instructions for Form 1099-INT. See the instructions above for a taxable covered security acquired at a premium.

**Box 2.** Shows interest or principal foregone because of early withdrawal of time savings. You may deduct the amount to figure your adjusted gross income on your income tax return. See the instructions for Form 1040 to see where to take the deduction.

**Box 3.** Shows interest on U.S. Savings Bonds, Treasury bills, Treasury bonds, and Treasury notes. This may or may not be all taxable. See Pub. 550. This interest is exempt from state and local income taxes. This interest is not included in box 1. See the instructions above for a taxable covered security acquired at a premium.

**Box 4.** Shows backup withholding. Generally, a payer must backup withhold if you did not furnish your TIN or you did not furnish the correct TIN to the payer. See Form W-9. Include this amount on your income tax return as tax withheld.

**Box 5.** Any amount shown is your share of investment expenses of a single class REMIC. This amount is included in box 1. **Note:** This amount is not deductible. **Box 6.** Shows foreign tax paid. You may be able to claim this tax as a deduction or a credit on your Form 1040 or 1040-SR. See your tax return instructions.

**Box 7.** Shows the country or U.S. possession to which the foreign tax was paid. **Box 8.** Shows tax-exempt interest paid to you during the calendar year by the Payer. See how to report this amount in the instructions for Form 1040. This amount may be subject to backup withholding. See Box 4 above. See the instructions above for a tax-exempt covered security acquired at a premium.

**Box 9.** Shows tax-exempt interest subject to the alternative minimum tax. This amount is included in box 8. See the instructions for Form 6251. See the instructions above for a tax-exempt covered security acquired at a premium.

**Box 10.** For a taxable or tax-exempt covered security, if you made an election under section 1276(b) to include market discount in income as it accrues and you notified your payer of the election in writing in accordance with Regulations section 1.6045-1(m)(5), shows the market discount that accrued on the debt instrument during the year while held by you, unless it was reported on Form 1099-OID. For a taxable or tax-exempt covered security acquired on or after January 1, 2015, accrued market discount will be calculated on a constant yield basis unless you notified your payer in writing in accordance with Regulations section 1.6045-1(m)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the instructions for Schedule B (Form 1040) to determine the net amount of interest includable in income on Form 1040 or 1040-SR with respect to this security. If an amount is not reported in this box for a taxable covered security acquired at a premium and the payer is reporting premium amortization, the payer has reported a net amount of interest in box 1. If the amount in box 11 is greater than the amount of interest paid on the covered security, see Regulations section 1.171-2(a)(4).

**Box 11.** For a taxable covered security (other than a U.S. Treasury obligation), shows the amount of premium amortization allocable to the interest payments, unless you notified the payer in writing in accordance with Regulations section 1.6045-1(m)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the instructions for Schedule B (Form 1040) to determine the net amount of interest includable in income on Form 1040 or 1040-SR with respect to this security. If an amount is not reported in this box for a taxable covered security acquired at a premium and the payer is reporting premium amortization, the payer has reported a net amount of interest in box 1. If the amount in box 11 is greater than the amount of interest paid on the covered security, see Regulations section 1.171-2(a)(4).

(Continued on Copy 2.)

**Instructions for Recipient (Continued)**

**Box 12.** For a U.S. Treasury obligation that is a covered security, shows the amount of premium amortization allocable to the interest payments(s), unless you notified the payer in writing in accordance with Regulations section 1.6045-1(m)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the instructions for Schedule B (Form 1040) to determine the net amount of interest includable in income on Form 1040 or 1040-SR with respect to the U.S. Treasury obligation. If an amount is not reported in this box for a U.S. Treasury obligation that is a covered security acquired at a premium and the payer is reporting premium amortization, the payer has reported a net amount of interest in box 3. If the amount in box 12 is greater than the amount of interest paid on the U.S. Treasury obligation, see Regulations section 1.171-2(a)(4).

**Box 13.** For a tax-exempt covered security, shows the amount of premium amortization allocable to the interest payments(s). If an amount is reported in this box, see Pub. 550 to determine the net amount of tax-exempt interest reportable on Form 1040 or 1040-SR. If an amount is not reported in this box for a tax-exempt covered security acquired at a premium, the payer has reported a net amount of interest in box 8 or 9, whichever is applicable. If the amount in box 13 is greater than the amount of interest paid on the tax-exempt covered security, the excess is a nondeductible loss. See Regulations section 1.171-2(a)(4)(ii).

**Box 14.** Shows CUSIP number(s) for tax-exempt bond(s) on which tax-exempt interest was paid, or tax credit bond(s) on which taxable interest was paid or tax credit was allowed, if you during the calendar year. If blank, no CUSIP number was issued for the bond(s).

**Boxes 15-17.** State tax withheld reporting boxes.

**Notes:** If this form includes amounts belonging to another person(s), you are considered a nominee recipient. Complete a Form 1099-INT for each of the other owners showing the income allocable to each. File Copy A of the form with the IRS. Furnish Copy B to each owner. List yourself as the "payer" and the other owner(s) as the "recipient." File Form(s) 1099-INT with Form 1096 with the Internal Revenue Service Center for your area. On Form 1096 list yourself as the "filer." A spouse is not required to file a nominee return to show amounts owned by the other spouse.

**Future developments.** For the latest information about developments related to Form 1099-INT and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099int](http://www.irs.gov/form1099int).

**Free File Program.** Go to [www.irs.gov/efile](http://www.irs.gov/efile) to see if you qualify for no-cost online federal tax preparation, e-filing and direct deposit or payment options.

## 16.4. Form 1099-B (Proceeds from Broker and Barter Exchange Transactions)

If you are a “documented” U.S. investor residing in the United States, you will receive Form 1099-B reporting the dispositions of all securities from your RESP, RDSP, TFSA and FHSA accounts (e.g., U.S., Canadian, and other sources).

If you are an “undocumented” U.S. investor residing in the United States, you will receive Form 1099-B reporting the dispositions of all the securities from your non-registered accounts in addition to those from your RESP, RDSP, TFSA and FHSA accounts.

There is no Form 1099-B generated for U.S. investors not residing in the United States.

In this context, “documented” refers to the supporting documents establishing U.S. residency and/or citizenship of the client, which can be established by completing the IRS Form W-9.

You must use these tax slips to file your U.S. tax return (Form 1040).

IRS TRADING SUMMARY - 20XX												
											RECIPIENT ID	000000000
FIRST NAME SURNAME ADDRESS ADDRESS ADDRESS												
DATE	QUANTITY	SECURITY DESCRIPTION	PRICE	PROCEEDS (COSTS)	COMM	CONV RATE	PROCEEDS (COSTS) US\$	COMM US\$	UNCOVERED (Y/N)	WASH SALE US\$	GAIN/LOSS US\$	LONG/SHORT TERM (L/S)
YOUR CANADIAN ACCOUNT X-XXXX-X												
11.14	250	ALTER WMS CORP-NW	2.73	699.75		0.8826	538.17		Y	0.00	0.00	
Total Proceeds							538.17					
11.14	128,872	NLS GRW OPP CL /N	23.398	3,533.57		0.8826	3,118.73		Y	0.00	0.00	

1099B - Substitute Statement - 20XX Proceeds From Broker & Barter Exchange Transactions													
											RECIPIENT ID	000000000	
											PAYER'S FED. ID. No.	000000000	
..... ..... ..... .....													
Date Sold or Disposed (Box 1c)	CUSIP Number	Qty Sold	Proceeds (Box 1d)	Fed Inc Tax Withd (Box 4)	Description (Box 1a)	Date of Acq (Box 1b)	Cost or Other Basis (Box 1e)	Code (Box 1f)	Adjustments (Box 1g)	Loss Not Allowed (Box 7)	Uncovered Security (Box 5)	Basis Reported to IRS (Box 3)	Long/Short Term L/S (Box 2)
YOUR CANADIAN ACCOUNT X-XXXX-X													
02.18	122902G55	10,000	9,123.00		BDC CIBLE SI T/V 18FV14		0.00		0.00		Y		

Reported to IRS:  
 Sales Price  Sales Price Less Commissions and Option Premiums

## FAQ – Tax Slips and Miscellaneous

### **Q.1.: What is a 1042-S?**

**A.1.:** 1042-S is a form produced by the U.S. Internal Revenue Service (IRS). It provides information on U.S. source income and withholdings associated with this income.

### **Q.2.: Why did I receive Form 1042-S?**

**A.2.:** According to the information documented in your account, you are not considered a U.S. person, and U.S. source income has been paid to your account.

### **Q.3.: Why were there withholdings on my registered account when income paid into this account is not taxable?**

**A.3.:** It is true that income is not taxed in a registered account for Canadian tax purposes. There are, however, withholdings on U.S. source income paid into a TFSA, RESP, or registered disability savings plan (RDSP). These are considered "non-registered vehicles," and, therefore, taxable by U.S. tax authorities. The withholdings associated with these accounts cannot be recovered through the Canadian foreign tax credit mechanism. Note that the treatment is different for RRSP/RRIF accounts; no withholding tax will be levied for these since the United States recognizes Canadian RRSPs and RRIFs as having non-taxable "registered plan" status. Thus, in accordance with the Tax Treaty between Canada and the United States, money or investments held in an RRSP/RRIF continue to grow tax-free as long as no amounts are withdrawn.

The withholding rate may differ according to the documentation that you provide at account opening, as well as your country of residence. The Tax Treaty between the United States and certain countries, including Canada, provides the right to a reduced withholding rate. To be eligible for the Treaty's preferential tax rate, you must provide documentation establishing your place of residence, i.e., the IRS Form "W-8BEN" or any other acceptable document. We strongly recommend that you contact your Wealth Advisor to determine the forms required for your specific situation. If you do not fill in the required documentation, the maximum withholding rate of 30% will be applied to all U.S. source income paid into your non-registered accounts, TFSAs, RESPs, and RDSPs. This withholding is remitted to the U.S. tax authorities and is, generally, considered a final tax. Therefore, you do not need to file a U.S. tax return (Form 1040NR or Form 1040) unless you need to file one for another reason, or if there is reason to believe that you will be able to recover a withheld amount from the U.S. tax authorities.

### **Q.4.: Do I have to file the Form 1042-S with my Canadian tax report?**

**A.4.:** No, because it is a U.S. form.

### **Q.5.: Are the fees related to my TFSA, RRSP, RRIF, RDSP, or RESP (or other registered plans) deductible?**

**A.5.:** Fees related to registered accounts are never tax-deductible, even if they are paid from a non-registered account.

## Q.6.: Are the fees related to my non-registered account deductible?

A.6.: This depends on the nature of the fees.

Section 20 of ITA provides rules relating to the deductibility of certain outlays, expenses, and other amounts in computing a taxpayer's income for a taxation year.

As a general rule, Paragraph 20(1)(bb) of the Act allows a taxpayer to deduct fees (other than commissions) paid for advice on buying or selling a specific share or security by the taxpayer, or for the administration or the management of the shares or securities of the taxpayer. The fees must be paid to a person whose principal business is advising others on whether to buy or sell specific shares or whose principal business includes the administration or management of shares or securities.

Note that commissions are excluded by the preamble of paragraph 20(1)(bb) of the Act, but fees may be charged based on the portfolio value and not be considered as commissions ([see the archived Interpretation Bulletin IT-238R2, Section 4](#)).

\* The CRA is implementing a new filing system for their Interpretation Bulletins, called "Folios." In the interim, although this information is archived, the referenced Section 4 continues to represent the CRA's interpretation.

### 20(1) Deductions permitted in computing income from business or property

Notwithstanding paragraphs 18(1)(a), 18(1)(b) and 18(1)(h), in computing a taxpayer's income for a taxation year from a business or property, there may be deducted such of the following amounts as are wholly applicable to that source or such part of the following amounts as may reasonably be regarded as applicable there to

...

### 20(1) (bb) Fees paid to investment counsel

An amount, other than a commission, that

(i) is paid by the taxpayer in the year to a person or partnership the principal business of which

- > is advising others as to the advisability of purchasing or selling specific shares or securities, or
- > includes the provision of services in respect of the administration or management of shares or securities, and

(ii) is paid for

- > advice as to the advisability of purchasing or selling a specific share or security of the taxpayer, or
- > services in respect of the administration or management of shares or securities of the taxpayer.

Fees for obtaining investment advice with respect to an RRSP/RRIF (LIRA/LIF) or TFSA of registered accounts can be paid by the plan or by the non-registered account of the same annuitant/holder. However, even when paid outside the plan, the expenses remain non-deductible (paragraph 18(1)(u) of the ITA).



## Deduction for carrying charges and interest expenses

Carrying charges and interest expenses are deductible within certain limitations. Here is a brief summary of these:

A) Federal

As outlined by CRA on their website – [Line 22100](#)

### Line 22100 – Carrying charges and interest expenses

**Note: Line 22100 was Line 221 before tax year 2019.**

Claim the following carrying charges and interest you paid to earn income from investments:

- > most interest you pay on money you borrowed for investment purposes, but generally only if you use it to try to earn investment income including interest and dividends. However, you cannot deduct these fees if the only income your investment can produce is capital gain.

### 1. Foreign Income Verification Statement

#### Foreign Properties Report

The Foreign Properties Report is a tool that will help you gather the necessary data to complete your personal tax return and, more specifically, if you need to complete Form T1135 – “Foreign Income Verification Statement,” issued by the Canada Revenue Agency (CRA). Please note that the *Foreign Properties* Report is not a form prescribed by the *Income Tax Act* (ITA). Therefore, it cannot replace the T1135 required by the CRA. This report contains data obtained from a number of sources we believe to be reliable. However, we cannot attest to the accuracy, quality, or the completeness of this information. Consequently, you (and/or your tax specialist) must analyze the content and determine what is relevant to properly complete Form T1135.

For information purposes only, you shall find hereinafter information on Form T1135 including a description of our *Foreign Properties* Report to help you complete Form T1135.

#### What is Form T1135 - "Foreign Income Verification Statement?"

Any taxpayer (individual, corporation, trust) who resides in Canada must complete and file Form T1135 if he held specified foreign property (see description below) whose "cost amount" (generally referring to the cost of acquisition of the property, according to ITA) at any time during the year, was greater than \$100,000 in Canadian currency. **At any time, this implies that even if some or all of these properties have been sold before the end of the year, they must be declared.**

This form, prescribed by the ITA, helps tax authorities ensure that Canadian taxpayers disclose revenues derived from their foreign property. Since 1998, this form must be completed and filed annually to avoid onerous penalties for non-filing. For any previous years, if you omitted filing Form T1135, it is recommended that you contact your accountant or tax advisor prior to taking any action.

#### Specified Foreign Property – CRA Website : [Questions and answers about Form T1135](#)

“Specified foreign property” is defined in Subsection 233.3(1) of the ITA. Generally speaking, it includes:

- > Funds, including intangible property (patents, copyrights, etc.) situated, deposited, or held outside Canada
- > foreign property that does not produce income such as land
- > tangible property situated outside Canada
- > a share of the capital stock of a non-resident corporation
- > a share of a corporation resident in Canada but held outside Canada
- > an interest in a non-resident trust that was acquired for consideration
- > an interest in a partnership that holds a specified foreign property unless that partnership is required to file Form T1135
- > a property that is convertible into, exchangeable for, or confers a right to acquire a property that is specified foreign property
- > a debt owed by a non-resident, including government or corporate bonds, debentures, mortgages, and notes receivable
- > an interest in a foreign insurance policy
- > precious metals, gold certificates, and futures contracts held outside Canada.



Please note: a building for personal use is not covered by the Form T1135 or listed personal property (such as works of art).

Summary table concerning shares of companies listed on a foreign stock exchange according to the type of holding account:

	T1135?
RRSP-TFSA-RESP	<b>NO</b>
Non Registered personal and Corporate account	<p><b>YES</b></p> <p>If direct holding of a foreign security (including an ADR "American Deposit Receipt")</p> <p>For funds validate the legal aspect.</p> <p>Is the trust foreign (ex USA)?</p>

“Specified foreign property” does not include personal use property, or shares of the capital stock of corporations not resident in Canada held in a registered account (RRSP, TFSA, RESP, etc.) or held in a Canadian mutual fund/corporation.

For further detail, please refer to the CRA's website.

- > [General Information](#)
- > [Questions and Answers about T1135 Form \(Q19-47\)](#)

## 2. Simplified Reporting Method

Taxpayers who hold "specified foreign property" whose total acquisition cost (i.e., all their specified foreign property) is less than \$250,000 throughout the year may disclose such property under a Simplified reporting method by identifying asset types only rather than providing the required details either for each asset or by account and country.

### Part A: Simplified reporting method

For each type of property that applies to you, tick the appropriate box.

**Type of property:**

Funds held outside Canada .....

Shares of non-resident corporations (other than foreign affiliates) .....

Indebtedness owed by non-resident .....

Interests in non-resident trusts .....

Real property outside Canada (other than personal use and real estate used in an active business) .....

Other property outside Canada .....

Property held in an account with a Canadian registered securities dealer or a Canadian trust company. ....

**Country code:**

Select the top three countries based on the maximum cost amount of specified foreign property held during the year. Enter the country codes in the boxes below:

**Gross income from all specified foreign property** \$ \_\_\_\_\_

**Gain(loss) from the disposition from all specified foreign property** \$ \_\_\_\_\_

Privacy Act, personal information bank number CRA PPU 035

Your tax slips and our *Foreign Properties Reports* (see the section entitled "*Foreign Properties Report*") contain all the necessary information required to complete Form T1135 - Part A, referred to as the "Simplified reporting method."

### 3. Reminder of the Detailed Reporting Method

If you hold "specified foreign property" held through a registered securities dealer or a Canadian trust company, you have two options available regarding [Form T1135](#):

#### 1- "Report by Account and by Country" — Category 7 of Form T1135.

This section applies only to foreign properties held with a Canadian registered securities dealer or a Canadian trust company. In this category, for each account held at a securities dealer or trust company, you must identify the aggregate amount by country and indicate:

- > the maximum fair market value during the year (which may be based on the maximum month-end fair market value)
- > the fair market value at the end of the year
- > the income (losses) generated by the asset, and
- > the gains (losses) resulting from disposition of the asset

7. Property held in an account with a Canadian registered securities dealer or a Canadian trust company					
Name of registered security dealer/Canadian trust company	Country code	Maximum fair market value during the year	Fair market value at year-end	Income	Gain (loss) on disposition
<b>Total</b>					

#### 2- "Asset by Asset Report:" this section requests, for each of the specified foreign properties, the following information:

- > the name of the foreign corporation or foreign entity
- > the country to which the asset belongs
- > the maximum cost amount during the year
- > the cost amount at the end of the year
- > the gross income (losses) generated by the asset; and
- > the gain (losses) resulting from disposition of the asset.

**Part B: Detailed reporting method****Categories of specified foreign property**

In each of the tables below, provide the required details of each specified foreign property held at any time during the particular tax year. If you need additional space, please attach a separate sheet of paper using the same format as the tables.

A taxpayer who held specified foreign property with a Canadian registered securities dealer or a Canadian trust company is permitted to report the aggregate amount, on a country-by-country basis, of all such property in Category 7, Property held in an account with a Canadian registered securities dealer or a Canadian trust company. See attached instructions for Category 7 for details as to how to report under this method.

**1. Funds held outside Canada**

Name of bank/other entity holding the funds	Country code	Maximum funds held during the year	Funds held at year-end	Gross income
<b>Total</b>				

**2. Shares of non-resident corporations (other than foreign affiliates)**

Name of corporation	Country code	Maximum cost amount during the year	Cost amount at year-end	Gross Income	Gain (loss) on disposition
<b>Total</b>					

**3. Indebtedness owed by non-resident**

Description of indebtedness	Country code	Maximum cost amount during the year	Cost amount at year-end	Gross Income	Gain (loss) on disposition
<b>Total</b>					

**4. Interests in non-resident trusts**

Name of Trust	Country code	Maximum cost amount during the year	Cost amount at year-end	Income received	Capital received	Gain (loss) on disposition
<b>Total</b>						

**5. Real property outside Canada (other than personal use and real estate used in an active business)**

Description of property	Country code	Maximum cost amount during the year	Cost amount at year-end	Gross income	Gain (loss) on disposition
<b>Total</b>					

**6. Other property outside Canada**

Description of property	Country code	Maximum cost amount during the year	Cost amount at year-end	Gross income	Gain (loss) on disposition
<b>Total</b>					

#### 4. Other Relevant Information to Complete Form T1135

In the *Country codes* section in the "Instructions" portion of Form T1135, the CRA states that if there is uncertainty regarding the country code, "OTH" should be selected for "Other."

Excerpt from the CRA's Guide:

##### Country codes

For the list of country codes for tax purposes, see country codes or CRA publication T4061 of CRA entitled NR4 – Non-Resident Tax Withholding, Remitting and Reporting, Appendix A.

The country code for each category should identify the following:

- > Category 1 – the country where the funds are located;
- > Category 2 – the country of residence of the non-resident corporation;
- > Category 3 – the country of residence of the non-resident issuer;
- > Category 4 – the country of residence of the trust;
- > Category 5 – the country where property is located;
- > Category 6 – the country where property is located;
- > Category 7 – depending on the type of property, use the instructions above for categories 1 to 6.

If you are uncertain of the appropriate country code for a particular specified foreign property, select "OTH" for "Other."

#### 5. Foreign Properties Report

A *Foreign Properties* Report can help identify the foreign properties held in your non-registered accounts. In addition, the report contains supplementary information that could help you complete Form T1135.

#### 6. How to use Foreign Properties Report?

##### Information supplied by financial institutions

Your Investment Advisor can provide you with certain information regarding foreign properties held at NBFWM that could potentially be subject to Form T1135 – Foreign Income Verification Statement. Note, however, that the information received from only one financial institution may be insufficient or inaccurate to complete Form T1135. For example, if you choose the "property-by-property" reporting method, the reported cost (usually the acquisition cost) or the adjusted cost base (ACB) for tax purposes is not necessarily known by the financial institution.

You may hold identical securities in several financial institutions or in several non-registered accounts (dealer and direct broker), and therefore the book value of the securities in the report of one particular financial institution will not reflect the cost amount or the ACB of your identical securities held in all financial institutions, since the tax rules regarding "identical properties" will not have been respected. (See the section on fiscal ACB in the Tax and Investment Guide 2021.)

## 7. The Client's Responsibility

It is your responsibility to adequately complete Form T1135. You can mandate an external expert to help you with the foregoing. National Bank of Canada, its subsidiaries, and their Advisors do not offer this service. For information purposes only, your Advisor can provide certain information regarding your foreign securities held at NBFWM, which should help you complete Form T1135.

## 8. Description and Limitations of the *Foreign Property Report*

Your Advisor can provide two separate Foreign Property Reports:

- 1- The "Month End Market Value Report," which is helpful for completing Category 7 of Form T1135 - Part B (Detailed Reporting Method); and/or
- 2- The "Month End Book Value Report," which is helpful for completing Categories 2, 3 or 4 of Form T1135 - Part B (Detailed Reporting Method).

Note that the two reports can also provide the information necessary for completing Part A of Form T1135 (Simplified Reporting Method).

### **How to use the "Month End Market Value Report" to complete Form T1135: Category 7 "Property held in an account with a Canadian registered securities dealer or a Canadian trust company"**

Form T1135's Category 7 requires information regarding the fair market value by country and by account. For this purpose, Form T1135's instructions specify: "The maximum fair market value during the year may be based on the maximum month-end fair market value." Hence, for each country, the monthly report allows you to identify the highest month-end fair market value.

As well, it is possible that certain securities may be identified in the "Unknown" section due to lack of information. At this time, the CRA allows you to select "OTH" for "Other" in the Country code section.

Period from January 1, 20XX to December 31, 20XX

**FOREIGN PROPERTY (CAD)**

**MONTH END MARKET VALUE / LONG POSITIONS**

Description	Symbol	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	Income	Realized Gains and Losses
<b>AUSTRALIA</b>															
WOODSIDE PETROLEUM ORD	742114	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,082.50	32,938.50	32,604.00	29,299.50	30,376.50	0.00	0.00
<b>Total Australia</b>		<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 27,083</b>	<b>\$ 32,939</b>	<b>\$ 32,604</b>	<b>\$ 29,300</b>	<b>\$ 30,377</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>UNKNOWN</b>															
AGL ENERGY LTD	AGLNF	207,949.95	170,072.10	171,049.95	156,861.90	140,496.75	141,197.85	122,692.50	110,238.75	98,061.75	98,615.25	90,810.90	104,611.50	13,079.69	0.00
AUST & NZLD BANKING GROUP	ANWF	41,936.40	46,341.00	48,731.40	49,255.20	48,465.00	47,289.60	45,873.00	46,438.20	46,593.00	47,334.60	43,806.60	45,727.20	2,363.92	0.00
COMMONWEALTH BANK AUSTRAL	CBAUF	97,946.40	96,374.40	99,578.40	101,740.80	112,392.00	111,733.20	110,251.20	110,808.00	113,322.00	117,614.40	101,864.40	114,021.60	3,936.95	0.00
<b>Total Unknown</b>		<b>\$ 347,833</b>	<b>\$ 312,788</b>	<b>\$ 319,360</b>	<b>\$ 307,858</b>	<b>\$ 301,354</b>	<b>\$ 300,221</b>	<b>\$ 278,817</b>	<b>\$ 267,485</b>	<b>\$ 257,977</b>	<b>\$ 263,564</b>	<b>\$ 236,482</b>	<b>\$ 264,360</b>	<b>\$ 19,381</b>	<b>\$ 0</b>
<b>TOTAL</b>		<b>\$ 347,833</b>	<b>\$ 312,788</b>	<b>\$ 319,360</b>	<b>\$ 307,858</b>	<b>\$ 301,354</b>	<b>\$ 300,221</b>	<b>\$ 278,817</b>	<b>\$ 294,567</b>	<b>\$ 290,915</b>	<b>\$ 296,168</b>	<b>\$ 265,781</b>	<b>\$ 294,737</b>	<b>\$ 19,381</b>	<b>\$ 0</b>

**SUMMARY LONG POSITIONS**

Country	Maximum Market Value During the Year	Market Value at Year End	Earned Income	Realized Gains/Losses
Unknown	347,832.75	264,360.30	19,380.56	0.00
Australia	32,938.50	30,376.50	0.00	0.00
<b>Total</b>	<b>380,771.25</b>	<b>294,736.80</b>	<b>19,380.56</b>	<b>0.00</b>

## How to use the "Month End Book Value Report" to complete Form T1135: Categories 2, 3 and, 4 ("Asset by Asset")

If you choose to complete Categories 2, 3, and 4 of Form T1135, you will need the cost indicated for each asset (i.e., generally the acquisition cost). The "book value" is indicated on a monthly basis so that you can identify the month with the highest value for each asset, as well as the asset's book value at the end of the year. Note that for Categories 2, 3 and 4 ("Asset-by-Asset"), the summary and the totals are not helpful. You should remember that it is possible the book value indicated in the report is not equal to the cost to the client for the security.

MR. NICOLAS COPERNIC (88-9991)

Period from January 1, 2021 to December 31, 2021  
Period from January 1, 20XX to December 31, 20XX

### FOREIGN PROPERTY (CAD)

#### MONTH END BOOK VALUE / LONG POSITIONS

Description	Symbol	January 2021	February 2021	March 2021	April 2021	May 2021	June 2021	July 2021	August 2021	September 2021	October 2021	November 2021	December 2021	Income	Realized Gains and Losses
<b>AUSTRALIA</b>															
WOODSIDE PETROLEUM ORD	742114	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27,872.68	27,872.68	27,872.68	27,872.68	27,872.68	0.00	0.00
<b>Total Australia</b>		<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 27,873</b>	<b>\$ 27,873</b>	<b>\$ 27,873</b>	<b>\$ 27,873</b>	<b>\$ 27,873</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>UNKNOWN</b>															
AGL ENERGY LTD	AGLNF	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	263,166.26	13,079.69	0.00
AUST & NZLD BANKING GROUP	ANWF	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	44,542.01	2,363.92	0.00
COMMONWEALTH BANK AUSTRAL	CBAUF	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	80,360.96	3,936.95	0.00
<b>Total Unknown</b>		<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 19,381</b>	<b>\$ 0</b>
<b>TOTAL</b>		<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 388,069</b>	<b>\$ 415,942</b>	<b>\$ 415,942</b>	<b>\$ 415,942</b>	<b>\$ 415,942</b>	<b>\$ 415,942</b>	<b>\$ 19,381</b>	<b>\$ 0</b>

#### SUMMARY LONG POSITIONS

Country	Maximum Book Value During the Year	Book Value at Year End	Earned Income	Realized Gains/Losses
Unknown	388,069.23	388,069.23	19,380.56	0.00
Australia	27,872.68	27,872.68	0.00	0.00
<b>Total</b>	<b>415,941.92</b>	<b>415,941.92</b>	<b>19,380.56</b>	<b>0.00</b>

## 9. Limitations Applicable to *Foreign Property Report*

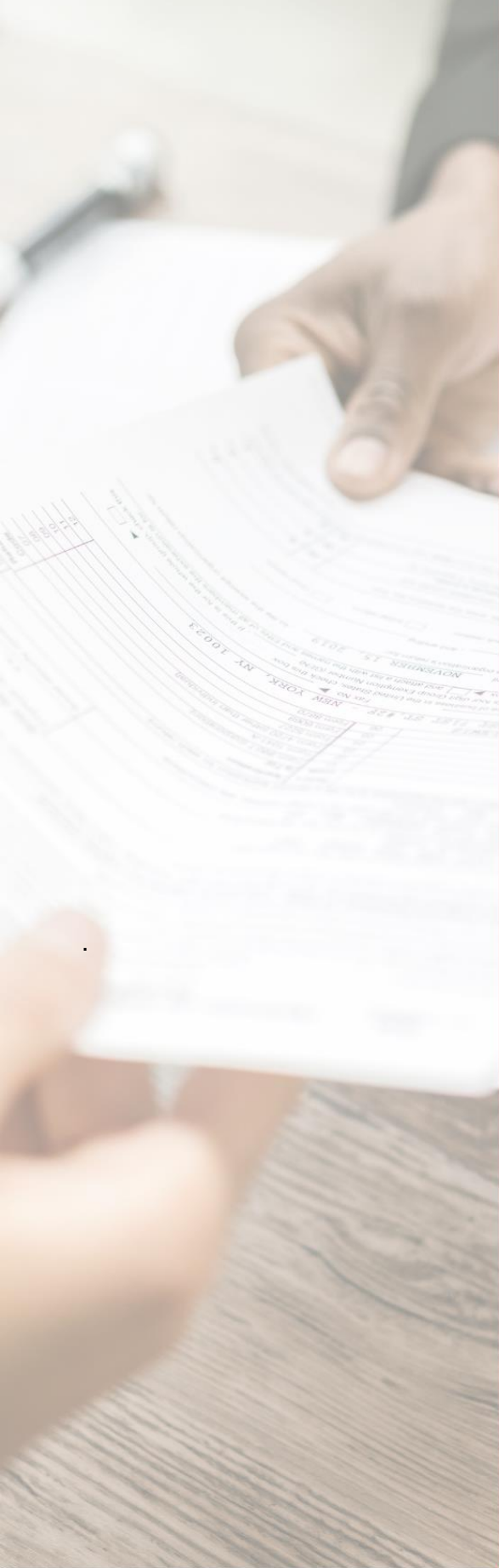
---

Although the information contained in the reports can help you produce your income tax return as well as Form T1135, some limitations must be noted:

- > Certain securities may not be “specified foreign properties” and, as a result, would not need to be included on Form T1135. You, your accountant, or an external tax expert should identify which securities correspond to the definition prior to completing the Form. In this situation, please contact your Advisor.
- > The book value does not necessarily represent the cost amount (e.g., acquisition cost) or the ACB of your asset. Accordingly, the gain (loss) column may not represent the “tax” gain (loss). For example, the adjusted cost base of a security must reflect the cost of all the identical securities held in all of your non-registered accounts across all financial institutions.
- > It is recommended that you reconcile the total of the “Income” column of the Report with what is stated on your income tax return and tax slips.

The report may have some inconsistencies with respect to certain securities.





You agree to release National Bank Financial Inc., its affiliates (including National Bank Financial – Wealth Management), employees, agents, representatives, officers and directors, even in the case of gross negligence or misconduct on the part of NBFWM or the latter, from and against all liabilities, claims, losses and/or damages (including legal fees and expenses) and from all proceedings, claims or any other cause of action as to the accuracy of the information herein (as well as in the mentioned documents and statements) and the fiscal impacts resulting from their use.

Disclaimer – The information is provided with the understanding that National Bank Financial - Wealth Management is not herein engaged in rendering legal, accounting, tax or other professional advice. While we have made every attempt to ensure the information contained in this document is reliable, National Bank Financial - Wealth Management is not responsible for any errors or omissions, or for the results obtained from the use of this information. All information is provided "as is," with no guarantee of completeness, accuracy, timeliness or as to the outcome to be obtained from the use of this information, and is without warranty of any kind, express or implied. Prior to making any decision or taking any action, you should consult with an accounting, tax, legal or other professional advisor.

© 2024 National Bank of Canada. All rights reserved. Any reproduction in whole or in part is forbidden without prior consent from National Bank of Canada.

National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA).