

THE Guardian

...building better retirement incomes since 1974

Winter 2014

TAX Alert-Increased Foreign Income Reporting Requirements

As part of the 2013 federal budget, the Government of Canada announced its intention to take steps to address tax non-compliance involving foreign property. One of these steps is the introduction of a revised Form T1135 - Foreign Income Verification Statement. The Canada Revenue Agency (CRA) can impose penalties should a taxpayer fail to comply with the form filing requirements.

Form T1135 has been in existence for a number of years, although for 2012 and previous taxation years, it was relatively straightforward to complete. However, beginning with the 2013 taxation year, the form has been revised and requires significantly more detailed information regarding foreign property owned by Canadian residents.

What is the T1135 Form?

The form must be filed by Canadian residents that at any time during the year owned foreign investment property which cumulatively had a cost of more than \$100,000.

“Foreign Investment Property” includes:

- Cash held in a foreign bank account
 - Shares in a foreign company (including those held in a Canadian brokerage account)
 - Interest in certain non-resident trusts
 - Debt owed by a non-resident, bonds or debentures issued by foreign government or foreign companies (including US treasury bonds)
 - Interests or units in offshore mutual funds
 - Real estate situated outside Canada
-

Foreign investment property does not include:

- Personal-use property (i.e. a vehicle, vacation property that is not rented out, jewelry, artwork etc)
- Assets used only in an active business (i.e. business inventory or the equipment and building used in a business)

What is exempt from reporting?

If you received a T3 or T5 slip from a Canadian issuer in respect of the income earned on the foreign investment property, that property will be exempt from the detailed reporting requirement. Generally, this will occur if a foreign investment is held through a Canadian brokerage account and it pays income to the holder of the investment. If several properties are held in one investment account, only those properties for which a T3 or T5 was issued for the taxation year would be exempt from detailed reporting in that year.

Each foreign property must be evaluated annually to determine if the exemption applies. A property that is exempt in one year may not be in the next, depending on whether it earned income for which a T3 or T5 was issued.

What is the filing deadline?

- Individuals: Generally April 30 or June 15 for self-employed
- Corporations: 6 months after the company's year end
- Trusts: 90 days after the trust's year end
- Partnership: Dependent on whether the partners are individuals, corporations, or both

Penalties for non-compliance are severe and we thus encourage taxpayers who will be impacted to file on a timely basis. Note that at time of writing, as there was no means of filing this form electronically, it is necessary to submit a paper copy.

2014 Tax Updates

As is customary in our first issue of the Guardian each year, we outline key tax figures and statistics for the current year. Updated figures outlined below.

Marginal Tax Rates for 2014 (BC)

Taxable Income	Fed. Tax Rate (%)	Prov Tax Rate (%)	Total Tax Rate (%)	Capital Gains (%)	Eligible Dividends (%) (actual not grossed)	Non-eligible Div. (%)
0 - 37,606	15	5.06	20.06	10.03	-6.84	7.61
37,606 - 43,953	15	7.70	22.70	11.35	-3.20	10.73
43,953 - 75,213	22	7.70	29.70	14.85	6.46	18.99
75,213 - 86,354	22	10.50	32.50	16.25	10.32	22.29
86,354 - 87,907	22	12.29	34.29	17.15	12.79	24.40
87,907 - 104,858	26	12.29	38.29	19.15	18.31	29.12
104,858 - 136,270	26	14.70	40.70	20.35	21.64	31.97
136,270 - 150,000	29	14.70	43.70	21.85	25.78	35.51
150,000 - +	29	16.80	45.80	22.90	28.68	37.98

Tax Credits

Personal Tax Credit	Federal	11,138 x 15% =	1,671
	Provincial	9,869 x 5.06% =	499
Spousal ¹	Federal	11,138 x 15% =	1,671
	Provincial	8,442 x 5.06% =	428
Age 65+ ²	Federal	6,916 x 15% =	1,037
	Provincial	4,426 x 5.06% =	224
OAS Clawback	Starts at 71,592		

Other Items

CPP & OAS Rates
Max CPP \$1,038.33/mo.
Max OAS \$551.54/mo.
RRSP Contribution Limit
\$24,270 2014

¹ Reduced as spouse's income exceeds \$845, and eliminated completely when income exceeds \$11,138.

² Reduced when income exceeds \$32,943, and eliminated completely when income exceeds \$80,980.

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**REGISTERED RETIREMENT INCOME FUND (RRIF)
STATUTORY MINIMUM MONTHLY INCOMES BASED ON \$100,000
COMMENCING ONE MONTH FROM ISSUE**

Best Current Rate: 3.05%

Age	1st Year	TOTAL PAYMENTS	A R.R.I.F. can also be structured to pay a level income for a shorter period. Based on current interest rates, \$100,000 will produce the following monthly income. For 5 years:\$1776.00 For 10 years:\$967.00 For 15 years:\$689.00
		TO AGE 100	
55	\$239.00	\$181,650.17	
60	278.00	166,546.79	
65	334.00	152,650.37	
71	616.00	135,727.97	

**MONTHLY ANNUITY INCOMES COMMENCING
ONE MONTH FROM ISSUE BASED ON \$100,000**

Age	LIFE (Payments cease at death)		LIFE 10 Year Guarantee		JOINT LIFE 10 Year Guarantee
	MALE	FEMALE	MALE	FEMALE	MALE & FEMALE
	55	\$471.14	\$430.21	\$471.23	\$431.62
60	525.52	480.69	523.13	481.04	449.83
65	594.06	544.38	575.44	534.03	490.63
71	714.31	644.41	666.58	618.46	559.11



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Vancouver: 805 - 675 West Hastings Street
Vancouver, BC V6B 1N2Toll Free in BC 1-800-663-0644

Website: www.solguard.com
Email: info@solguard.com

North Shore: 200 - 100 Park Royal South
West Vancouver, BC**By Appointment Only**

Victoria: 520 - 645 Fort Street
Victoria, BC V8W 1G2Toll Free in BC 1-877-500-3636