

FAQ ON INTERNATIONAL TAX

International FAQ Issue #67 Revised August 25, 2020 T1134 INFORMATION RETURN RELATING TO FOREIGN AFFILIATES

Tax Question:

What is a T1134 Information Return Relating To Controlled and Not-Controlled Foreign Affiliates?

Facts:

If a Canadian corporation or individual has an interest in a foreign affiliate, whether controlled or not, it will need to complete a T1134 information return. The T1134 information return is broken into two forms, a summary and a supplement. A separate supplement must be filed for each foreign affiliate.

Discussion:

A foreign affiliate is a non-resident corporation where a Canadian corporation owns at least 10% of the non-resident corporation's shares, whether directly or indirectly. The foreign affiliate is considered to be controlled if there is "de jure" control which is usually simply owing the majority of the votes. Control also includes "de facto" control which occurs when a person has direct or indirect influence strong enough to control even though they do not have the votes.

If the total cost of foreign affiliates is less than \$100,000 **and** the foreign affiliates are inactive or dormant, form T1134 does not need to be filed. A foreign affiliate is considered to be inactive or dormant when it has gross receipts less than \$25,000 and assets with a fair market value less than \$1,000,000.

The T1134 summary form requires the Canadian corporation to provide organizational structure information. This includes name of the affiliated corporation, its country of residence and the corporation's equity percentage in the foreign affiliate.

The T1134 supplement form requires each foreign affiliate to report its address, country of residence, type of business activity, historical cost of the shares, equity percentage, debt between the corporations, and financial information. Controlled foreign affiliates must also report its number of employees, composition of revenue, capital gains (losses) and foreign accrual property income (FAPI) (see International FAQ #29). There are also several questions to answer regarding the foreign affiliate.

Currently, the information return must be filed within 15 months of the corporation's year end. However, for tax years that begin in 2020, the information return will have to be filed within 12 months of the corporation's year end. Penalties for not filing on time are significant, \$25 per day up to a maximum of \$2,500. If you have not filed yet as you were unaware of the filing requirements, the penalties may be waived if the information return is submitted under the Voluntary Disclosure Program (see FAQ #120).

Recommendation:

Reach out to us at www.gilmour.ca to learn more about how to report foreign affiliates on form T1134.



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