Tax and Investment Guide 2020

What You Need to Know

(Canada except Quebec)

NATIONAL BANK
DIRECT BROKERAGE

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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 taking action based on the information found in this guide.

Introduction

This guide has been prepared by National Bank Direct Brokerage ("NBDB") to present the various tax slips and information reports you may receive from us. You will find information regarding the government tax slips and associated summaries. This guide is specifically intended for individuals residing in Canada. Canadians residing in Quebec should consult the Tax and Investment Guide 2020 (Quebec), which contains specificities regarding provincial taxation. 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 and capital gains and losses. We strongly recommend that individuals consult an accountant or tax specialist to complete their tax return. This guide is a brief summary covering federal taxation. However, some provinces have specific requirements to be considered by individuals residing in those provinces.

Useful Links

Canada Revenue Agency (CRA):

- Website (home page): https://www.canada.ca/en/revenue-agency.html
- *"My Account"* for Individuals: https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html
- Income Tax Package: https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years.html
- CRA and COVID-19: https://www.canada.ca/en/revenue-agency/campaigns/covid-19-update.html

Mailing Deadlines for Various Tax Slips

Below is a table of the various government tax slips and summaries potentially needed to prepare your 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 of 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.

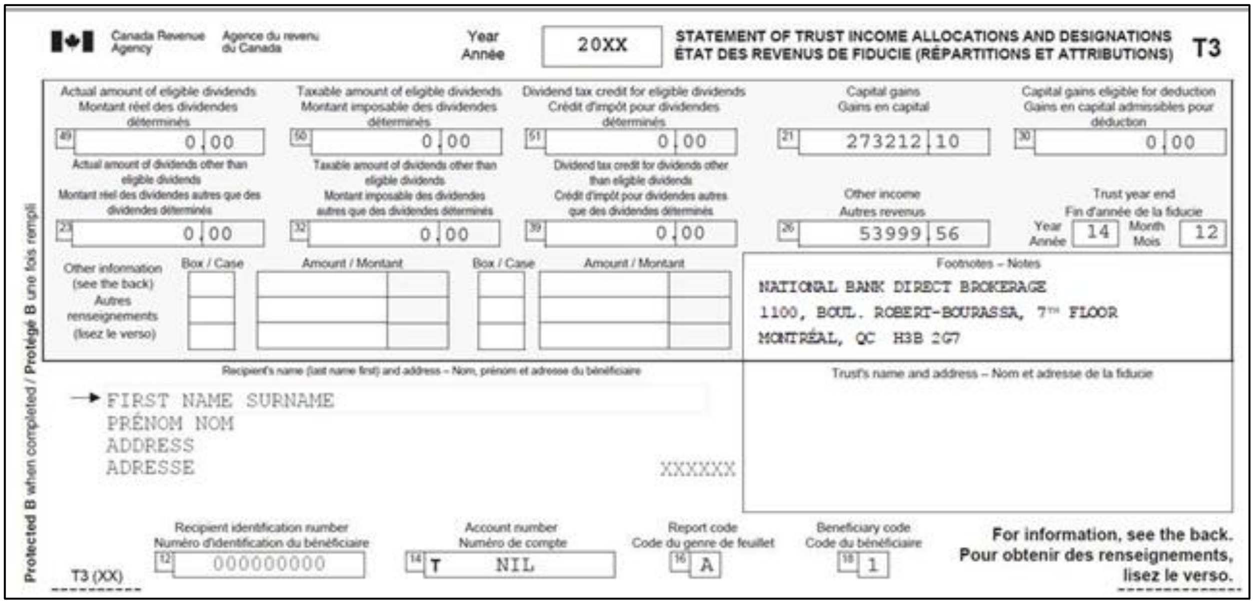
Non-Registered		
Type of Income/Fees	**Slip/Summary**	**Mailing Deadline**[1]
Dividends, interest, foreign income	T5 and *Investment Income Summary*[2]	March 1, 2021
Interest paid and investment fees	*Investment Income Summary*[2]	March 1, 2021
Realized gains and losses	T5008 and *Securities Transactions Summary*[2]	March 1, 2021
Distributions from a trust	T3 and *Summary of Trust Income*[2]	March 31, 2021[3]
Partnerships	T5013	March 31, 2021
Registered Investments		
Withdrawal from a registered investment account:		
RRSP	T4RSP	March 1, 2021
RRIF/LIF/LRIF	T4RIF	March 1, 2021
RESP/RDSP	T4A	March 1, 2021

1 - Government-prescribed date.
2 - This summary is not government-prescribed, but NBDB commits to issuing it at the specified date if needed.
3 - The first time T3 16 is 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 at a later date.

RRSP Contributions		
Time of Contribution	**Contribution Deadline**	**Time of Reception**
First 60 days of 2020	March 2, 2020	You should have received your contribution slip in March 2020.
Rest of the year 2020	N/A	You should receive your contribution slip in January 2021.
First 60 days of 2021	March 1, 2021	You should receive your contribution slip in March 2021.

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
Year / Année 20XX
STATEMENT OF TRUST INCOME ALLOCATIONS AND DESIGNATIONS
ÉTAT DES REVENUS DE FIDUCIE (RÉPARTITIONS ET ATTRIBUTIONS) T3

49	Actual amount of eligible dividends / Montant réel des dividendes déterminés	0.00
50	Taxable amount of eligible dividends / Montant imposable des dividendes déterminés	0.00
51	Dividend tax credit for eligible dividends / Crédit d'impôt pour dividendes déterminés	0.00
21	Capital gains / Gains en capital	273212.10
30	Capital gains eligible for deduction / Gains en capital admissibles pour déduction	0.00
23	Actual amount of dividends other than eligible dividends / Montant réel des dividendes autres que des dividendes déterminés	0.00
32	Taxable amount of dividends other than eligible dividends / Montant imposable des dividendes autres que des dividendes déterminés	0.00
39	Dividend tax credit for dividends other than eligible dividends / Crédit d'impôt pour dividendes autres que des dividendes déterminés	0.00
26	Other income / Autres revenus	53999.56

Trust year end / Fin d'année de la fiducie: Year / Année 14, Month / Mois 12

Other information (see the back) / Autres renseignements (lisez le verso): Box / Case, Amount / Montant, Box / Case, Amount / Montant

Footnotes – Notes: NATIONAL BANK DIRECT BROKERAGE, 1100, BOUL. ROBERT-BOURASSA, 7TH FLOOR, MONTRÉAL, QC H3B 2G7

Recipient's name (last name first) and address – Nom, prénom et adresse du bénéficiaire: FIRST NAME SURNAME / PRÉNOM NOM / ADDRESS / ADRESSE XXXXXX

Trust's name and address – Nom et adresse de la fiducie

12 Recipient identification number / Numéro d'identification du bénéficiaire: 000000000
14 Account number / Numéro de compte: T NIL
16 Report code / Code du genre de feuillet: A
18 Beneficiary code / Code du bénéficiaire: 1

For information, see the back. Pour obtenir des renseignements, lisez le verso.

T3 (XX)

Protected B when completed / Protégé B une fois rempli

Please note that 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 T3s from ABC Company Mutual Inc. You should wait to receive all your slips before filing your income tax return.

Note that 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 Trusts and you will not find NBDB's name on your T3 slips. 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
- Eligible dividends from taxable Canadian corporations
- Dividends other than eligible dividends from taxable Canadian corporations
- Foreign non-business income
- Capital income
- Capital gains

Summary of Trust Income

The *Summary of Trust Income* is issued by NBDB. 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.

NATIONAL BANK
DIRECT BROKERAGE

SUMMARY OF TRUST INCOME 20XX
(Excluding Mutual Funds)

FIRST NAME SURNAME
ADDRESS
ADDRESS
ADDRESS

Reference
XXXXX

Investment Advisor
CDBN

Telephone

S.I.N.
000 000 000

Resident
QUEBEC

DATE 20XX	QUANTITY	DESCRIPTION	T3/REL16 BOX NO.	AMOUNT PAID BY YOU	AMOUNT PAID TO YOU
YOUR CANADIAN ACCOUNT XX-XXXX-X					
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(42/M)		3.79
20xx/xx/xx	50	ARTIS REIT T/U	(26/G)		0.71
20xx/xx/xx	50	ARTIS REIT T/U	(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

Detailed Description of Each Type of Income:

- Interest and other income

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

- Dividends from taxable Canadian corporations

  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 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 a dividend 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 (gross-up and credit) must be made in order to avoid double taxation on this income.

  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 tax return of the individual. The amount shown in box 32, the taxable amount (grossed-up), should be reported. The credit for dividends other than eligible dividends will be shown in box 39.

- Dividends from foreign corporations

  Please note that dividends from foreign corporations (American, European, etc.) will be reported in box 25. 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, there is no difference between foreign interest and dividend income. All gross (prior to withholding) foreign income received by the trust will be found in box 25 of the T3 slip. 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 slip. 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 slip and will retain its character. 50% of capital gains are not taxable and must reduce the capital loss otherwise realized in the same year. All of 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 slip 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 the ACB adjustment that has been made.

FAQ – T3 Slip

- Q: My T3 slip 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: 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: Why did I receive my T3 slip so late in the month of April?

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

- Q: Why did I receive an amended T3 slip?

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

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

  A: T3 slips are issued by NBDB, but on behalf of the different trusts. The income shown on the T3 slip 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 NBDB. In order 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.*

Joint Accounts

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

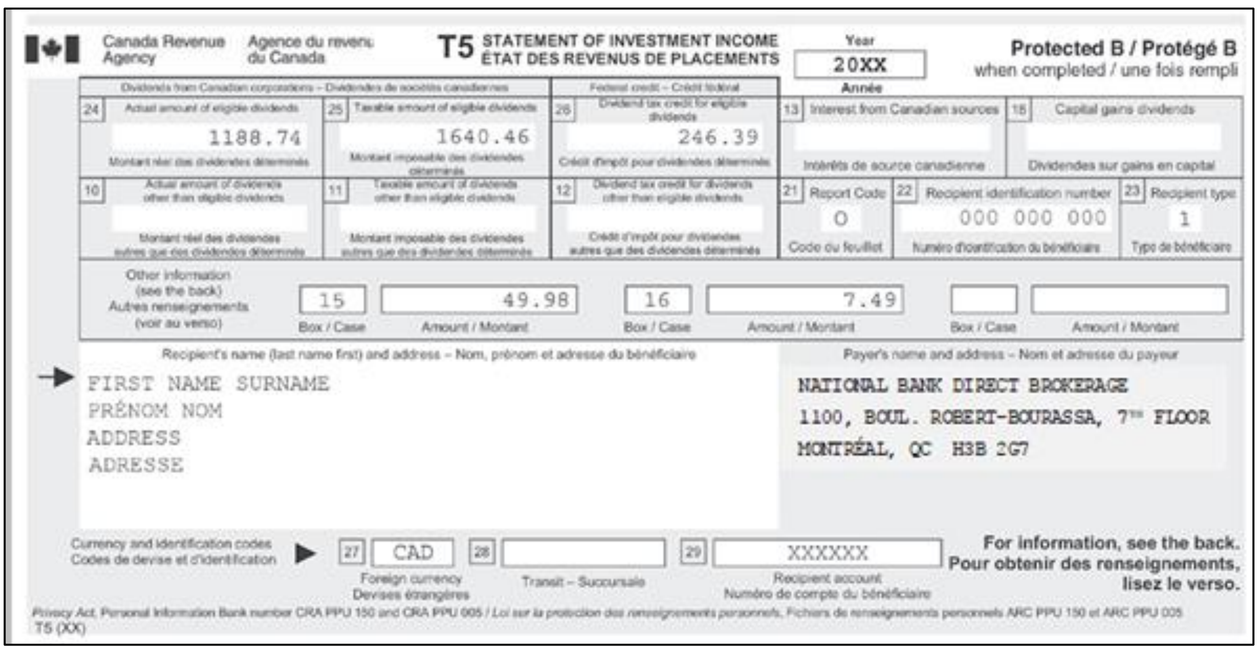
Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to spouses or common-law partners and minor children.

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. However, 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.


Canada Revenue Agency / Agence du revenu du Canada
T5 STATEMENT OF INVESTMENT INCOME / ÉTAT DES REVENUS DE PLACEMENTS
Year / Année: 20XX
Protected B / Protégé B when completed / une fois rempli

24	Actual amount of eligible dividends / Montant réel des dividendes déterminés	1188.74
25	Taxable amount of eligible dividends / Montant imposable des dividendes déterminés	1640.46
26	Dividend tax credit for eligible dividends / Crédit d'impôt pour dividendes déterminés	246.39
13	Interest from Canadian sources / Intérêts de source canadienne	
18	Capital gains dividends / Dividendes sur gains en capital	
10	Actual amount of dividends other than eligible dividends / Montant réel des dividendes autres que des dividendes déterminés	
11	Taxable amount of dividends other than eligible dividends / Montant imposable des dividendes autres que des dividendes déterminés	
12	Dividend tax credit for dividends other than eligible dividends / Crédit d'impôt pour dividendes autres que des dividendes déterminés	
21	Report Code / Code du feuillet	O
22	Recipient identification number / Numéro d'identification du bénéficiaire	000 000 000
23	Recipient type / Type de bénéficiaire	1

Other information (see the back) / Autres renseignements (voir au verso): Box / Case 15 – Amount / Montant 49.98; Box / Case 16 – Amount / Montant 7.49

Recipient's name (last name first) and address – Nom, prénom et adresse du bénéficiaire:
FIRST NAME SURNAME
PRÉNOM NOM
ADDRESS
ADRESSE

Payer's name and address – Nom et adresse du payeur:
NATIONAL BANK DIRECT BROKERAGE
1100, BOUL. ROBERT-BOURASSA, 7TH FLOOR
MONTRÉAL, QC H3B 2G7

Currency and identification codes / Codes de devise et d'identification: 27 Foreign currency / Devises étrangères: CAD; 28 Transit – Succursale; 29 Recipient account / Numéro de compte du bénéficiaire: XXXXXX

For information, see the back. Pour obtenir des renseignements, lisez le verso.

Privacy Act, Personal Information Bank number CRA PPU 150 and CRA PPU 005 / Loi sur la protection des renseignements personnels, Fichiers de renseignements personnels ARC PPU 150 et ARC PPU 005
T5 (XX)

Dividends from Taxable Canadian Corporations

Essentially, the tax implications associated with a dividend will depend on the type of dividend you received. A dividend paid by a taxable Canadian corporation can be classified, very generally, as either an “eligible dividend” or a “dividend other than an eligible dividend.” The tax implications and rates applied to each type of dividend reflect the underlying taxation of income earned in the corporation. Put simply, corporate income that has been taxed at a higher rate (at the general corporate tax rate) can be paid out as “eligible dividends” and, therefore, taxed in your hands at a lower tax rate. Earnings which were taxed at a lower corporate tax rate will be paid as “dividends other than eligible dividends” and taxed in your hands at a higher tax rate. Finally, a dividend gross-up and a dividend tax credit apply to the dividends you receive from Canadian corporations. This mechanism ensures that the combined corporate and personal tax paid on income approximates the tax that would be paid by an individual who earns the income directly (concept of “integration”).

1 - Eligible dividends
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 return; you must report the grossed-up amount shown in box 25 – Taxable amount of eligible dividends. 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")
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.

Foreign Income

Earnings from dividends, interest or any other type of foreign income are shown in box 15 of the T5. The tax paid to the foreign country pertaining to such income is reported in box 16 of the T5 slip. 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 tax paid in the foreign country in your tax return.

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 slip) 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 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: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/eligible-spin-offs.html

In order to take advantage of this deferral, you must file an election with your Federal tax return. https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/information-canadian-shareholders.html

Note that even when the foreign reorganization qualifies for the tax deferral and the election is filed on time, the amount still appears on the T5 slip (box 15).

Interest on Linked Notes

Following regulatory changes in 2017 regarding the disposition or transfer of equity linked notes prior to their maturity, all gains realized at the time of disposition or transfer must be considered as accrued interest. This interest must be declared in box 30 of the T5 slip. Box 21 of the T5008 (proceeds of disposition) will not include the interest declared on the T5.

See Linked Notes (page 15)

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 with the exception of interest on stripped coupons and residual bonds.

See Premium or Discount Bonds (page 20)

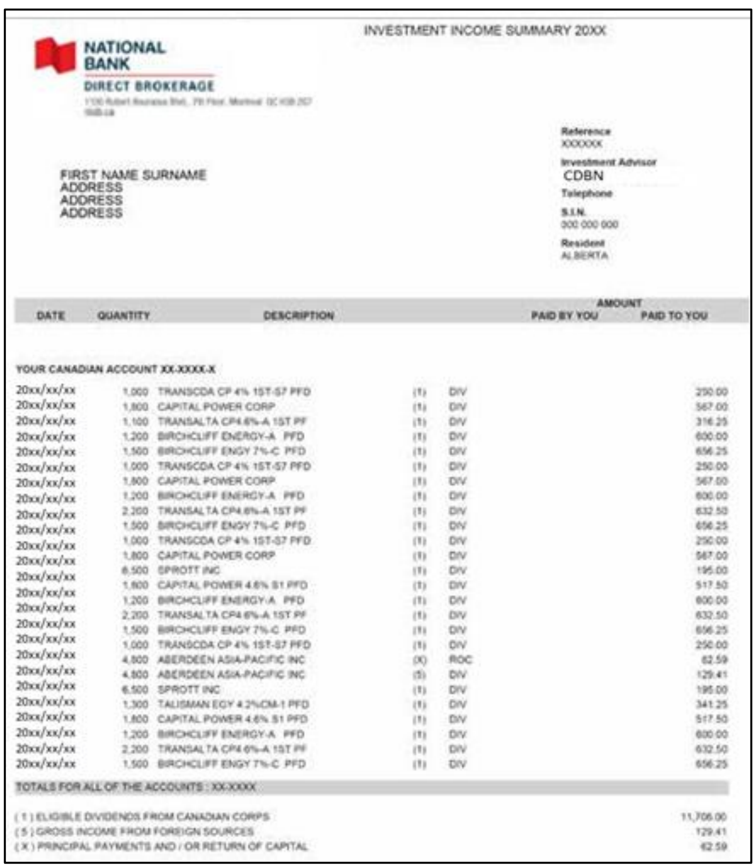
Transfer of Securities to a Registered Account

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") or a Registered Education Savings Plan ("RESP"), these will be included on the T5 slip and will also be shown on the Investment Income Summary.

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, TFSA, RRIF, RESP, RDSP, LIRA, LRIF or Locked-in RRSP are not deductible, even if paid through a non-registered account.



INVESTMENT INCOME SUMMARY 20XX

NATIONAL BANK
DIRECT BROKERAGE

FIRST NAME SURNAME
ADDRESS
ADDRESS
ADDRESS

Reference
XXXXXX
Investment Advisor
CDBN
Telephone
S.I.N.
000 000 000
Resident
ALBERTA

DATE	QUANTITY	DESCRIPTION			AMOUNT PAID BY YOU	AMOUNT PAID TO YOU
YOUR CANADIAN ACCOUNT XX-XXXX-X						
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV		250.00
20xx/xx/xx	1,800	CAPITAL POWER CORP	(1)	DIV		567.00
20xx/xx/xx	1,100	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV		316.25
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV		600.00
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV		656.25
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV		250.00
20xx/xx/xx	1,800	CAPITAL POWER CORP	(1)	DIV		567.00
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV		600.00
20xx/xx/xx	2,200	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV		632.50
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV		656.25
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV		250.00
20xx/xx/xx	1,800	CAPITAL POWER CORP	(1)	DIV		567.00
20xx/xx/xx	6,500	SPROTT INC	(1)	DIV		195.00
20xx/xx/xx	1,800	CAPITAL POWER 4.6% S1 PFD	(1)	DIV		517.50
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV		600.00
20xx/xx/xx	2,200	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV		632.50
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV		656.25
20xx/xx/xx	1,000	TRANSCDA CP 4% 1ST-S7 PFD	(1)	DIV		250.00
20xx/xx/xx	4,800	ABERDEEN ASIA-PACIFIC INC	(X)	ROC		62.59
20xx/xx/xx	4,800	ABERDEEN ASIA-PACIFIC INC	(5)	DIV		129.41
20xx/xx/xx	6,500	SPROTT INC	(1)	DIV		195.00
20xx/xx/xx	1,300	TALISMAN EGY 4.2%CM-1 PFD	(1)	DIV		341.25
20xx/xx/xx	1,800	CAPITAL POWER 4.6% S1 PFD	(1)	DIV		517.50
20xx/xx/xx	1,200	BIRCHCLIFF ENERGY-A PFD	(1)	DIV		600.00
20xx/xx/xx	2,200	TRANSALTA CP4.6%-A 1ST PF	(1)	DIV		632.50
20xx/xx/xx	1,500	BIRCHCLIFF ENGY 7%-C PFD	(1)	DIV		656.25
TOTALS FOR ALL OF THE ACCOUNTS : XX-XXXX						
(1) ELIGIBLE DIVIDENDS FROM CANADIAN CORPS						11,706.00
(5) GROSS INCOME FROM FOREIGN SOURCES						129.41
(X) PRINCIPAL PAYMENTS AND / OR RETURN OF CAPITAL						62.59

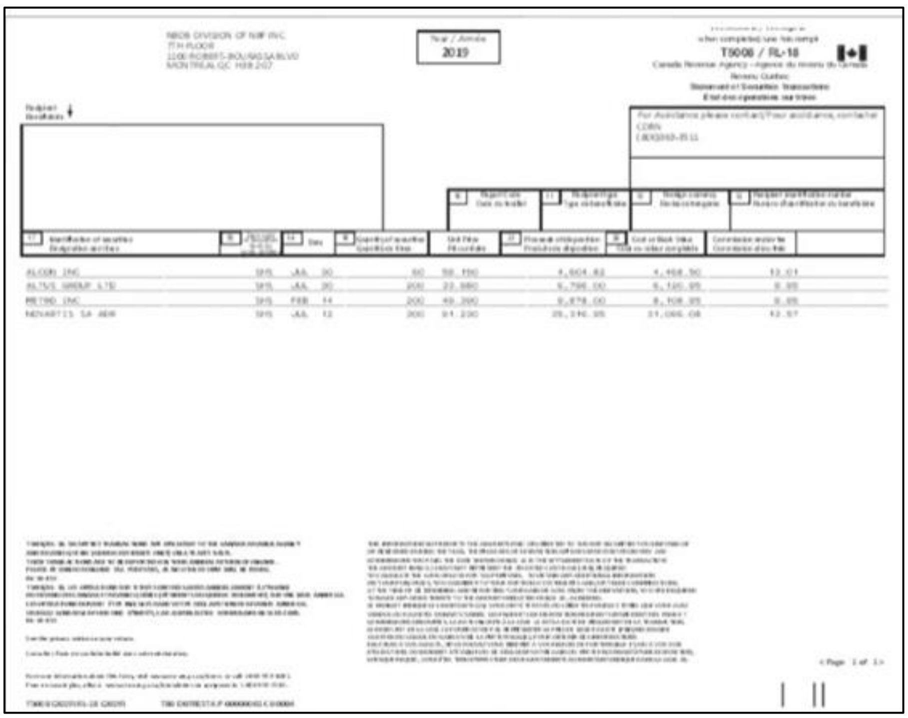
Joint Accounts

Note that when an account is jointly held between spouses, the client must allocate the income, the gains and the losses generated based on each individual'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 spouses or common-law partners and minor children.

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.


Year / Année
2019
T5008 / RL-18

- As indicated in the CRA guide, the amount shown in box 20 of the T5008 may not represent the Adjusted Cost Base (ACB) required to calculate the gain or loss for tax purposes. Please refer to the FAQ at the end of this section for further detail.
- 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 of the T5008 slip is left blank, it is because the institution does not have accurate information to report a book value. You will need to check your records to determine the ACB so that you can calculate your gain or loss.
- Note, that if electronic slips are used, you must add the adjusted cost base manually in Schedule 3, otherwise your gain will be overvalued. Please see below the section outlining the concept of fiscal ACB.

How is the Capital Gain or Loss Calculated

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

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 commission or any expenses disbursed.

Commissions or Fees

The T5008 slip also reports the fees or commissions incurred on the disposition of the security. This amount is needed to accurately calculate the fiscal gain or loss as mentioned above.

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.

Special Rules for Identical Properties

If an individual buys identical properties 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:
https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/personal-income/line-127-capital-gains/calculating-reporting-your-capital-gains-losses.html

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 Tax ACB	Average Tax ACB	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). As well, the fiscal ACB must be calculated in Canadian dollars, even if the security (Canadian or foreign) is denominated in a different currency. Thus, 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, and therefore, will ultimately determine the gain/loss. Note that the CRA indicates on its website that you can use the annual average exchange rate when transactions occur throughout the year, as is the case when receiving dividends or interest. This is not the case when calculating the ACB, the proceeds of disposition and the capital gain/loss.

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 generated a capital gain or loss. Since January 1, 2017, 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," and may not be subject to the rules of the Notes if the legal nature of the product does not fall within the definition of "linked bills" under the Income Tax Act. For example, bills with fixed coupons (redeemable or not) are not covered because they do not 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").

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 in Schedule 4 (no prescribed slip is required);
3 - Gain or loss, as applicable (slip T5008 and calculation of the ACB).

Here is a way to calculate or identify each of the steps:

1- *Calculation of interest :* Paragraph 20(14.2) of the 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.

   The CRA require that the portion of interest be reported on a T5 slip.

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) of the ITA. This amount must be provided in Schedule 4 of the income tax return. 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, in certain circumstances, be modified to obtain the adjusted cost base (ACB) required to calculate the capital gain or loss. For additional information, please refer to the section entitled "How is the capital gain or loss calculated?" above.

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

Note: If the proceeds of disposition indicated in the *Realized Capital Gains and Losses Report* are different from that identified on the T5008, please use the value indicated on the T5008.

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

Face Value	$1,000
Investor's Purchase Price	$1,000
Sell Price	$1,020
Interest (T5)	$20
Gain (Loss) Calculation	
Proceeds of Disposition	$1,020
Adjustment (interest T5)	$20
Proceeds of Disposition (T5008)	$1,000
Initial Cost	$1,000
Adjustment	$0
Adjusted Cost Base	$1,000
Gain **(Loss)**	$0

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 is the capital gain or loss 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.

Face Value	$1,000
Investor's Purchase Price	$1,000
Sell Price	$1,020
Purchase Commission	$0
Sale Commission	$25
Interest (T5)	$20
Gain (Loss) calculation	
Proceeds of Disposition	$1,020
Adjustment (interest T5)	$20
Proceeds of Disposition (T5008)	$1,000
Sale 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 in Appendix 4 of the individual's income tax return. The interest paid also reduces the acquisition cost for the purpose of calculating the ACB.

Face Value	$1,000
Investor's Purchase Price	$1,050
Sell Price	$1,070
Interest (T5)	$70
Deduction for Interest Paid Purchase (Schedule 4)	$50
Gain (Loss) Calculation	
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

Face Value	$1,000
Investor's Purchase Price	$998
Sell Price	$1,000
Interest (T5)	- $
Deduction for Interest Paid Purchase (Schedule 4)	- $
Gain (Loss) Calculation	
Proceeds of Disposition	$1,000
Adjustment (interest T5)	- $
Proceeds of Disposition (T5008)	$1,000
Initial Cost	$998
Adjustment (Interest Paid on Purchase)	- $
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 in Schedule 4) is converted at the exchange rate applicable at the time of acquisition.

For the purpose of calculating the gain (loss), proceeds of disposition and related expenses are converted at the exchange rate at 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. Adjusted cost base adjustments (such as interest paid) are converted at the exchange rate when they occur.

	(1)		(2)	(1) x (2)
	USD		Conversion rate	CDN $
Face Value	$1,000	Jan 16, 2019	1.1	$1,100
Investor's Purchase Price	$1,050	April 18, 2019	1.2	$1,260
Return on Capital	$1,070	Nov 26, 2019	1.3	$1,391
Interest (T5)	$70		1.3	$91
Deduction for Interest Paid Purchase (Schedule 4)	$50		1.2	$60
Gain (Loss) Calculation				
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	$1,060		1.2	$1,260
Adjustment (Interest Paid)	$50		1.2	$60
Adjusted Cost Base	$1,000			$1,1200
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 adjusted cost base (ACB) for the calculation of the gain or loss.

Face Value	$1,000
Investor's Purchase Price	$1,000
Return on Capital	$200
Sell Price	$820
Interest (T5)	$20
Gain (Loss) Calculation	
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

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 therefore often have interest income and the potential for capital gains (losses).

Calculation of the interest portion

The I.T.A. 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. At the time of sale, it is likely that 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 will be able to **deduct the interest paid**.

Here is a summary of some of the tax impact:

- Interest accrued since the last payment that is part of the sale price (20(14)(b) ITA and 167 LI).
- The purchaser will receive the T5 for the full year but will deduct the portion paid to the seller.
- The deduction is allowed in the taxation 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 from IQPF Solution
  Vested obligation January 1, 2020
  Maturity: December 31, 2035
  Interest at 3% payable semi-annually on June 30 and December 31 of each year.
  Face value: $10,000
  Price paid: $10,000
  Sale of bonds July 31, 2020 at a price of $10,500
  Tax impact for the seller

Nominal Value	$10,000		
Interest Rate	3%		
Calculation of Interest Income	2020		
Half-year payment 1	**January 1 to June 30**	150.00	6/12
Half-year payment 2	July 1 to July 31	25.48	31/365
	TOTAL INTEREST	**350.96**	
Calculation of Gain (Loss)	2020		
Selling Price	$10,500.00		
ACB	$10,000.00		
Gain (Loss)	$500.00		

FAQ –T5008 Slip

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

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

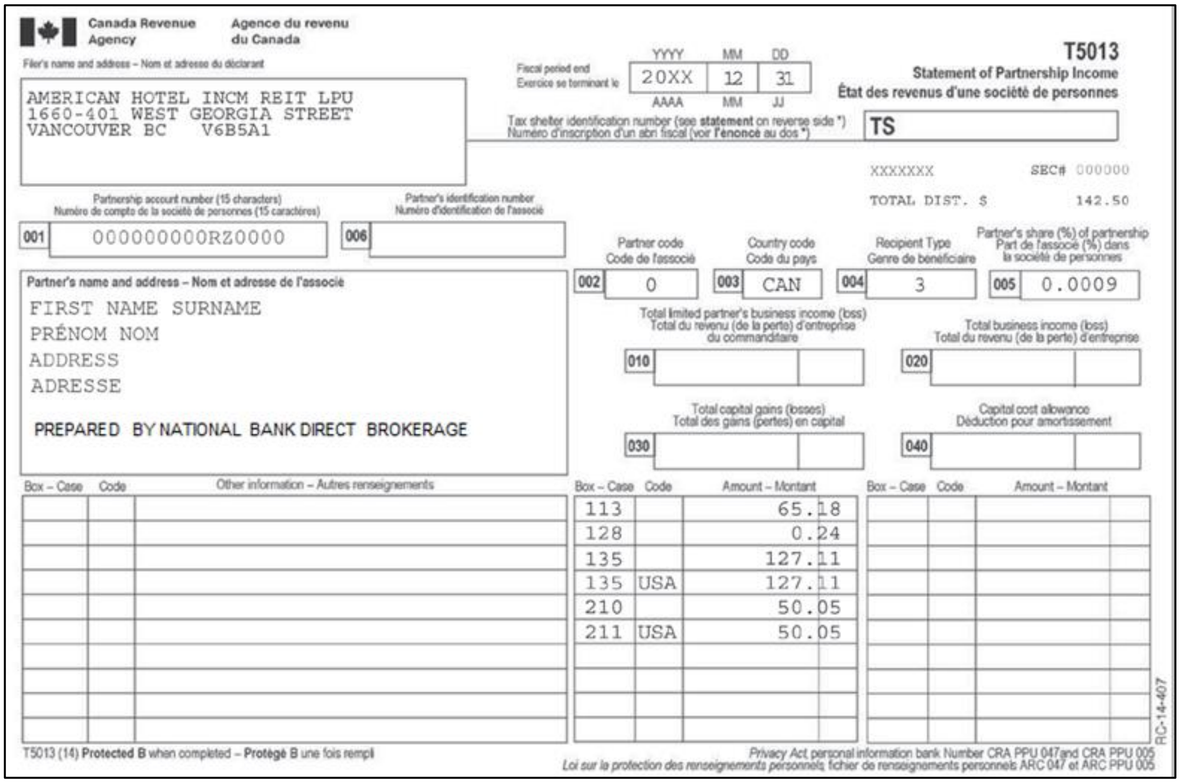
  - when a security was transferred into your account, the information that was provided by the institution that transferred the security may have been incorrect.
  - when you hold identical securities in more than one non-registered account, even when the accounts are all at the same institution.
  - 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 into short sale transactions and the position was not fully hedged during the year, the book value may not be accurately reflected.

- Q: If there is a difference between the amount that is shown on the T5008 and the Realized Capital Gains and Losses Report, which number takes precedence?

  A: The amount on the T5008 takes precedence. For example, if the client sells his position and a book value adjustment subsequently occurs, the book value on T5008 will be different.

T5013 Slip – Statement of Partnership Income

If you hold units of a limited partnership (or units of a partnership), you will receive tax information on a T5013 slip. Note that you will receive a separate T5013 for each limited partnership (or partnership) for which you hold units.



Canada Revenue Agency / Agence du revenu du Canada

Filer's name and address – Nom et adresse du déclarant

AMERICAN HOTEL INCM REIT LPU
1660-401 WEST GEORGIA STREET
VANCOUVER BC V6B5A1

Fiscal period end / Exercice se terminant le: YYYY/AAAA 20XX MM 12 DD/JJ 31

T5013
Statement of Partnership Income
État des revenus d'une société de personnes

Tax shelter identification number (see **statement** on reverse side *) / Numéro d'inscription d'un abri fiscal (voir **l'énoncé** au dos *): TS

XXXXXXX SEC# 000000
TOTAL DIST. $ 142.50

Partnership account number (15 characters) / Numéro de compte de la société de personnes (15 caractères): 001 000000000RZ0000

Partner's identification number / Numéro d'identification de l'associé: 006

Partner's name and address – Nom et adresse de l'associé

FIRST NAME SURNAME
PRÉNOM NOM
ADDRESS
ADRESSE

PREPARED BY NATIONAL BANK DIRECT BROKERAGE

Partner code / Code de l'associé	Country code / Code du pays	Recipient Type / Genre de bénéficiaire	Partner's share (%) of partnership / Part de l'associé (%) dans la société de personnes
002: 0	003: CAN	004: 3	005: 0.0009

Total limited partner's business income (loss) / Total du revenu (de la perte) d'entreprise du commanditaire: 010

Total business income (loss) / Total du revenu (de la perte) d'entreprise: 020

Total capital gains (losses) / Total des gains (pertes) en capital: 030

Capital cost allowance / Déduction pour amortissement: 040

Box – Case | Code | Other information – Autres renseignements

Box – Case	Code	Amount – Montant
113		65.18
128		0.24
135		127.11
135	USA	127.11
210		50.05
211	USA	50.05

T5013 (14) **Protected B** when completed – **Protégé B** une fois rempli

Privacy Act personal information bank Number CRA PPU 047 and CRA PPU 005
Loi sur la protection des renseignements personnels fichier de renseignements personnels ARC 047 et ARC PPU 005

RC-14-407

Please note that a holder of partnership units must inform the CRA of the partnership's allocation, which may differ from the amounts actually received in the account. Thus, the taxpayer should use the amounts shown on the T5013 statement. Note that, for information purposes, the amount that has actually been distributed is generally shown on the top right-hand corner of the T5013 slip.

You can now use the CRA's "*My Account*" and the auto-fill function to facilitate the preparation of your tax return. However, please note that the T5013 slip is issued in the name of the partnership and you will not find a T5013 slip issued under NBDB's name. The information shown on your T5013 slip will therefore be reported in "*My Account,*" under the name of each partnership.

Due to the complexity and number of boxes and information shown on the T5013, we strongly recommend that you visit the CRA website to learn more about this topic using the following link:
https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t5013-inst.html

Partnerships that are incorporated as tax shelters or that waive certain fees in favour of the original investor often provide, on their website complete and detailed information regarding the taxation of the amounts reported on the T5013 slip. In addition, their website should also help establish how to report these amounts in your tax return. Thus, we suggest that you visit these partnerships' websites for additional information.

FAQ –T5013

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

  A: The T5013 slips are issued by NBDB, but on behalf of the partnership. The revenues shown on the T5013 slips are reported under the partnership’s name in “*My Account.*” You will therefore not find a T5013 slip issued under NBDB's name in “*My Account.*”

Joint Accounts

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

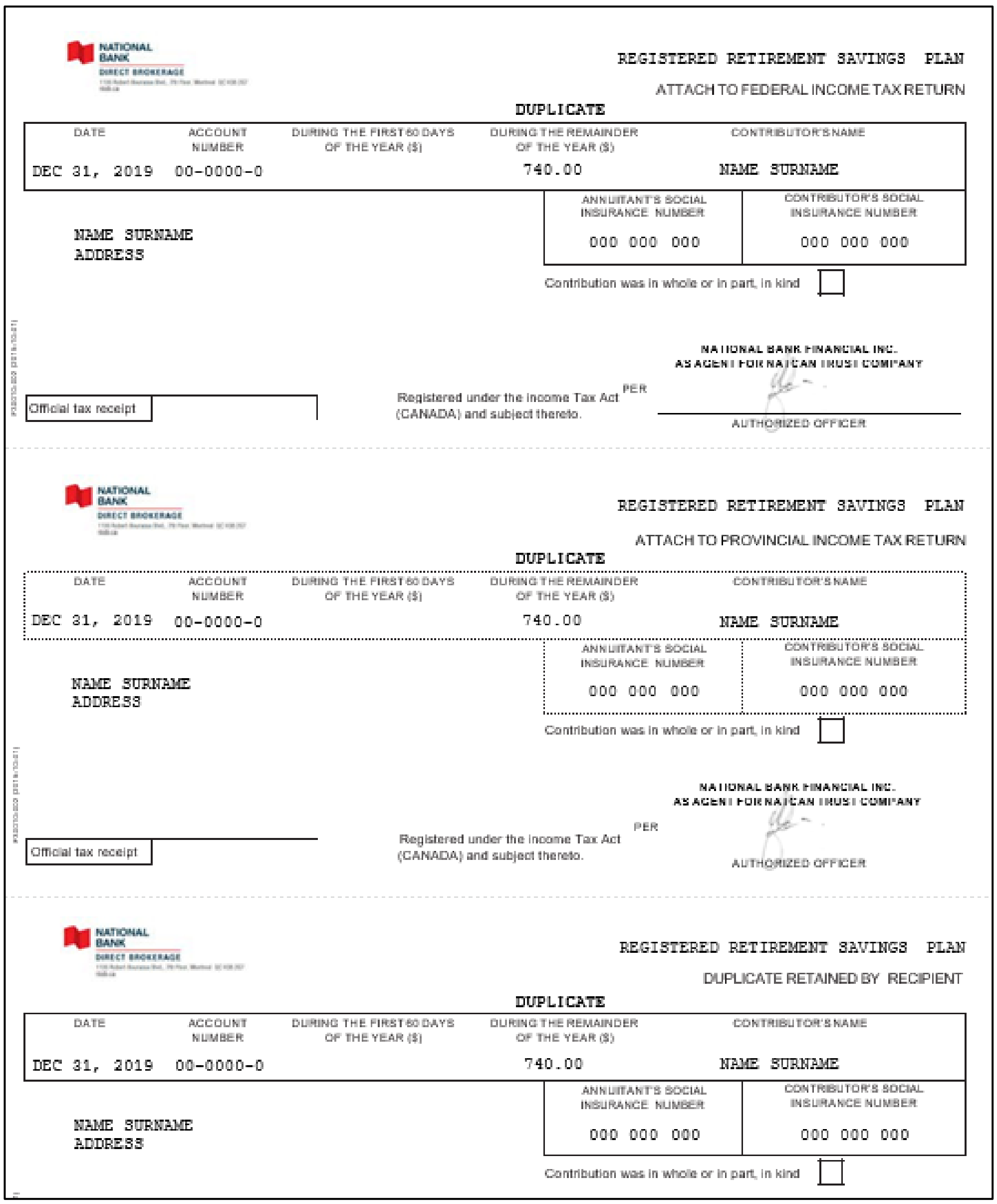
Hence, tax legislation applies attribution rules, disallowing income splitting in certain situations involving gifts and loans to spouses or common-law partners and minor children.

RRSP

RRSP Contribution Slips

If you have contributed to an RRSP of which you or your spouse (or common-law partner) is an annuitant between March 3, 2020 and March 1, 2021, you will receive an RRSP contribution receipt. Receipts will be issued for two separate periods: the first one corresponding to contributions between March 3, 2020 and December 31, 2020, and the second covering the first 60 days of 2021 from January 1, 2021 to March 1, 2021.

It is important to complete Schedule 7 of your 2020 income tax return and attach all receipts including those covering the first 60 days of 2021, even if you do not claim RRSP deductions on your 2020 income tax return for some or all contributions made between March 3, 2020 and March 1, 2021.


REGISTERED RETIREMENT SAVINGS PLAN

ATTACH TO FEDERAL INCOME TAX RETURN

DUPLICATE

DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR ($)	DURING THE REMAINDER OF THE YEAR ($)	CONTRIBUTOR'S NAME
DEC 31, 2019	00-0000-0		740.00	NAME SURNAME

ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER
000 000 000	000 000 000

NAME SURNAME
ADDRESS

Contribution was in whole or in part, in kind

NATIONAL BANK FINANCIAL INC.
AS AGENT FOR NATCAN TRUST COMPANY

Official tax receipt

Registered under the Income Tax Act (CANADA) and subject thereto.

PER

AUTHORIZED OFFICER

REGISTERED RETIREMENT SAVINGS PLAN

ATTACH TO PROVINCIAL INCOME TAX RETURN

DUPLICATE

DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR ($)	DURING THE REMAINDER OF THE YEAR ($)	CONTRIBUTOR'S NAME
DEC 31, 2019	00-0000-0		740.00	NAME SURNAME

ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER
000 000 000	000 000 000

NAME SURNAME
ADDRESS

Contribution was in whole or in part, in kind

NATIONAL BANK FINANCIAL INC.
AS AGENT FOR NATCAN TRUST COMPANY

Official tax receipt

Registered under the Income Tax Act (CANADA) and subject thereto.

PER

AUTHORIZED OFFICER

REGISTERED RETIREMENT SAVINGS PLAN

DUPLICATE RETAINED BY RECIPIENT

DUPLICATE

DATE	ACCOUNT NUMBER	DURING THE FIRST 60 DAYS OF THE YEAR ($)	DURING THE REMAINDER OF THE YEAR ($)	CONTRIBUTOR'S NAME
DEC 31, 2019	00-0000-0		740.00	NAME SURNAME

ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER
000 000 000	000 000 000

NAME SURNAME
ADDRESS

Contribution was in whole or in part, in kind

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 identify separately, in Schedule 7, the contributions to your own RRSP from those made to your spousal or common-law partner's RRSP.

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 centre 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:

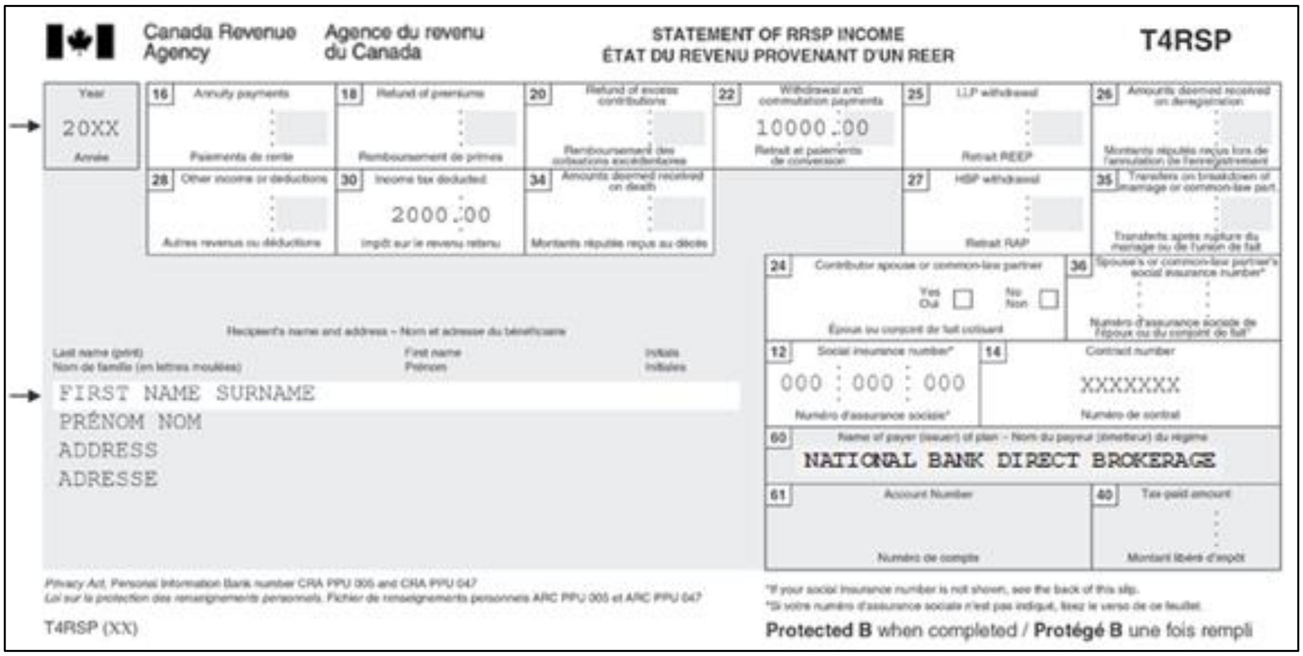
- when you have new RRSP contribution room; or
- at the time of withdrawal of excess contributions.

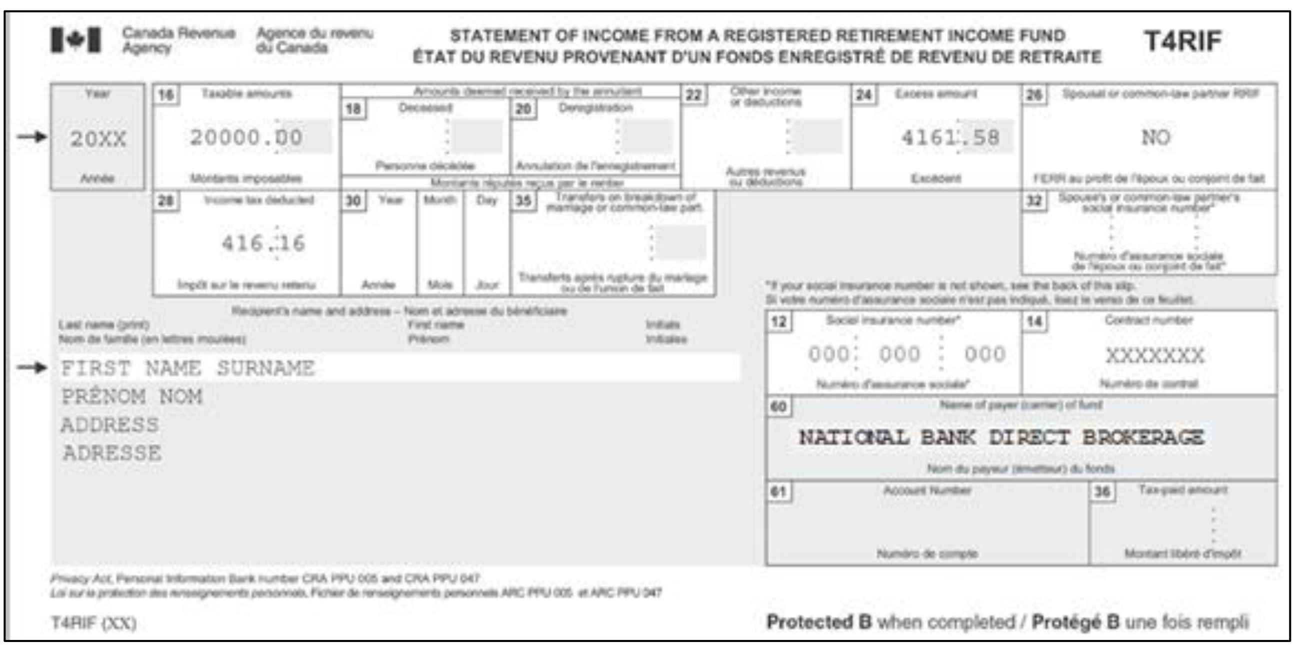
Withdrawal of Excess Contributions

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.

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.





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 2018, 2019 or 2020, you may have to include in your 2020 income some or all of the amounts withdrawn from the spousal or common-law partner's RRSP.

In the year of withdrawal (e.g., 2020), you must include the lesser of

- the amount you contributed to your spouse's RRSP for the year of withdrawal (2020) as well as the two previous years (2019 and 2018), and
- the amount that your spouse or common-law partner has withdrawn from his/her RRSP (e.g., 2020).

Please review the CRA website for more information: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/making-withdrawals/withdrawing-spousal-common-law-partner-rrsps.html

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.

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;
- to 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.

RRIFs - Reduced Minimum Withdrawals from Registered Retirement Income Funds (RRIFs)

(Canada Revenue Agency and COVID-19)

The minimum withdrawal requirement for all types of Registered Retirement Income Funds (RRIFs) has been reduced by 25% for the year 2020. Individuals who withdrew more than the reduced minimum amount in 2020 cannot put the excess amount back into their RRIFs.

The 25% reduction applies to the total minimum withdrawal amount for 2020. For example, if an individual had to withdraw $12,000 from an RRIF in 2020 before the reduction, he/she could receive a minimum amount of $1,000 per month. As a result of the economic measures, the minimum withdrawals for 2020 were reduced by 25% to $9,000 ($12,000 x 75% = $9,000). If the individual has already received $1,000 per month from January to April, for a total of $4,000, he/she will only need to withdraw a total of $5,000 for the rest of the year to meet the new minimum withdrawal requirements. This means that monthly RRIF payments will be reduced to $625 for the last 8 months of the year (8 x $625 = $5,000).

This also applies to:

- Life Income Funds (LIFs)
- Variable benefit payments under a money purchase registered pension plan (RPP)
- Group Registered Pension Plan (PRPP)
- Non-residents holding a RRIF
- Benefits payable from IPPs - Minimum benefit conditions

The regular minimum remains for the application of the following three measures:

1 - Withholding tax: The I.T.A. provides that no tax is withheld on the prescribed minimum amount, i.e. for the regular minimum and the reduced minimum. However, the withdrawals remain taxable.

2 - Attribution rule: Withdrawals from a spousal RRIF may be subject to the attribution rules if made within three years of the last RRSP contribution. This has the effect of taxing the withdrawal on the contributor's tax return. This rule does not apply to the prescribed minimum withdrawal, i.e. the regular minimum and the reduced minimum.

3 - Non-resident tax: A RRIF withdrawal by a non-resident of Canada is subject to a 25% Canadian tax under Part XIII of the I.T.A. It is the financial institution that remits the tax to the government through a withholding at source at the time of withdrawal. Some tax treaties provide for a reduction of this tax when the amount withdrawn from the RRIF is a "periodic payment," as defined in section 5 of the Income Tax Conventions Interpretation Act. In order to qualify as a "periodic payment," the RRIF amount cannot exceed the greater of the following amounts:

- Double the minimum RRIF withdrawal amount required by the I.T.A. for the year
- 10% of the value of the RRIF account at the beginning of the year (January 1).

For this purpose, the calculation will be based on the regular minimum amount.

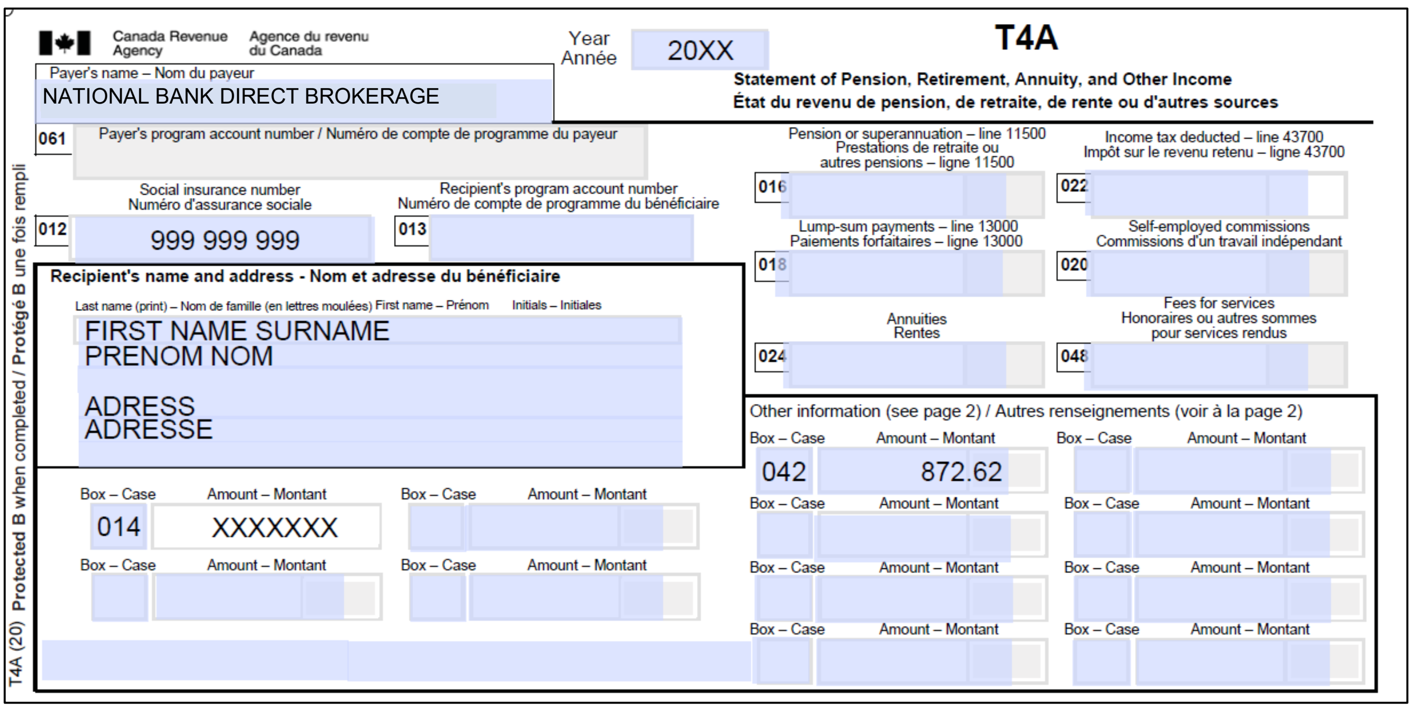
Transfer of a RRIF / LIF to an RRSP / LIRA

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, as well as an RRSP contribution slip. The T4RIF will result in the inclusion of the amount in declared income, while the RRSP contribution slip, 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: RRSP/LIRA to RRSP/LIRA, RRSP/LIRA to RRIF/LIF, RRIF/LIF to RRIF/LIF.

RESP Withdrawal – T4A Slip

RESP grant or income 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

Year / Année: 20XX

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: NATIONAL BANK DIRECT BROKERAGE

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

012 Social insurance number / Numéro d'assurance sociale: 999 999 999

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

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

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

018 Lump-sum payments – line 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

FIRST NAME SURNAME
PRENOM NOM

ADRESS
ADRESSE

Box – Case	Amount – Montant	Box – Case	Amount – Montant
014	XXXXXXX		

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

Box – Case	Amount – Montant	Box – Case	Amount – Montant
042	872.62		

T4A (20) Protected B when completed / Protégé B une fois rempli

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 not taxable.

Eligibility

Any individual who is 18 years of age or older living in Canada and who has a valid Canadian Social Insurance Number is eligible to open a TFSA. 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 him/her.

Annual TFSA Contribution Limit

The TFSA contribution limit for 2020 and 2021 was $6,000. The limit will be indexed to the inflation rate for subsequent years and will be rounded to the nearest $500. The annual contribution limit for 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. The limit for 2019 was $6000.

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 a 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:

Unused contribution room from previous years + withdrawals made in the previous year + 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, she/he may therefore contribute $17,000 in addition to the current 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:

https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributions.html

“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 the 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.

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.

- Example:
  Rosanna is a 31-year-old Canadian resident. She opened a TFSA on February 6, 2009 and contributed the maximum amount she could contribute from 2009 to 2019. In February 2020, she contributed $4,500. Later that year, she received an unexpected $4,100. She forgot that her contribution room for 2020 was limited to $6,000 and decided to contribute the full amount ($4,100) to her TFSA on October 30, 2020.

  After making this contribution, Rosanna had an excess of $2,600 in her TFSA because the total amount she contributed as of October 30 was $8,600 ($4,500 + $4,100) and this amount exceeded her 2020 contribution room of $6,000.

  Assuming that Rosanna has made no further contributions to her TFSA and no withdrawals during the remainder of 2020, she has a tax liability of $78 on her excess TFSA amount. This amount was calculated by multiplying the highest excess amount in each month by 1% for each of the three months from October to December; therefore, $2,600 × 1% × 3 months = $78.

  If, after making her $4,100 contribution on October 30, 2020, Rosanna realized her error and withdrew $2,600 on October 31, she still would have been subject to a 1% tax on the $2,600 excess amount, but only for October. Her tax liability would have been $26 ($2,600 × 1% × 1 month). (Example from the CRA guide)

Note that the application of this special 1% tax may cease when the taxpayer has new TFSA contribution rights.

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.

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.

Differences Between a TFSA and an RRSP

Both plans offer tax benefits but have significant differences:

- RRSP contributions are deductible for income tax purposes unlike those made to a TFSA.
- RRSP withdrawals are added to income, are taxed at the current rate, and do not result in restored contribution room. TFSA withdrawals and income do not raise any tax implications, i.e., they are tax-free. Moreover, TFSA contribution room may be restored after a withdrawal. For more information, please visit the CRA website: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account.html?=slnk

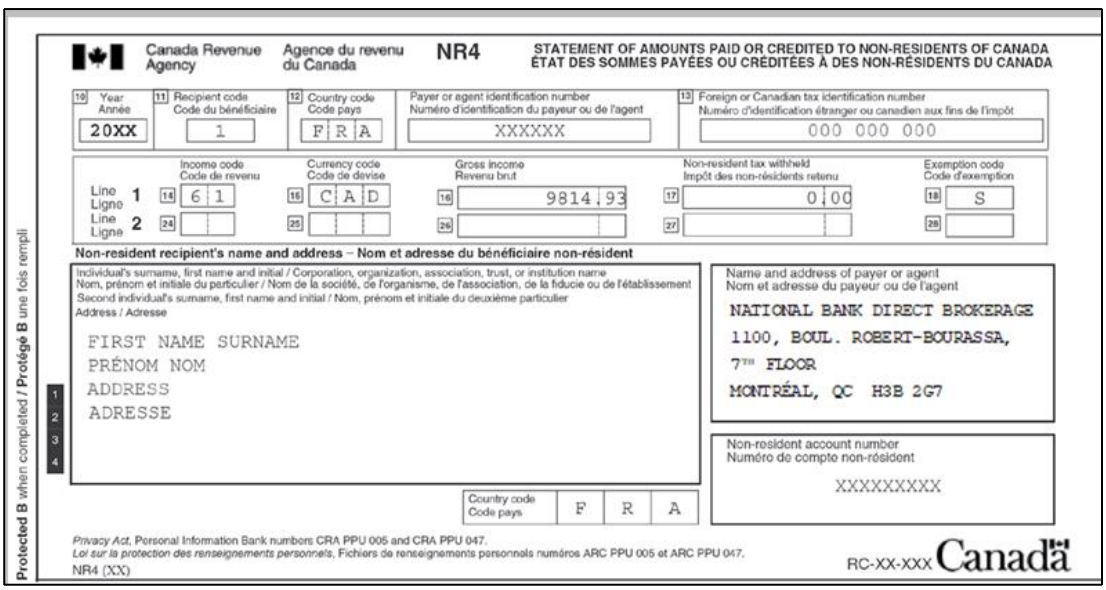
Miscellaneous

Real Return Bonds (RRBs) in Non-Registered Accounts

If you hold this type of bond and require further information, please visit:
https://www.nbfwm.ca/documentation/taxes.html

NR4 Slip (Federal) – Statement of Amounts Paid or Credited to Non-Residents of Canada

Non-residents of Canada will receive a NR4 stating the gross investment income, the tax withheld (if applicable) as well as withdrawals from registered accounts. Usually, the withholding tax will be considered a final tax and the non-resident should not be required to file a Canadian income tax return unless he or she is in a special situation.



Canada Revenue Agency | Agence du revenu du Canada | NR4
STATEMENT OF AMOUNTS PAID OR CREDITED TO NON-RESIDENTS OF CANADA
ÉTAT DES SOMMES PAYÉES OU CRÉDITÉES À DES NON-RÉSIDENTS DU CANADA

10 Year / Année	11 Recipient code / Code du bénéficiaire	12 Country code / Code pays	Payer or agent identification number / Numéro d'identification du payeur ou de l'agent	13 Foreign or Canadian tax identification number / Numéro d'identification étranger ou canadien aux fins de l'impôt
20XX	1	FRA	XXXXXX	000 000 000

	Income code / Code de revenu	Currency code / Code de devise	Gross income / Revenu brut	Non-resident tax withheld / Impôt des non-résidents retenu	Exemption code / Code d'exemption
Line / Ligne 1	14 61	15 CAD	16 9814.93	17 0.00	18 S
Line / Ligne 2	24	25	26	27	28

Non-resident recipient's name and address – Nom et adresse du bénéficiaire non-résident

Individual's surname, first name and initial / Corporation, organization, association, trust, or institution name
Nom, prénom et initiale du particulier / Nom de la société, de l'organisme, de l'association, de la fiducie ou de l'établissement
Second individual's surname, first name and initial / Nom, prénom et initiale du deuxième particulier
Address / Adresse

FIRST NAME SURNAME
PRÉNOM NOM
ADDRESS
ADRESSE

Country code / Code pays: F R A

Name and address of payer or agent
Nom et adresse du payeur ou de l'agent

NATIONAL BANK DIRECT BROKERAGE
1100, BOUL. ROBERT-BOURASSA,
7TH FLOOR
MONTRÉAL, QC H3B 2G7

Non-resident account number
Numéro de compte non-résident

XXXXXXXXX

Protected B when completed / Protégé B une fois rempli

Privacy Act, Personal Information Bank numbers CRA PPU 005 and CRA PPU 047.
Loi sur la protection des renseignements personnels, Fichiers de renseignements personnels numéros ARC PPU 005 et ARC PPU 047.
NR4 (XX)

RC-XX-XXX Canada

In addition, non-residents of Canada holding units of a limited partnership (or units of a partnership) may also receive a T5013 slip. For more information on the T5013 slip, please refer to the relevant section above (page 22).

Stripped Coupons and Residual Bonds

Essentially, it is a bond with interest coupons that are separate from the principal. Each coupon can then be sold separately at a price representing the present value of the cash to be received. Both the residual bond and interest coupons that have been separated from the principal amount constitute debt obligations that, for tax purposes, are governed by the rules applicable and prescribed by regulation. Thus, "notional" interest must be included annually in the investor's income although no interest will be paid or received during the year.

In general, the amount of notional interest that is deemed to accrue each year is determined using the "actual annual return" calculated based on the purchase price and maturity value, and considers this interest to be compounded annually. Once the "Actual Annual Return" is determined, the following formula is applied for each year:

(Purchase price plus interest from previous years) x effective yield x number of days the warrant is held ÷ number of days in the year of sale = 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	June 30	# of Days
	Date of Bond Acquisition	February 2, 2018	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	
		$1,258.94	

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, 2020, for a sale price of $4,400.

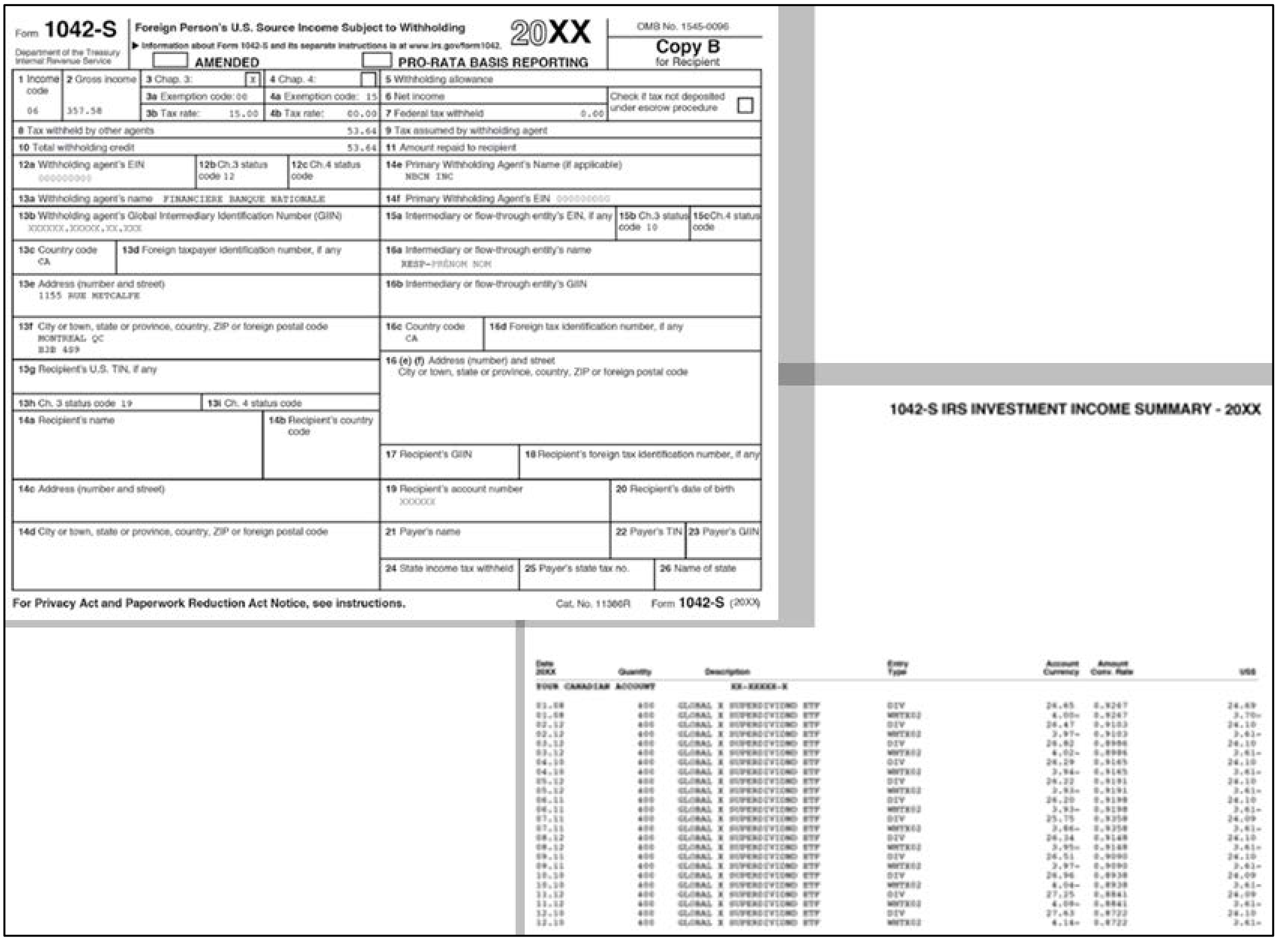
Interest Calculation		
Proceeds of Disposition		$4,400.00
Adjusted Cost Base		
Initial Cost	$3,745.00	
Initial Income 2018	$84.05	
Initial Income 2019	$210.60	
Initial Income 2020	$281.26*	
*To Anniversary Date (June 30, 2020)	$222.18	
*July 1 to Sept 30, 2020	$59.08	
		$4,320.92
Gain (Loss)		$79.08

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	$84.08	149	Feb-02-18	Buy
2019	$3,829.08	$210.60			
2020	$4,039.68	$222.18			
2021	$4,261.87	$59.08		Sept-30-20	Sale
2022	- $	- $			
2023	- $	- $			
		$575.95			

U.S. Tax Slips

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 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 a Form 1042-S. This slip will show the income generated to your account as well as withholdings remitted to the U.S. Internal Revenue Service ("IRS").



Form 1042-S Foreign Person's U.S. Source Income Subject to Withholding 20XX

Department of the Treasury Internal Revenue Service

▶ Information about Form 1042-S and its separate instructions is at www.irs.gov/form1042.

AMENDED PRO-RATA BASIS REPORTING

OMB No. 1545-0096 Copy B for Recipient

1 Income code 06 | 2 Gross income 357.58 | 3 Chap. 3: X | 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 | Check if tax not deposited under escrow procedure

8 Tax withheld by other agents 53.64 | 9 Tax assumed by withholding agent

10 Total withholding credit 53.64 | 11 Amount repaid to recipient

12a Withholding agent's EIN 000000000 | 12b Ch.3 status code 12 | 12c Ch.4 status code | 14a Primary Withholding Agent's Name (if applicable) NBCN INC

13a Withholding agent's name FINANCIERE BANQUE NATIONALE | 14f Primary Withholding Agent's EIN 000000000

13b Withholding agent's Global Intermediary Identification Number (GIIN) XXXXXX.XXXXX.XX.XXX | 15a Intermediary or flow-through entity's EIN, if any | 15b Ch.3 status code 10 | 15c Ch.4 status code

13c Country code CA | 13d Foreign taxpayer identification number, if any | 16a Intermediary or flow-through entity's name NESP-PRÉNOM NOM

13e Address (number and street) 1155 RUE METCALFE | 16b Intermediary or flow-through entity's GIIN

13f City or town, state or province, country, ZIP or foreign postal code MONTREAL QC H3B 4S9 | 16c Country code CA | 16d Foreign tax identification number, if any

13g Recipient's U.S. TIN, if any | 16 (e) (f) Address (number) and street City or town, state or province, country, ZIP or foreign postal code

13h Ch. 3 status code 19 | 13i Ch. 4 status code

14a Recipient's name | 14b Recipient's country code

17 Recipient's GIIN | 18 Recipient's foreign tax identification number, if any

14c Address (number and street) | 19 Recipient's account number XXXXXX | 20 Recipient's date of birth

14d City or town, state or province, country, ZIP or foreign postal code | 21 Payer's name | 22 Payer's TIN | 23 Payer's GIIN

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. 11386R Form 1042-S (20XX)

1042-S IRS INVESTMENT INCOME SUMMARY - 20XX

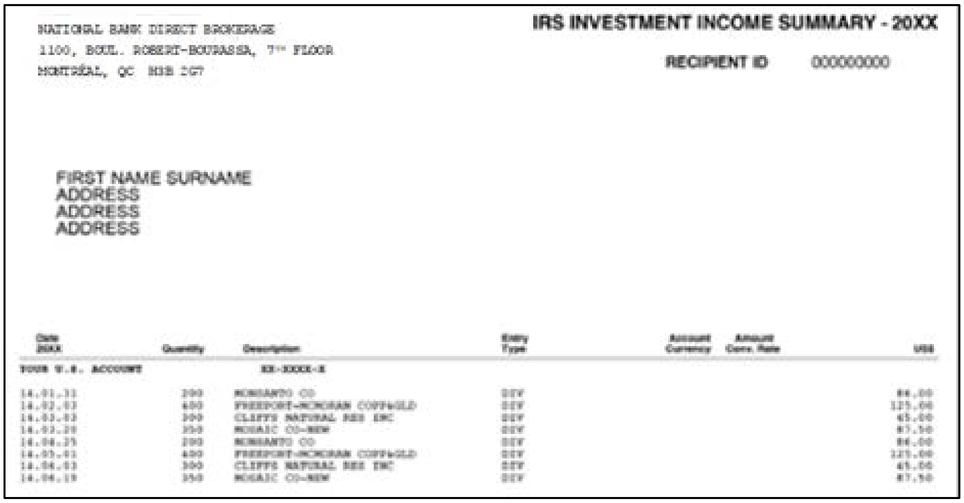
Date 20XX | Quantity | Description | Entry Type | Account Currency | Amount Conv. Rate | US$

YOUR CANADIAN ACCOUNT XX-XXXXX-X

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 a Form 1099–DIV and/or a Form 1099-INT corresponding to your U.S. source dividend income and/or interest income, respectively, generated by your investments in your RESP, RDSP and TFSA accounts.

If you are an "un-documented" 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 and TFSA accounts.



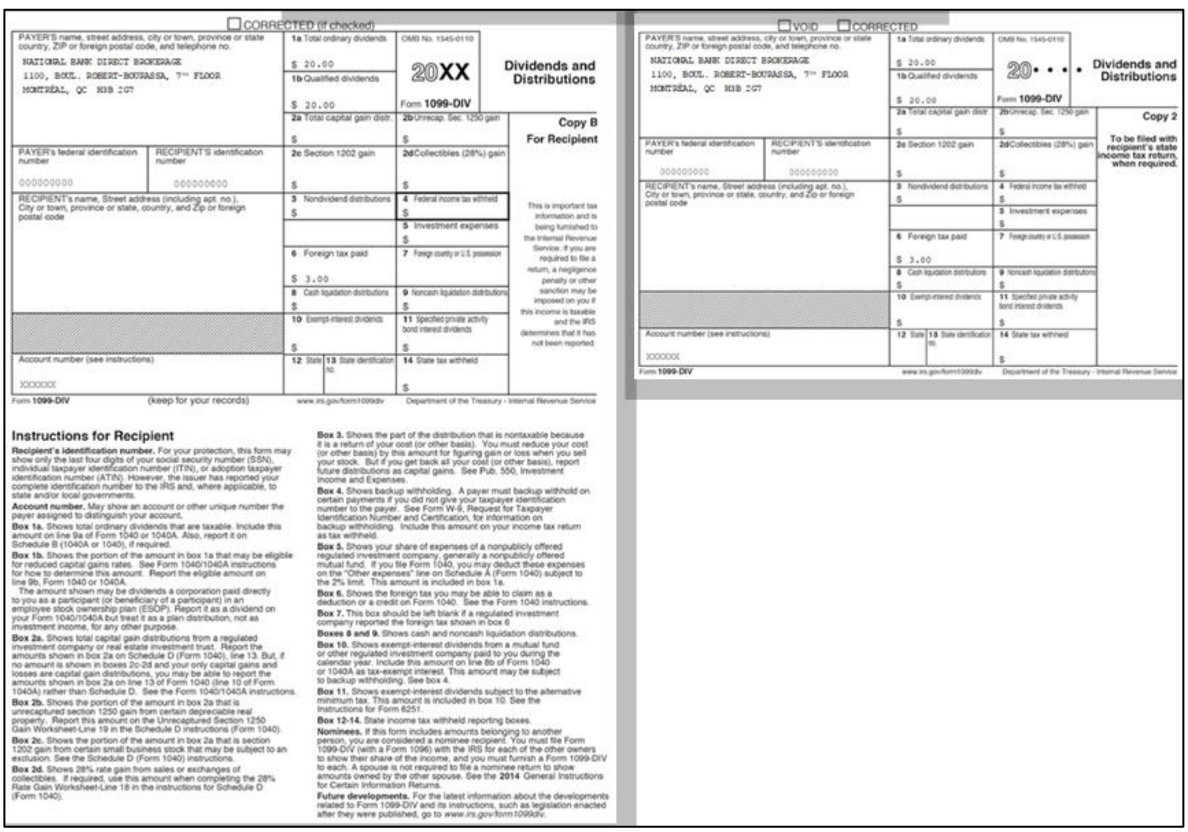
NATIONAL BANK DIRECT BROKERAGE
1100, BOUL. ROBERT-BOURASSA, 7TH FLOOR
MONTRÉAL, QC H3B 2G7

IRS INVESTMENT INCOME SUMMARY - 20XX

RECIPIENT ID 000000000

FIRST NAME SURNAME
ADDRESS
ADDRESS
ADDRESS

Date 20XX	Quantity	Description	Entry Type	Account Currency	Amount Conv. Rate	US$



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 DIRECT BROKERAGE
1100, BOUL. ROBERT-BOURASSA, 7TH FLOOR
MONTRÉAL, QC H3B 2G7

1a Total ordinary dividends $ 20.00
1b Qualified dividends $ 20.00
20XX Form 1099-DIV
Dividends and Distributions
Copy B For Recipient

VOID CORRECTED
Copy 2 To be filed with recipient's state income tax return, when required.

Instructions for Recipient

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

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

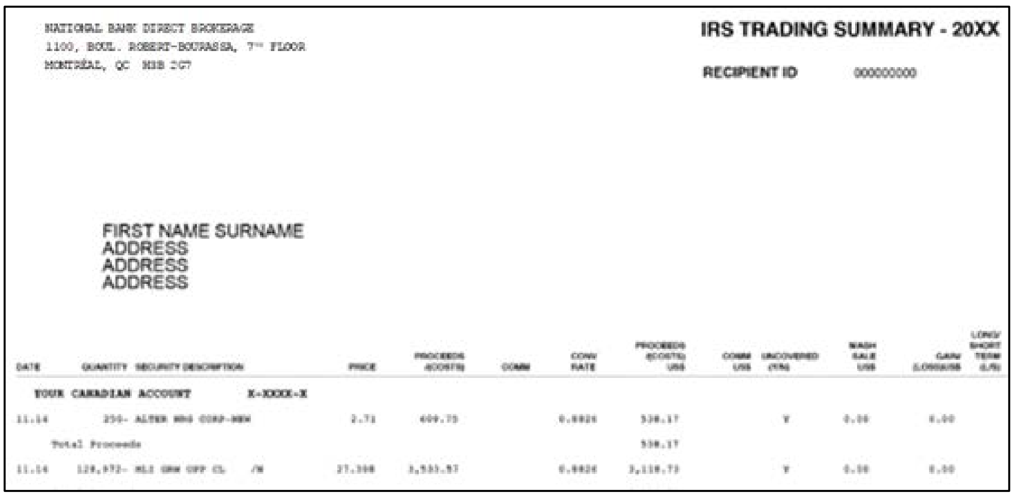
If you are a “documented” U.S. investor residing in the United States, you will receive a Form 1099-B reporting the dispositions of all the securities from your RESP, RDSP and TFSA accounts (e.g., U.S., Canadian and other sources).

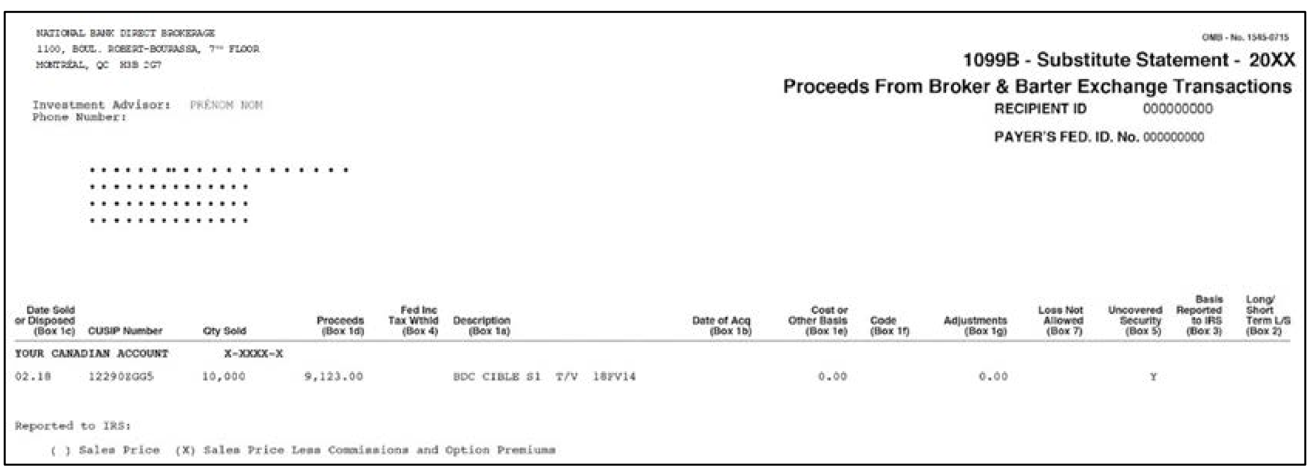
If you are an “un-documented” U.S. investor residing in the United States, you will receive a Form 1099-B reporting the dispositions of all the securities from your non-registered accounts in addition to those from your RESP, RDSP and TFSA accounts.

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 the 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 in order to file your U.S. tax return (Form 1040).





FAQ – Tax Slips and Miscellaneous

What is a 1042-S?

A 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.

Why did I receive a Form 1042-S?

You received this form because U.S. source income was deposited into your account.

Why were there withholdings on my registered account when income paid into this account is not taxable?

It is true that income is not taxed in a registered account. There are, however, withholdings on U.S. source income paid into an 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 a representative 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. The 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 there is reason to believe that you will be able to recover a withheld amount from the U.S. tax authorities.

Do I have to file the Form 1042-S with my Canadian tax report?

No, because it is a U.S. form.

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:
https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-22100-carrying-charges-interest-expenses.html

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 borrow for investment purposes, but generally only if you use it to try to earn investment income, including interest and dividends. However, if the only earnings your investment can produce are capital gains, you cannot claim the interest you paid.

T1135 - GUIDE

Foreign Income Verification Statement

For information purposes only, you shall find hereinafter information on Form T1135.

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

All taxpayers (individuals, corporations, trusts) that reside in Canada must complete and file Form T1135 if, at any time in the year, the total cost amount of their “specified foreign property” (please refer to definition below) was greater than $100,000 in Canadian currency.

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

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

- funds or intangible property (patents, copyrights, etc.) situated, deposited or held outside Canada
- tangible property situated outside Canada
- a share of the capital stock of a non-resident corporation
- shares of corporations resident in Canada and 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 the 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 and corporate bonds, debentures, mortgages, and notes receivable
- an interest in a foreign insurance policy
- precious metals, gold certificates, and futures contracts held outside Canada.

“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: https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/foreign-income-verification-statement.html

- Questions and Answers (Q19-47): https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/questions-answers-about-form-t1135.html

Simplified Reporting Method

For 2015 and subsequent tax years, rather than providing the details for each foreign property, or “by account and country,” it is possible for taxpayers who held specified foreign property with a total cost amount of less than $250,000 throughout the year to report according to the simplified reporting method.

Part A: Simplified reporting method

For each type of property that applies to you, check (✓) 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:

Income from all specified foreign property $ ________

Gain(loss) from the disposition from all specified foreign property $ ________

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T1135 E (16) (Ce formulaire existe en français.) Canada

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

Reminder of the Detailed Reporting Method

If you hold "specified foreign property" with a Canadian registered securities dealer, 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) from foreign properties, 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
		Total			

2 - "Asset by Asset Report": this section requests, for each of the 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 income (losses) generated by the asset, and
- the gain (losses) resulting from disposition of the asset.

(Note: Categories 2, 3 and 4 of Form T1135 are the most commonly used.)

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	Income
		Total		

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	Income	Gain (loss) on disposition
		Total			

3. Indebtedness owed by non-resident

Description of indebtedness	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition
		Total			

4. Interests in non-resident trusts

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

Other Relevant Information to Complete Form T1135

In the "Instructions" section of Form T1135, the CRA states that it allows the designation of “Other” as the country code if you are unable to identify the country.

Excerpt from the CRA's Guide:

Country codes

For the list of country codes, refer to the CRA’s website at https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4061/nr4-non-resident-tax-withholding-remitting-reporting.html#P482_43418

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 "Other."

The Client’s Responsibility

It is your responsibility to adequately complete Form T1135. You can mandate an 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, NBDB can provide certain information regarding your foreign securities held at NBDB, which should help you complete Form T1135.

You agree to release NBDB, its employees, agents, representatives and officers, even in case of gross negligence or misconduct on the part of NBDB 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.

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