

# Tax and Investment Guide 2021

What You Need to Know

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(Canada except Quebec)

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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 2021 (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 <sup>1</sup>
Dividends, interest, foreign income	T5 and <i>Investment Income Summary</i> <sup>2</sup>	February 28, 2022
Interest paid and investment fees	<i>Investment Income Summary</i> <sup>2</sup>	February 28, 2022
Realized gains and losses	T5008 and <i>Securities Transactions Summary</i> <sup>2</sup>	February 28, 2022
Distributions from a trust	T3 and <i>Summary of Trust Income</i> <sup>2</sup>	March 31, 2022 <sup>3</sup>
Partnerships	T5013	March 31, 2022
Registered Investments		
Withdrawal from a registered investment account:		
RRSP	T4RSP	February 28, 2022
RRIF/LIF/LRIF	T4RIF	February 28, 2022
RESP/RDSP	T4A	February 28, 2022

- 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 slip 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 2021	March 1, 2021	You should have received your contribution slip in March 2021.
Rest of the year 2021	N/A	You should receive your contribution slip in January 2022.
First 60 days of 2022	March 1, 2022	You should receive your contribution slip in March 2022.

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.

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 T3 slips from ABC Company Mutual Inc. You should wait to receive all your slips before filing your income tax return.

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.

- > 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.**

DATE 20XX		QUANTITY	DESCRIPTION	T3/REL16 BOX NO.	PAID BY YOU	AMOUNT PAID TO YOU
YOUR CANADIAN ACCOUNT XX-XXXX-X						
20xx/xx/xx	50	ARTIS REIT 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	
<b>TOTAL</b>						
(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

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

#### 1- Eligible dividends

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

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

Federal: The actual amount (not grossed-up) of dividends other than eligible dividends received by the holder is reported in box 23 of the T3 slip. Once again, this amount is not to be used in the Federal tax return of the individual. The amount shown in box 32 of the T3 slip, the taxable amount (grossed-up) should be reported. The credit for dividends other than eligible dividends will be shown in box 39 of the T3 slip. If you are a Quebec resident, see comments under “Quebec income tax return” below.

### > Dividends from foreign corporations

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

### > Foreign non-business income

For Canadian tax purposes, foreign dividends income is taxed/treated in the same way as interest income. All gross (prior to withholding) foreign income received by the trust will be found in box 25 of the T3 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 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 slips is often the reason these companies wait until the prescribed limit (i.e., 90 days after year-end) before providing the issuers with the necessary data to produce the T3 slip, which in turn leads to filing delays.

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

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

- > Q: I received a T3 slip from NBF. 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 NBF, 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 held jointly 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 a spouse, common-law partner, 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.

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

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

Canada Revenue Agency Agence du revenu du Canada		<b>T5</b> Statement of Investment Income État des revenus de placement		Year Année	Protected B / Protégé B when completed / une fois rempli	
Dividends from Canadian corporations – Dividendes de sociétés canadiennes		Federal credit – Crédit fédéral		Interest from Canadian sources		Capital gains dividends
24 Actual amount of eligible dividends Montant réel des dividendes déterminés	25 Taxable amount of eligible dividends Montant imposable des dividendes déterminés	26 Dividend tax credit for eligible dividends Crédit d'impôt pour dividendes déterminés	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	22 Recipient identification number Numéro d'identification du bénéficiaire	23 Recipient type Type de bénéficiaire	
Other information (see the back) Autres renseignements (lisez le dos)		14 2,129.94 Box / Case Amount / Montant				
Recipient's name (last name first) and address – Nom, prénom et adresse du bénéficiaire			Payer's name and address – Nom et adresse du payeur			
Currency and identification codes Codes de devise et d'identification			27 Foreign currency Devises étrangères	28 Transit – Succursale	29 Recipient account number Numéro de compte du bénéficiaire	

See the privacy notice on your return. / Consultez l'avis de confidentialité dans votre déclaration.  
T5 (09/21)

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

## Dividends from Taxable Canadian Corporations

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

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

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

### 1 - Eligible dividends

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

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

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

## Foreign Income

Earnings from dividends, interest, or any other type of foreign income are shown in box 15 of the T5. The foreign tax paid pertaining to such income is reported in box 16 of the T5 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 foreign tax paid in your tax return. Please note that if this investment is held in a registered account, the withholding tax cannot be recovered through the foreign tax credit.

## 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 Canadian tax deferral may be possible when the foreign spin-off meets certain requirements of the *Income Tax Act* (the Act governing Canadian Federal income taxes, hereinafter referred to as the "ITA"). To take advantage of this deferral, foreign corporations must provide the CRA with information on the spin-off. Foreign corporations usually provide the CRA permission to publish the fact that their "spin-off shares" are eligible for the tax deferral. Thus, eligible foreign spin-offs are usually listed on the CRA's website at the following address: <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 box 15 of the T5 slip (box 15).

### Equity Linked Notes Interest

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 registered in box 30 of the T5 slip. Box 21 (proceeds of disposition or settlement amount) on each of the T5008 will not include the interest declared on the T5 slip.

See Linked Notes below.

### Accrued Interest on Debt Securities

Accrued interest during the year on discount debt securities (e.g., stripped coupons and residual bonds) and compound interest debt securities (e.g., guaranteed investment certificates) must be reported annually, even if interest is not paid. This interest is included on your T5 slip, with the exception of interest on stripped coupons and residual bonds.

See Premium or Discount Bonds below.

### 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.

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

DATE 2020	QUANTITY	DESCRIPTION		AMOUNT	
				PAID BY YOU	PAID TO YOU
20.11.27	148	PAN AMERICAN SILVER CORP	(1) DIV		13.28
20.12.01		RSL Advisor Fees/Frais ge	(W) E45	7.42	
20.12.01		RSL Agent Fees/Frais agen	(W) SLR	31.06	
20.12.01		RSL revenues/Revenus PTD	(2) SLR		78.37
20.12.10	7,782	KINROSS GOLD CORP	(1) DIV		303.57
20.12.15	221	AGNICO EAGLE MINES LTD	(1) DIV		97.24
20.12.21	192,383	ALAMOS GOLD INC CL-A	(1) DIV		4,879.22
TOTALS FOR ALL ACCOUNTS :					
(0) TOTAL ELIGIBLE INTEREST FROM CANADIAN SOURCES				105.52	3.23
(1) TOTAL ELIGIBLE DIVIDENDS FROM CANADIAN CORPS.					17,757.11
(2) TOTAL OTHER INCOME FROM CANADIAN SOURCES					2,129.94
(5) TOTAL GROSS INCOME FROM FOREIGN SOURCES					1,199.94
(W) TOTAL ADMINISTRATION FEES				1,060.15	

## Joint Accounts

Note that when an account is held jointly between spouses, the client must allocate the income, the gains, and the losses generated based on 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 a spouse, common-law partner, and minor children.

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

Recipient Bénéficiaire	10 Report code Code du feuillet	11 Recipient type Type de bénéficiaire	12 Recipient identification number Numéro d'identification du bénéficiaire	13 Foreign currency Devises étrangères	Protected B / Protégé B when completed / une fois rempli <b>T5008</b> Statement of Securities Transactions État des opérations sur titres
	14 Date MMDD - MMJJ	15 Type code of securities Code de genre de titres	16 Quantity of securities Quantité de titres	17 Identification of securities Désignation des titres	
	18 ISIN/CUSIP number Numéro ISIN/CUSIP	19 Face amount Valeur nominale	20 Cost or book value Coût ou valeur comptable	21 Proceeds of disposition or settlement amount Produits de disposition ou paiements	
	22 Type code of securities received on settlement Code de genre de titres reçus en guise de règlement	23 Quantity of securities received on settlement Quantité de titres reçus en guise de règlement	24 Identification of securities received on settlement Désignation des titres reçus en guise de règlement		
Last name (print) – Nom de famille (en lettres moulées)      First name and initials – Prénom et initiales					Name and address of trader or dealer in securities Nom et adresse du négociant ou du courtier en valeurs
See the privacy notice on your return. Consultez l'avis de confidentialité dans votre déclaration.					RC-21-407

[illegible]



- > 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 the section below outlining the concept of ACB.

## How Capital Gain or Loss Calculated Is Calculated

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

### Proceeds of Disposition

Proceeds of disposition is the amount received or receivable in return for property or goods and is, generally, the sale price. Box 21 of the T5008 slip represents the proceeds of disposition before commissions or any expenses disbursed.

### Commissions or Fees

The fees or commissions disbursed are necessary to complete the calculation of the capital gain or loss 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. Thus, "ACB" is a term defined by our tax laws.

### Special Rules for Identical Properties

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

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

<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 per share	Gains (losses) C – (AxD)
10-Feb	BUY	100	12	1200	100	1200	12	
12-Mar	BUY	150	9	1350	250	2550	10.2	
15-Mar	SELL	(50)	8	400	200	2040	10.2	(110)
25-Jul	BUY	200	5	1000	400	3040	7.6	

#### Settlement Date vs. Transaction Date

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

#### Conversion to Canadian Dollars

Please note that all information reported on your income tax return must be in Canadian dollars (with a few exceptions). Therefore, for capital gain and loss purposes, the ACB must be calculated in Canadian dollars, even if the security (Canadian or foreign) is denominated in a different currency. The exchange rates in effect at the time of purchase and at the time of disposition must be used to calculate the ACB and the proceeds of disposition accordingly, in order to calculate the gain or loss. The same is true for items that affect the calculation of the ACB (e.g., capital distributions), as well as those that affect the calculation of the gain or loss (e.g., sales charges).

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

#### **Linked Notes**

A linked note is a debt obligation, most often issued by a financial institution, the return on which is linked in some manner to the performance of one or more reference assets or indexes over the term of the obligation.

Previously, selling a linked note prior to maturity generally only produced a capital gain or loss. 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," but may not be subject to the rules of the Notes, if the legal nature of the product doesn't fall within the definition of "linked bills" under the Income Tax Act. For example, bills with fixed coupons (redeemable or not) are exempt because they don't provide for any variable or conditional interest in addition to fixed interest. Thus, these bills, whose interest payments do not depend in any way on the performance of at least one reference asset or index during the term, receive the same tax treatment as a conventional bond (see the section "Taxation of Bonds" below.).

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

- 1 - Taxable interest (T5 slip);
- 2 - Interest paid to the seller at purchase; this is deductible on line 22100 – Carrying charges and interest expenses (no prescribed slip is required);
- 3 - Gain or loss, as applicable (T5008 slip and calculation of the ACB).

Here is a way to calculate or identify each of the steps above in the following order:

- 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 requires 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 on line 22100 – Carrying charges and interest expenses. The interest paid also reduces the acquisition cost for the purpose of calculating the ACB (see Example 3 below).
- 3- *Calculation of the gain or loss:* Upon the disposition or the maturity of the linked note, it is necessary to calculate whether there is a gain or loss. For this purpose, the proceeds of disposition must be reduced by the interest income included at the time of disposition or maturity (Step 1 above). In addition, the initial cost must be modified in certain circumstances to obtain the ACB required to calculate the capital gain or loss. For additional information, please refer to the section entitled "How capital gain or loss is calculated" above.

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

Note: If the proceeds of disposition indicated in the Report is different from the one identified on the T5008, please use the value indicated on the T5008 slip.

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
<b>Gain (Loss) Calculation</b>	
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 capital gain or loss is calculated" above for more information. No adjustment is required when the commission is integrated into the product, that is, provided in the linked note's issuing document.

Face Value	\$1,000
Investor's Purchase Price	\$1,000
Sell Price	\$1,020
Purchase Commission	\$0
Sale Commission	\$25
Interest (T5)	\$20
<b>Gain (Loss) calculation</b>	
Proceeds of Disposition	\$1,020
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$1,000
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 on line 22100 – Carrying charges and interest expenses. 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
<b>Gain (Loss) Calculation</b>	
Proceeds of Disposition	\$1,070
Adjustment (interest T5)	\$70
Proceeds of Disposition (T5008)	\$1,000
Initial Cost	\$1,050
Adjustment (Interest Paid on Purchase)	\$50
Adjusted Cost Base	\$1,000
Gain (Loss)	\$0

**Example 4: Acquisition cost below face value**

Face Value	\$1,000
Investor's Purchase Price	\$998
Sell Price	\$1,000
Interest (T5)	- \$
Deduction for Interest Paid Purchase (Schedule 4)	- \$
<b>Gain (Loss) Calculation</b>	
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 on line 22100 – Carrying charges and interest expenses) is converted at the exchange rate applicable at the time of acquisition.

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

	(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
<b>Gain (Loss) Calculation</b>				
Proceeds of Disposition	\$1,070		1.3	\$1,391
Adjustment (interest T5)	\$70		1.3	\$91
Proceeds of Disposition (T5008)	\$1,000			\$1,300
Initial Cost	\$1,060		1.2	\$1,260
Adjustment (Interest Paid)	\$50		1.2	\$60
Adjusted Cost Base	\$1,000			\$1,120
Gain (Loss)	\$0			\$100

### Example 6: Return on capital

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

Face Value	\$1,000
Investor's Purchase Price	\$1,000
Return on Capital	\$200
Sell Price	\$820
Interest (T5)	\$20
<b>Gain (Loss) Calculation</b>	
Proceeds of Disposition	\$820
Adjustment (interest T5)	\$20
Proceeds of Disposition (T5008)	\$800
Initial Cost	\$1,000
Adjustment (Return on Capital)	\$200
Adjusted Cost Base	\$800
Gain (Loss)	\$0

## 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 ITA requires taxpayers who hold investment contracts (including bonds) acquired after December 31, 1989, to report their interest income annually. Thus, interest income must be declared annually on the anniversary date of the investment. 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%	
<b>Calculation of Interest Income</b>		<b>2020</b>	
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
<b>TOTAL INTEREST</b>		<b><u>350.96</u></b>	
<b>Calculation of Gain (Loss)</b>		<b>2020</b>	
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:

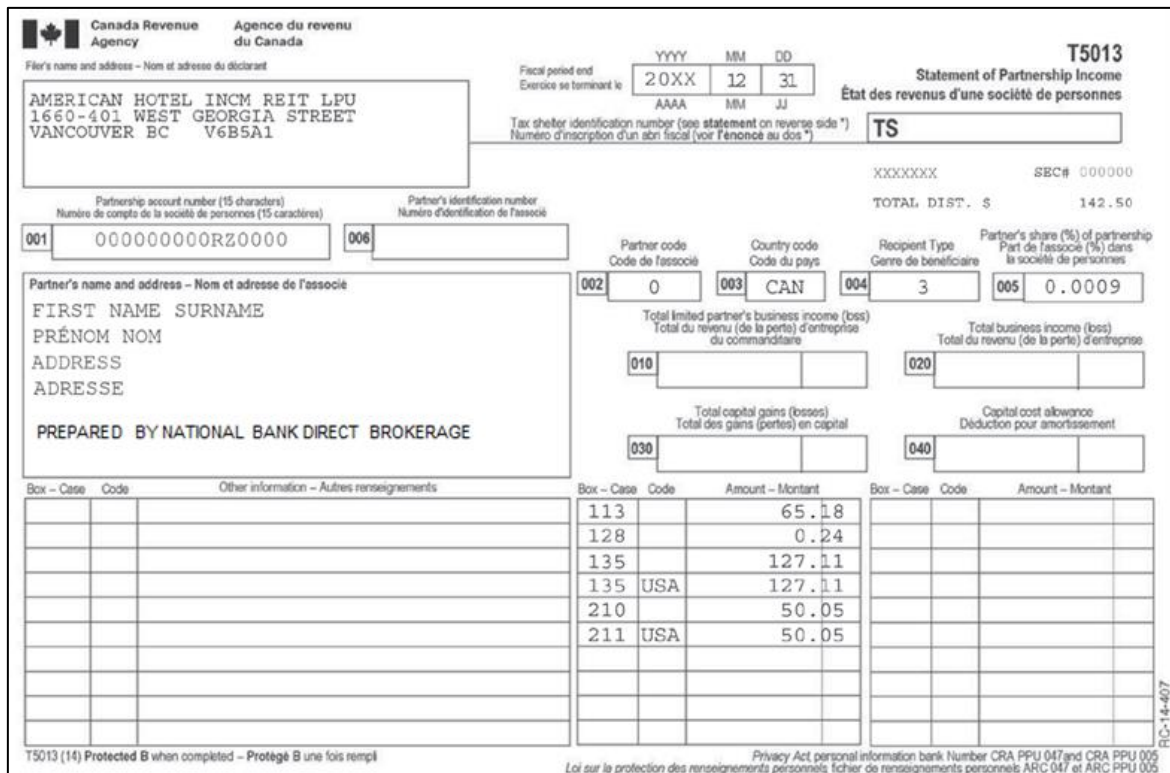
- > when a security was transferred into your account, the information that was provided by the institution that transferred the security may have been incorrect.
  - > when you hold identical securities in more than one non-registered account, even when the accounts are all at the same institution.
  - > 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 Report, which number takes precedence?

A: The amounts 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.



The form is titled "T5013 Statement of Partnership Income / État des revenus d'une société de personnes". It includes fields for the filer's name and address (AMERICAN HOTEL INCM REIT LPU, 1660-401 WEST GEORGIA STREET, VANCOUVER BC V6B5A1), fiscal period end (20XX 12 31), tax shelter identification number (TS), and partnership account number (000000000RZ0000). It also includes fields for the partner's name and address, partner code (0), country code (CAN), recipient type (3), and partner's share (0.0009). The form includes sections for total limited partner's business income (113), total business income (128), total capital gains (135), and capital cost allowance (210). It also includes a table for other information with columns for Box - Case, Code, and Amount - Montant.

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

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. Therefore, the taxpayer should use the amounts shown on the T5013 statement. Note that, for information purposes, the amount which 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 complete and detailed information on their website 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. We, therefore, suggest that you visit these partnerships' websites for additional information.

## FAQ –T5013 Slip

- > Q: I received a T5013 slip from NBF. 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 NBF, 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 held jointly 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 a spouse, common-law partner, and minor children.

## RRSP


### RRSP Contribution Receipt

If you have contributed to an RRSP of which you or your spouse (or common-law partner) is an annuitant between March 2, 2021 and March 1, 2022, you will receive an RRSP contribution receipt. Receipts will be issued for two separate periods: the first one corresponding to contributions between March 2, 2021 and December 31, 2021, and the second covering the first 60 days of 2021 from January 1, 2022 to March 1, 2022.

It is important to complete Schedule 7 of your 2021 income tax return and attach all receipts including those covering the first 60 days of 2022, even if you do not claim RRSP deductions on your 2021 income tax return for some or all contributions made between March 2, 2021 and March 1, 2022.

NATIONAL BANK DIRECT BROKERAGE 1100 Avenue du Commerce, 10 <sup>e</sup> Étage, Montréal, QC H3B 2Y7 888-24		REGISTERED RETIREMENT SAVINGS PLAN ATTACH TO FEDERAL INCOME TAX RETURN						
<b>DUPLICATE</b>								
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				
NAME SURNAME ADDRESS		<table border="1"> <tr> <td>ANNUITANT'S SOCIAL INSURANCE NUMBER</td> <td>CONTRIBUTOR'S SOCIAL INSURANCE NUMBER</td> </tr> <tr> <td>000 000 000</td> <td>000 000 000</td> </tr> </table>			ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER	000 000 000	000 000 000
ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER							
000 000 000	000 000 000							
Contribution was in whole or in part, in kind <input type="checkbox"/>								
Official tax receipt		Registered under the Income Tax Act (CANADA) and subject thereto. PER  AUTHORIZED OFFICER						

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NATIONAL BANK DIRECT BROKERAGE 1100 Avenue du Commerce, 10 <sup>e</sup> Étage, Montréal, QC H3B 2Y7 888-24		REGISTERED RETIREMENT SAVINGS PLAN ATTACH TO PROVINCIAL INCOME TAX RETURN						
<b>DUPLICATE</b>								
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				
NAME SURNAME ADDRESS		<table border="1"> <tr> <td>ANNUITANT'S SOCIAL INSURANCE NUMBER</td> <td>CONTRIBUTOR'S SOCIAL INSURANCE NUMBER</td> </tr> <tr> <td>000 000 000</td> <td>000 000 000</td> </tr> </table>			ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER	000 000 000	000 000 000
ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER							
000 000 000	000 000 000							
Contribution was in whole or in part, in kind <input type="checkbox"/>								
Official tax receipt		Registered under the Income Tax Act (CANADA) and subject thereto. PER  AUTHORIZED OFFICER						

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NATIONAL BANK DIRECT BROKERAGE 1100 Avenue du Commerce, 10 <sup>e</sup> Étage, Montréal, QC H3B 2Y7 888-24		REGISTERED RETIREMENT SAVINGS PLAN DUPLICATE RETAINED BY RECIPIENT						
<b>DUPLICATE</b>								
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				
NAME SURNAME ADDRESS		<table border="1"> <tr> <td>ANNUITANT'S SOCIAL INSURANCE NUMBER</td> <td>CONTRIBUTOR'S SOCIAL INSURANCE NUMBER</td> </tr> <tr> <td>000 000 000</td> <td>000 000 000</td> </tr> </table>			ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER	000 000 000	000 000 000
ANNUITANT'S SOCIAL INSURANCE NUMBER	CONTRIBUTOR'S SOCIAL INSURANCE NUMBER							
000 000 000	000 000 000							
Contribution was in whole or in part, in kind <input type="checkbox"/>								

## Spousal or Common-Law Partner's RRSP

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

## 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.

Canada Revenue Agency Agence du revenu du Canada		STATEMENT OF RRSP INCOME ÉTAT DU REVENU PROVENANT D'UN REER				T4RSP	
Year Année	16 Annuity payments Paiements de rente	18 Refund of premiums Remboursement de primes	20 Refund of excess contributions Remboursement des cotisations excédentaires	22 Withdrawal and conversion payments Retrait et paiements de conversion	25 LLP withdrawal Retrait REEP	26 Amounts deemed received on designation Montants réputés reçus lors de l'annulation de l'assignement	
20XX				10000.00			
	28 Other income or deductions Autres revenus ou déductions	30 Income tax deducted Impôt sur le revenu retenu	34 Amounts deemed received on death Montants réputés reçus au décès		27 HSP withdrawal Retrait RHP	35 Transfers on breakdown of marriage or common-law part Transferts après rupture du mariage ou de l'union de fait	
		2000.00					
Recipient's name and address – Nom et adresse du bénéficiaire Last name (print) Nom de famille (en lettres imprimées) FIRST NAME SURNAME PRÉNOM NOM ADDRESS ADRESSE							
Privacy Act / Loi sur la protection des renseignements personnels Personal Information Bank number CRA PPU 005 and CRA PPU 047 Fichier de renseignements personnels ARC PPU 005 et ARC PPU 047				24 Contributor spouse or common-law partner Époux ou conjoint de fait Yes OUI No NON 12 Social insurance number* 000 : 000 : 000 Numéro d'assurance sociale* 14 Contract number XXXXXXX Numéro de contrat 60 Name of payer (issuer) of plan – Nom du payeur (émetteur) du régime NATIONAL BANK DIRECT BROKERAGE 61 Account Number Numéro de compte 40 Tax paid amount Montant libéré d'impôt			
T4RSP (XX)				*If your social insurance number is not shown, see the back of this slip. *Si votre numéro d'assurance sociale n'est pas indiqué, consultez le verso de ce feuillet. <b>Protected B when completed / Protégé B une fois rempli</b>			

Canada Revenue Agency Agence du revenu du Canada		STATEMENT OF INCOME FROM A REGISTERED RETIREMENT INCOME FUND ÉTAT DU REVENU PROVENANT D'UN FONDS ENREGISTRÉ DE REVENU DE RETRAITE				T4RIF	
Year Année	16 Taxable amounts Montants imposables	18 Amounts deemed received by the annuitant Montants réputés reçus par le rentier	20 Deregistration Annulation de l'enregistrement	22 Other income or deductions Autres revenus ou déductions	24 Excess amount Excédent	26 Spousal or common-law partner RRSP FERP au profit de l'époux ou conjoint de fait	
20XX	20000.00				4161.58	NO	
	28 Income tax deducted Impôt sur le revenu retenu	30 Year Month Day Année Mois Jour	35 Transfers on breakdown of marriage or common-law part Transferts après rupture du mariage ou de l'union de fait			32 Spouse's or common-law partner's social insurance number* Numéro d'assurance sociale de l'époux ou conjoint de fait	
	416.16						
Recipient's name and address – Nom et adresse du bénéficiaire Last name (print) Nom de famille (en lettres imprimées) FIRST NAME SURNAME PRÉNOM NOM ADDRESS ADRESSE							
Privacy Act / Loi sur la protection des renseignements personnels Personal Information Bank number CRA PPU 005 and CRA PPU 047 Fichier de renseignements personnels ARC PPU 005 et ARC PPU 047				*If your social insurance number is not shown, see the back of this slip. *Si votre numéro d'assurance sociale n'est pas indiqué, consultez le verso de ce feuillet. 12 Social insurance number* 000 : 000 : 000 Numéro d'assurance sociale* 14 Contract number XXXXXXX Numéro de contrat 60 Name of payer (issuer) of fund Nom du payeur (émetteur) du fonds NATIONAL BANK DIRECT BROKERAGE 61 Account Number Numéro de compte 36 Tax paid amount Montant libéré d'impôt			
T4RIF (XX)				<b>Protected B when completed / Protégé B une fois rempli</b>			

## **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 2019, 2020 or 2021, you may have to include in your 2021 income some or all of the amounts withdrawn from the spousal or common-law partner's RRSP.

In the year of withdrawal (e.g., 2021), you must include the lesser of the amount you contributed to your spouse's RRSP for the year of withdrawal (2021) as well as the two previous years (2020 and 2019) or the amount that your spouse or common-law partner has withdrawn from his/her RRSP (e.g., 2021).

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;
- > regarding the Prescribed Minimum RRIF Amount: the attribution rules apply only to amounts in excess of the minimum withdrawal for the year;
- > in the year of death.

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

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

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

## 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	T4A	
Payer's name – Nom du payeur		Statement of Pension, Retirement, Annuity, and Other Income / État du revenu de pension, de retraite, de rente ou d'autres sources		
NATIONAL BANK DIRECT BROKERAGE				
061 Payer's program account number / Numéro de compte de programme du payeur		Pension or superannuation – line 11500 / Prestations de retraite ou autres pensions – ligne 11500		
012 Social insurance number / Numéro d'assurance sociale	999 999 999	016		022 Income tax deducted – line 43700 / Impôt sur le revenu retenu – ligne 43700
013 Recipient's program account number / Numéro de compte de programme du bénéficiaire		Lump-sum payments – line 13000 / Paiements forfaitaires – ligne 13000		
Recipient's name and address – Nom et adresse du bénéficiaire		018		020 Self-employed commissions / Commissions d'un travail indépendant
Last name (print) – Nom de famille (en lettres moulées) / First name – Prénom / Initials – Initiales		Annuities / Rentes		
FIRST NAME SURNAME / PRENOM NOM		024		048 Fees for services / Honoraires ou autres sommes pour services rendus
ADDRESS / ADRESSE		Other information (see page 2) / Autres renseignements (voir à la page 2)		
Box – Case	Amount – Montant	Box – Case	Amount – Montant	
014	XXXXXXX	042	872.62	
Box – Case	Amount – Montant	Box – Case	Amount – Montant	
Box – Case	Amount – Montant	Box – Case	Amount – Montant	
Box – Case	Amount – Montant	Box – Case	Amount – Montant	



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## Tax-Free Savings Account (TFSA)

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

### 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 the individual.

### Annual TFSA Contribution Limit

The TFSA contribution limit for 2019, 2020, and 2021 was \$6,000 for each year. 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, that individual may, therefore, contribute \$17,000 in addition to that year's contribution limit. As with RRSPs, it is not possible for financial institutions to calculate, for the client, the amount they are entitled to contribute to their TFSA. Note, however, that it is possible to find this information on the CRA's "My Account." For more information, see the following webpage: <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 2020. In February 2021, she contributed \$4,500. Later that year, she received an unexpected \$4,100. She forgot that her contribution room for 2021 was limited to \$6,000 and decided to contribute the full amount (\$4,100) to her TFSA on October 30, 2021.

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 2021, 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,  $\$2,600 \times 1\% \times 3 \text{ months} = \$78$ .

If, after making her \$4,100 contribution on October 30, 2021, 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 ( $\$2,600 \times 1\% \times 1 \text{ month}$ ). (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.

## Operating a Business

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

## What is business income?

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

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

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

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

For example, if a TFSA has an FMV of more than \$200,000 and there have been several trades with a short holding period ("day trading"), the CRA may consider that the increase in value of the TFSA indicates it is held by a holder with special knowledge of securities who is engaged in market speculation. Therefore, business income is present.

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

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

## 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 on TFSA, please visit the CRA website:

[https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account.html?\\_slnk](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 the non-resident 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	F R A	XXXXXX		000 000 000		
Line 1 Ligne 1		14 Income code Code de revenu	15 Currency code Code de devise	16 Gross income Revenu brut	17 Non-resident tax withheld Impôt des non-résidents retenu	18 Exemption code Code d'exemption	
2		6 1	C A D	9814.93	0.00	S	
<b>Non-resident recipient's name and address – Nom et adresse du bénéficiaire non-résident</b> 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							
<b>Name and address of payer or agent – Nom et adresse du payeur ou de l'agent</b> NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOURASSA, 7 <sup>TH</sup> FLOOR MONTRÉAL, QC H3B 2G7							
Non-resident account number Numéro de compte non-résident XXXXXXXXX							
Country code Code pays				F	R	A	
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)							

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.

### Stripped Coupons and Residual Bonds

Essentially, it is a bond with interest coupons which 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 deemed to accrue each year is determined using the "actual annual return" calculation based on the purchase price and maturity value, and this interest is considered to be compounded annually. Once the "actual annual return" is determined, the following formula is applied for each year:

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

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

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

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

### 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 Sale Date (September 30, 2020)	\$59.08	
		\$4,320.91
Gain (Loss)		\$79.09

Actual Output (5.5%)	Underlying Bond Anniversary Date Date of Bond Acquisition	June 30 February 2, 2018	# of Days Held	
YEAR	Basis for Interest Calculation	Notional Interest	DAYS	
2018	\$3,745.00	\$84.05	149	February 2, 2018 Buy
2019	\$3,829.05	\$210.60	365	
2020	\$4,039.65	\$222.18	365	
2020 (July 1 to September 30)	\$4,261.83	\$59.08	92	Septembre 30, 2020 Sale
2021	- \$	- \$	0	
2022	- \$	- \$	0	
		<b>575.91 \$</b>		

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

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

Form <b>1042-S</b>		Foreign Person's U.S. Source Income Subject to Withholding		20XX		OMB No. 1545-0006	
Department of the Treasury Internal Revenue Service		AMENDED		PRO-RATA BASIS REPORTING		Copy B for Recipient	
1 Income code 06	2 Gross income 357.58	3 Chap. 3: 3a Exemption code: 06 3b Tax rate: 15.00	4 Chap. 4: 4a Exemption code: 15 4b Tax rate: 05.00	5 Withholding allowance 6 Net income 5.66		Check if tax not deposited under escrow procedure <input type="checkbox"/>	
8 Tax withheld by other agents 53.64		9 Tax assumed by withholding agent 53.64		10 Total withholding credit 53.64		11 Amount repaid to recipient	
12a Withholding agent's EIN 000000000		12b Ch. 3 status code 12		12c Ch. 4 status code		14e Primary Withholding Agent's Name (if applicable) NBCN INC	
13a Withholding agent's name FINANCIERE BANQUE NATIONALE		14f Primary Withholding Agent's EIN 000000000		15a Intermediary or flow-through entity's EIN, if any		15b Ch. 3 status code 10	
13b Withholding agent's Global Intermediary Identification Number (GIIN) XXXXXXXXXX		15c Ch. 4 status code		16a Intermediary or flow-through entity's name RESP-FRÉDÉRIC NCH		16b Intermediary or flow-through entity's GIIN	
13c Country code CA		13d Foreign taxpayer identification number, if any		16c Country code CA		16d Foreign tax identification number, if any	
13e Address (number and street) 1155 RUE METCALFE		16e City or town, state or province, country, ZIP or foreign postal code MONTREAL QC H3B 4S9		16f City or town, state or province, country, ZIP or foreign postal code		16g City or town, state or province, country, ZIP or foreign postal code	
13f City or town, state or province, country, ZIP or foreign postal code MONTREAL QC H3B 4S9		13g Recipient's U.S. TIN, if any		13h Ch. 3 status code 19		13i Ch. 4 status code	
14a Recipient's name		14b Recipient's country code		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		21 Payer's name	
14d City or town, state or province, country, ZIP or foreign postal code		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. 11360R Form **1042-S** (20XX)

Date 20XX	Quantity	Description	Entry Type	Account Currency	Amount Curr. Rate	USD
<b>BANK CANADIAN ACCOUNT</b>						
<b>XX-XXXX-X</b>						
01-08	400	GLOBAL X SUPERFUNDING ETF	DEV	24.45	0.9247	24.49
01-08	400	GLOBAL X SUPERFUNDING ETF	WHTX02	4.00	0.9247	3.70
02-12	400	GLOBAL X SUPERFUNDING ETF	DEV	24.47	0.9103	24.10
02-12	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.97	0.9103	3.61
03-12	400	GLOBAL X SUPERFUNDING ETF	DEV	24.82	0.8986	24.10
03-12	400	GLOBAL X SUPERFUNDING ETF	WHTX02	4.52	0.8986	4.05
04-10	400	GLOBAL X SUPERFUNDING ETF	DEV	24.29	0.9145	24.10
04-10	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.94	0.9145	3.61
05-12	400	GLOBAL X SUPERFUNDING ETF	DEV	24.22	0.9191	24.10
05-12	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.93	0.9191	3.61
06-11	400	GLOBAL X SUPERFUNDING ETF	DEV	24.20	0.9188	24.10
06-11	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.93	0.9188	3.61
07-11	400	GLOBAL X SUPERFUNDING ETF	DEV	25.15	0.9358	24.09
07-11	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.86	0.9358	3.61
08-12	400	GLOBAL X SUPERFUNDING ETF	DEV	24.14	0.9148	24.10
08-12	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.95	0.9148	3.61
09-11	400	GLOBAL X SUPERFUNDING ETF	DEV	24.51	0.9080	24.10
09-11	400	GLOBAL X SUPERFUNDING ETF	WHTX02	3.97	0.9080	3.61
10-10	400	GLOBAL X SUPERFUNDING ETF	DEV	24.96	0.8938	24.09
10-10	400	GLOBAL X SUPERFUNDING ETF	WHTX02	4.04	0.8938	3.61
11-12	400	GLOBAL X SUPERFUNDING ETF	DEV	27.25	0.8841	24.09
11-12	400	GLOBAL X SUPERFUNDING ETF	WHTX02	4.09	0.8841	3.61
12-10	400	GLOBAL X SUPERFUNDING ETF	DEV	27.63	0.8722	24.10
12-10	400	GLOBAL X SUPERFUNDING ETF	WHTX02	4.14	0.8722	3.61



## Form 1099 – DIV (Dividend and Distributions) and Form 1099-INT (Interest Income)

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

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

NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOUTASSA, 7 <sup>TH</sup> FLOOR MONTREAL, QC H3B 2G7		IRS INVESTMENT INCOME SUMMARY - 20XX				
		RECIPIENT ID 000000000				
FIRST NAME SURNAME ADDRESS ADDRESS ADDRESS						
Date 20XX	Quantity	Description	Entry Type	Amount Currency	Amount Cans. Rate	US\$
<b>YOUR U.S. ACCOUNT</b>						
<b>EE-XXXX-X</b>						
14-01-31	200	MONSANTO CO	DEF			88.00
14-02-03	400	FREEMONT-MCKINNON COFFWOLD	DEF			123.00
14-03-03	300	CLIFFS NATURAL RES INC	DEF			45.00
14-03-28	200	RISEAL CO-NEW	DEF			87.50
14-04-29	200	MONSANTO CO	DEF			84.00
14-03-03	400	FREEMONT-MCKINNON COFFWOLD	DEF			123.00
14-04-03	300	CLIFFS NATURAL RES INC	DEF			45.00
14-04-19	350	RISEAL CO-NEW	DEF			87.50

☐ 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-BOUTASSA, 7<sup>TH</sup> FLOOR  
 MONTREAL, QC H3B 2G7

PAYER'S federal identification number: 000000000

RECIPIENT'S name, street address (including apt. no.), city or town, province or state, country, and ZIP or foreign postal code  
 RECIPIENT'S identification number: 000000000

Account number (see instructions): XXXXXX

Form 1099-DIV (keep for your records)

www.irs.gov/form1099div Department of the Treasury - Internal Revenue Service

☐ VOID ☐ CORRECTED

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-BOUTASSA, 7<sup>TH</sup> FLOOR  
 MONTREAL, QC H3B 2G7

PAYER'S federal identification number: 000000000

RECIPIENT'S name, street address (including apt. no.), city or town, province or state, country, and ZIP or foreign postal code  
 RECIPIENT'S identification number: 000000000

Account number (see instructions): XXXXXX

Form 1099-DIV

www.irs.gov/form1099div Department of the Treasury - Internal Revenue Service

**Instructions for Recipient**

**Recipient's identification number.** For your protection, this form may show only the last four digits of your social security number (SSN), individual taxpayer identification number (ITIN), or adoption taxpayer identification number (ATIN). However, the issuer has reported your complete identification number to the IRS and, where applicable, to state and/or local governments.

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

**Box 1a.** Shows total ordinary dividends that are taxable. Include this amount on line 1a of Form 1040 or 1040A. Also, report it on Schedule B (1040A or 1040), if required.

**Box 1b.** Shows the portion of the amount in box 1a that may be eligible for reduced capital gains rates. See Form 1040/1040A instructions for how to determine this amount. Report the eligible amount on line 8b, Form 1040 or 1040A.

The amount shown may be dividends a corporation paid directly to you as a participant (or beneficiary of a participant) in an employee stock ownership plan (ESOP). Report it as a dividend on your Form 1040/1040A but treat it as a plan distribution, not as investment income, for any other purpose.

**Box 2a.** Shows total capital gain distributions from a regulated investment company or real estate investment trust. Report the amounts shown in box 2a on Schedule D (Form 1040), line 13. But, if no amount is shown in boxes 2c-2d and your only capital gains and losses are capital gain distributions, you may be able to report the amounts shown in box 2a on line 13 of Form 1040 (line 10 of Form 1040A) rather than Schedule D. See the Form 1040/1040A instructions.

**Box 2b.** Shows the portion of the amount in box 2a that is unrecaptured Section 1250 gain from certain depreciable real property. Report this amount on the Unrecaptured Section 1250 Gain Worksheet Line 19 in the Schedule D instructions (Form 1040).

**Box 2c.** Shows the portion of the amount in box 2a that is section 1202 gain from certain small business stock that may be subject to an exclusion. See the Schedule D (Form 1040) instructions.

**Box 2d.** Shows 28% rate gain from sales or exchanges of collectibles. If required, use this amount when completing the 28% Rate Gain Worksheet Line 18 in the instructions for Schedule D (Form 1040).

**Box 3.** Shows the part of the distribution that is nontaxable because it is a return of your cost (or other basis). You must reduce your cost (or other basis) by this amount for figuring gain or loss when you sell your stock. But if you get back all your cost (or other basis), report future distributions as capital gains. See Pub. 550, Investment Income and Expenses.

**Box 4.** Shows backup withholding. A payer must backup withhold on certain payments if you did not give your taxpayer identification number to the payer. See Form W-9, Request for Taxpayer Identification Number and Certification, for information on backup withholding. Include this amount on your income tax return as tax withheld.

**Box 5.** Shows your share of expenses of a nonpublicly offered regulated investment company, generally a nonpublicly offered mutual fund. If you file Form 1040, you may deduct these expenses on the "Other expenses" line on Schedule A (Form 1040) subject to the 2% limit. This amount is included in box 1a.

**Box 6.** Shows the foreign tax you may be able to claim as a deduction or a credit on Form 1040. See the Form 1040 instructions.

**Box 7.** This box should be left blank if a regulated investment company reported the foreign tax shown in box 6.

**Boxes 8 and 9.** Shows cash and non-cash liquidation distributions.

**Box 10.** Shows exempt-interest dividends from a mutual fund or other regulated investment company paid to you during the calendar year. Include this amount on line 8b of Form 1040 or 1040A as tax-exempt interest. This amount may be subject to backup withholding. See box 4.

**Box 11.** Shows exempt-interest dividends subject to the alternative minimum tax. This amount is included in box 10. See the instructions for Form 6251.

**Box 12-14.** State income tax withheld reporting boxes.

**Nonresidents.** If this form includes amounts belonging to another person, you are considered a nonresident recipient. You must file Form 1099-DIV (with a Form 1096) with the IRS for each of the other owners to show their share of the income, and you must furnish a Form 1099-DIV to each. A spouse is not required to file a nonresident return to show amounts owned by the other spouse. See the 2014 General Instructions for Certain Information Returns.

**Future developments.** For the latest information about the developments related to Form 1099-DIV and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form1099div](http://www.irs.gov/form1099div).

**Dividends and Distributions**

**Copy B For Recipient**

**Copy 2**

To be filed with recipient's state income tax return, when required.

1a Total ordinary dividends \$ 20.00

1b Qualified dividends \$ 20.00

2a Total capital gain dist \$

2b Unrecap. Sec. 1250 gain \$

2c Section 1202 gain \$

2d Collectibles (28%) gain \$

3 Nondividend distributions \$

4 Federal income tax withheld \$

5 Investment expenses \$

6 Foreign tax paid \$ 3.00

7 Foreign entity's U.S. possession \$

8 Cash liquidation distributions \$

9 Noncash liquidation distributions \$

10 Exempt-interest dividends \$

11 Specified private activity bond interest dividends \$

12 State 13 State 14 State tax withheld \$ \$ \$



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

If you are a “documented” U.S. investor residing in the United States, you will receive Form 1099-B reporting the dispositions of all 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 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 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).

NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOUTASSA, 7 <sup>TH</sup> FLOOR MONTREAL, QC H3B 2G7										IRS TRADING SUMMARY - 20XX				
										RECIPIENT ID		000000000		
FIRST NAME SURNAME ADDRESS ADDRESS ADDRESS														
DATE	QUANTITY	SECURITY DESCRIPTION	PRICE	PROCEEDS (COSTS)	COMM	CONV RATE	PROCEEDS (COSTS) USD	COMM USD	UNCOVERED (Y/N)	WASH SALE USD	LONG/SHORT TERM (L/R)			
YOUR CANADIAN ACCOUNT												X-XXXX-X		
11.14	250	ALTER MHD CORP-WHM	2.71	699.75		0.0025	538.17		Y	0.00	0.00			
Total Proceeds							538.17							
11.14	129,972	MLS GRW OPP CL /N	27.398	3,533.97		0.0026	3,139.73		Y	0.00	0.00			

NATIONAL BANK DIRECT BROKERAGE 1100, BOUL. ROBERT-BOUTASSA, 7 <sup>TH</sup> FLOOR MONTREAL, QC H3B 2G7										1099B - Substitute Statement - 20XX Proceeds From Broker & Barter Exchange Transactions									
Investment Advisor: PRÉNON BOH Phone Number:										RECIPIENT ID 000000000 PAYER'S FED. ID. No. 000000000									
*****																			
*****																			
*****																			
*****																			
Date Sold or Disposed (Box 1c)	CUSIP Number	Qty Sold	Proceeds (Box 1d)	Fed Inc Tax Withd (Box 4)	Description (Box 1a)	Date of Acq (Box 1b)	Cost or Other Basis (Box 1e)	Code (Box 1f)	Adjustments (Box 1g)	Loss Not Allowed (Box 7)	Uncovered Security (Box 5)	Basis Reported to IRS (Box 3)	Long/Short Term L/R (Box 2)						
YOUR CANADIAN ACCOUNT														X-XXXX-X					
02.18	122902GG5	10,000	9,123.00		BDC CIBLE SI T/V 18FV14		0.00		0.00			Y							

Reported to IRS:  
( ) Sales Price (X) Sales Price Less Commissions and Option Premiums

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## FAQ – Tax Slips and Miscellaneous

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### **What is a 1042-S?**

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?**

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

### **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 for Canadian tax purposes. 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 your Investment Advisor to determine the forms required for your specific situation. If you do not fill in the required documentation, the maximum withholding rate of 30% will be applied to all U.S. source income paid into your non-registered accounts, TFSAs, RESPs, and RDSPs. This withholding is remitted to the U.S. tax authorities and is, generally, considered a final tax. Therefore, you do not need to file a U.S. tax return (Form 1040NR or Form 1040) unless you need to file one for another reason, or if there is reason to believe that you will be able to recover a withheld amount from the U.S. tax authorities.

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

## 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) residing 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) had a "cost amount" (generally, the cost of acquisition of the property under the ITA) 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
- > a share of a corporation resident in Canada but held outside Canada
- > an interest in a non-resident trust that was acquired for consideration
- > an interest in a partnership that holds a specified foreign property unless that partnership is required to file Form T1135
- > a property that is convertible into, exchangeable for, or confers a right to acquire a property that is specified foreign property
- > a debt owed by a non-resident, including government or corporate bonds, debentures, mortgages, and notes receivable
- > an interest in a foreign insurance policy
- > precious metals, gold certificates, and futures contracts held outside Canada.

Please note: a building for personal use is not covered by the T1135 form.

"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 (e.g., all of their specified foreign property) 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 .....	<input type="checkbox"/>
Shares of non-resident corporations (other than foreign affiliates) .....	<input type="checkbox"/>
Indebtedness owed by non-resident .....	<input type="checkbox"/>
Interests in non-resident trusts .....	<input type="checkbox"/>
Real property outside Canada (other than personal use and real estate used in an active business) .....	<input type="checkbox"/>
Other property outside Canada .....	<input type="checkbox"/>
Property held in an account with a Canadian registered securities dealer or a Canadian trust company .....	<input type="checkbox"/>

**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:

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**Income from all specified foreign property** \$ \_\_\_\_\_

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

Privacy Act, personal information bank number CRA PPU 035  
T1135 E (16) (Ce formulaire existe en français.)

**Canada**

## Reminder of the Detailed Reporting Method

If you hold “specified foreign property” held through a registered securities dealer or a Canadian trust company, you have two options available regarding Form T1135:

**1 - “Report by Account and by Country” — Category 7 of Form T1135.**

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

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

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

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

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

<b>Part B: Detailed reporting method</b>						
<b>Categories of specified foreign property</b>						
<p>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.</p> <p>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, <i>Property held in an account with a Canadian registered securities dealer or a Canadian trust company</i>. See attached instructions for Category 7 for details as to how to report under this method.</p>						
<b>1. Funds held outside Canada</b>						
Name of bank/other entity holding the funds	Country code	Maximum funds held during the year	Funds held at year end	Income		
<b>Total</b>						
<b>2. Shares of non-resident corporations (other than foreign affiliates)</b>						
Name of corporation	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition	
<b>Total</b>						
<b>3. Indebtedness owed by non-resident</b>						
Description of indebtedness	Country code	Maximum cost amount during the year	Cost amount at year end	Income	Gain (loss) on disposition	
<b>Total</b>						
<b>4. Interests in non-resident trusts</b>						
Name of Trust	Country code	Maximum cost amount during the year	Cost amount at year end	Income received	Capital received	Gain (loss) on disposition
<b>Total</b>						

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## Other Relevant Information to Complete Form T1135

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

Excerpt from the CRA's Guide:

### Country codes

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

The country code for each category should identify the following:

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

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

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## The Client's Responsibility

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



You agree to release NBDB, its employees, agents, representatives and officers, even in the 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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