



# Valuable Tax Information for 2004

**Filing deadline: May 2, 2005**

## Questions about tax reporting?

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At TD Waterhouse®, we want to assist our clients with their financial needs any way that we can. This guide was developed to help make tax filing easier. We have included up-to-date information about:

- recent changes to tax reporting that may affect you;
- timelines for receiving your tax slips from TD Waterhouse and how to use them;
- answers to frequently asked questions regarding taxes.

## What's new for 2004 and 2005:

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- **Changes to the T5013 form (partnership):**  
Canada Revenue Agency (CRA) has redesigned this form and changed the following boxes:
  - Box 03 is a new box, added to identify the type of tax slip.
  - Box 11, Box 132 and Box 133 have been eliminated.
- **Change to T3 form:** CRA has designated Box 42 to report "Return of Capital" amounts. Each security reporting a Return of Capital will be detailed on the accompanying Income Trust Summary.
- **Change to Quebec RIF withholding tax:** Effective January 1, 2005, all payments from Registered Retirement Income Funds (RIFs) for residents of Quebec will be subject to an across-the-board, flat 16% provincial withholding tax, including minimum payments.

## TD Waterhouse tax slip distribution dates

Form	Purpose of Form	Mailed No Later Than
REGISTERED ACCOUNTS		
RSP Contribution Receipts	All RSP Contributions	Receipts for contributions between 3/2/04 to 12/31/04 will be mailed mid-January 2005. Receipts for contributions from 1/1/05 to 3/1/05 will be printed at the end of each week and mailed the following week (beginning January 10, 2005).
NR4 (RSP)	Non-resident RSP Deregistrations	March 31, 2005
NR4 (RIF)	Non-resident RIF Deregistrations	March 31, 2005
T4RSP	Withdrawals from RSP	February 28, 2005
T4RIF	Withdrawals from RIF	February 28, 2005
Relevé 2	Quebec – submitted with T4RSP/T4RIF	February 28, 2005
Relevé 7	QSSP activity	February 28, 2005
T4A/Relevé 1	RESP withdrawals	February 28, 2005
T2ETC	Tax credit given to residents of Manitoba who invest in eligible securities	February 28, 2005
NON-REGISTERED ACCOUNTS		
T3/R16 (Mutual Funds)	Dividend, Interest, Capital Gains, and Return of Capital distributions on Mutual Funds	Mailed by fund company by March 31, 2005
T5	Dividend and Interest Income equal to or greater than \$50	February 28, 2005
T5	All Split Share Income	February 28, 2005
Relevé 3	Quebec – submitted with T5	February 28, 2005
T3 (Trust Units)	Trust Unit Income	March 15, 2005 (1 <sup>st</sup> run), March 31, 2005 (2 <sup>nd</sup> run)
R16 (Trust Units)	Quebec – submitted with T3	March 15, 2005 (1 <sup>st</sup> run), March 31, 2005 (2 <sup>nd</sup> run)
T5013	Partnership Income	Mail dates between February 28, 2005 and March 31, 2005
Relevé 15	Quebec – submitted with T5013	Mail dates between February 28, 2005 and March 31, 2005
NR4	Non-resident Dividends and Interest	March 31, 2005
Annual Trading Summaries	For clients who were issued a T5 or NR4	Mailed with T5 or NR4
1099 Int	U.S. person receiving Interest Income*	January 31, 2005
1099 B	U.S. person receiving Proceeds of Sale*	January 31, 2005
1042 S	For flow-through entities including Simple and Grantor Trusts reporting U.S. Source Income*	March 15, 2005

\* For Internal Revenue Service (IRS) reporting, if you are being charged the maximum withholding tax rate of 30% and live in a treaty country, you may be able to reduce your tax paid by providing TD Waterhouse with the required documentation.

### How TD Waterhouse can help you:

Call TD Waterhouse at the number on your statement for help with the following:

- **If you lose or do not receive the tax slip(s) for your TD Waterhouse account(s):** Call us to request a duplicate copy.
- **If your tax slip is incorrect:** Call us with the correct information and we will send you a corrected version.

During March and April 2005, amendments to 2004 tax slips can be completed within two to three days. Amendments to tax slips from prior years can be completed within seven days.

### Frequently asked questions (FAQ)

*Q. How are Stock Dividends and Distributions treated by the CRA or IRS?*

- A. CRA treats Stock Dividends and some Distributions as taxable dividends, except stock dividends received from foreign corporations by Canadian corporations, and requires them to be reported on your T5/Relevé 3 or NR4, as appropriate.

The IRS generally treats U.S. Stock Dividends and Distributions as deferred capital gains and does not

require them to be reported on your 1099 or 1042S at the time of payments. Capital gains are reported when the shares are sold.

*Q. How can I defer the tax on my U.S./Foreign spin-offs?*

A. As a Canadian resident shareholder, you can elect to defer being taxed on the spin-off shares by having the value of the spin-offs excluded from your taxable income for the year. The payment of taxes may then be deferred until the shares are sold. EFILE and NETFILE cannot be used to file the return for the tax year to which the election relates. You must file a paper income tax return for the year in which the Distribution occurs and include a letter which contains the following:

- written notification that you are electing to defer tax relating to the distribution of spin-off shares from a U.S. (or foreign) corporation;
- the number, original cost and fair market value of the original shares, immediately before the distribution;
- and the number and fair market value of the spin-off shares immediately after the distribution.

You should attach to the election any T5 slip you receive regarding this income.

Keep in mind that not all foreign spin-offs may be eligible for tax deferral. To qualify, the spin-off must meet specific CRA criteria.

For further details, please visit the CRA website at [www.cra-arc.gc.ca/tax/business/topics/foreign-e.html](http://www.cra-arc.gc.ca/tax/business/topics/foreign-e.html)

*Q. Is the RSP annual administration fee tax-deductible?*

A. No. Since 1996, the fee has not been deductible.

*Q. Can an NR4 be amended to reduce withholding tax?*

A. No. Non-resident tax that has been withheld is remitted to CRA on a monthly basis. CRA has advised us that an NR4 cannot be amended if non-resident tax was withheld in error. In such a situation, you should file the NR4 with your Canadian tax return and CRA will make the adjustment. Non-residents can claim a refund by filing an NR7R application.

## Important Tax Filing Dates:

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The deadline for making contributions to your RSP for the 2004 tax year is March 1, 2005 and the date for most individuals to file their 2004 income tax return is May 2, 2005.<sup>1</sup> If you or your spouse are self-employed, your tax filing deadline is June 15, 2005.

Please note the above dates may not apply depending on your unique circumstances.

Even if you don't have all your tax slips, you are required to file by these dates if taxes are owing. Should you file late, you will be subject to a late payment penalty of 5% of the balance owing and interest of 1% of the balance for each month that your return is late.

## For more information and/or 2004 tax forms and guides:

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- For information about Canadian tax filing, go to the CRA website at <http://www.cra-arc.gc.ca>
- For information about tax reporting for U.S. investments, go to the IRS website at <http://www.irs.gov>
- For more information about your TD Waterhouse account(s), call the toll-free number on your TD Waterhouse account statement.
- We recommend that you contact your tax advisor if you have any questions relating to your personal circumstances.



<sup>1</sup> Because April 30, 2005 falls on a weekend, CRA has established May 2, 2005 (the next business day) as the 2004 filing deadline for most individuals.

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