

Valuable Tax Information for 2006

Filing deadline:
April 30, 2007



Waterhouse

Wealth of Experience

What's New for 2006

Changes to T5 slips

- Canada Revenue Agency (CRA) has re-classified Canadian corporate dividends into Large Corporation Dividends and Small Corporation Dividends effective January 1, 2006.
- Large Corporation Dividends will be reported in new boxes 24 (Actual Dividend), 25 (Taxable Dividend with a gross-up of 45%) and 26 (Federal Tax Credit of 18.9655%). These are considered “eligible” dividends.
- Small Corporation Dividends will be reported in boxes 10 (Actual Dividend), 11 (Taxable Dividend with a gross-up of 25%) and 12 (Federal Tax Credit of 13.3333%). These are considered “ineligible” dividends.

Please note that for 2006, all regular dividends will default to Large Corporation and be eligible for the 45% gross-up and 18.9655% tax credit, unless we are advised by corporation(s) that they do not qualify as a Large Corporation. Going forward, corporations will be required to advise nominees of their classification as either *Large* or *Small*.

Changes to R3 slips (Quebec residents only)¹

Relevé slips have also been revised and respective percentages changed as follows:

- Dividends paid between January 1, 2006 and March 23, 2006 will be reported in boxes A2 (Actual Dividend), B (Taxable Dividend with gross-up of 25%²) and C (Dividend Tax Credit of 13.54%³).
- Ineligible dividends (based on the definition provided under T5 section above) paid March 24, 2006 to December 31, 2006 will be reported in boxes A2 (Actual Dividend), B (Taxable Dividend with gross-up of 25%²) and C (Dividend Tax Credit of 10%³).
- Eligible dividends paid between March 24, 2006 and December 31, 2006 will be reported in boxes A1 (Actual Dividend), B (Taxable Dividend with gross-up of 45%²) and C (Dividend Tax Credit of 17.25%³).

1 Please note that for 2006, all regular dividends will default to Large Corporation and be eligible for the 45% gross-up and the 17.25% tax credit, beginning March 24, 2006, unless we are advised by corporation(s) that they do not qualify as a Large Corporation. Calculations (for Quebec) of the Dividend Tax Credit (DTC) will be based on the Actual Dividend box and no longer based on the Taxable Dividend Box.

2 Calculations for box B in numbers 1 through 3 will be done separately, with only the sum of all three reported as one total in box B.

3 Calculations for box C for numbers 1 through 3 will be done separately, with only the sum of all three reported as one total in box C.

Example of R3 calculations

Relevé 3 (R3)	Box A1	Box A2	Calculation	Box B	Calculation	Box C
All dividends Jan. 1-Mar. 23		\$100	100.00 x 25%	\$125.00	100.00 x 13.54%	\$13.54
Eligible-post Mar. 24-Dec. 31	\$100		100.00 x 45%	\$145.00	100.00 x 17.25%	\$17.25
Ineligible-post Mar. 24-Dec. 31		\$100	100.00 x 25%	\$125.00	100.00 x 10.00%	\$10.00
Box Totals that will appear on R3 slip	\$100	\$200		\$395.00		\$40.79

Changes to T3 slips¹

Also as a result of the CRA changes, the T3 has 3 new boxes: (box 49, Actual Dividends, box 50, Taxable Dividends and box 51, Federal Tax Credit) for the Large Corporation Eligible Dividends and uses the 3 current boxes (23, Actual Dividends, 32, Taxable Dividends and 39, Federal Tax Credit) for reporting on ineligible dividends.

TD Waterhouse tax slip distribution dates

REGISTERED ACCOUNTS

Form	Purpose of Form	Mailed No Later Than
RSP Contribution Receipts	All RSP Contributions	Receipts for contributions made between March 2, 2006 and December 31, 2006 will be mailed mid-January 2007. Receipts for contributions from January 1, 2007 to March 1, 2007 will be mailed at the end of each week beginning January 10, 2007.
NR4 (RSP)	Non-resident RSP Deregistrations	April 2, 2007*
NR4 (RIF)	Non-resident RIF Deregistrations	April 2, 2007*
T4RSP	Withdrawals from RSP	February 28, 2007
T4RIF	Withdrawals from RIF	February 28, 2007
Relevé 2	Quebec – submitted with T4RSP/T4RIF	February 28, 2007
Relevé 7	QSSP activity	February 28, 2007
T4A/Relevé 1	RESP withdrawals	February 28, 2007

* March 31 falls on Saturday, changing the required CRA mail date to be no later than Monday, April 2, 2007.

NON-REGISTERED ACCOUNTS

Form	Purpose of Form	Mailed No Later Than
T3/R16 (Mutual Funds)	Income Distribution and Return of Capital Distributions on Mutual Funds	Mailed by fund company by April 2, 2007
T5	Dividend and Interest Income equal to or greater than \$50	February 28, 2007
T5	All Split Share Income	February 28, 2007
Relevé 3	Quebec – Submitted with T5	February 28, 2007
T3 (Trust Units)	Trust Unit Income	Mail dates between March 1, 2007 and April 2, 2007
R16 (Trust Units)	Quebec – Submitted with T3	Mail dates between March 1, 2007 and April 2, 2007
T5013	Partnership Income	Mail dates between March 1, 2007 and April 2, 2007
Relevé 15	Quebec – Submitted with T5013	Mail dates between March 1, 2007 and April 2, 2007
NR4	Distribution to non-residents	April 2, 2007
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, 2007
1099 B	U.S. person receiving Proceeds of Sale*	January 31, 2007
1099 DIV	U.S. person receiving Dividend Income	January 31, 2007
1042 S	Issued to flow-through entities including Simple and Grantor Trusts, Partnerships reporting U.S. Source Income*	March 15, 2007

* 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. Contact TD Waterhouse for more information.

What's New for 2006 cont'd.

Changes to R16 slips (for Quebec residents only)²

The Relevé 16 uses current box C1 to report Actual Dividends for eligible dividends, adds box C2 to report Actual Dividends for ineligible dividends, and reports a sum of the calculations for ineligible and eligible dividends in boxes I (Taxable Dividends) and J (Tax Credit).³

- 1 Please note that for Income Trust T3's, Partnerships T5013's and Split Corporation T5's there is no default option. Boxes will be reported based on the tax factors provided by the respective companies.
- 2 Calculations (for Quebec) of the Dividend Tax Credit (DTC) will be based on the actual dividend box and no longer based on the taxable dividend box.
- 3 Calculations with respect to eligible and ineligible taxable dividends and tax credits will be done separately; however, amounts reported in boxes I and J, respectively, will reflect the sum of these separate calculations.

Facts to remember

- Tax receipts (T5/T3) are issued only if the combined income is \$50.00 or greater. You are still required to report amounts under \$50.00; however, no receipt will be issued.
- Income from Income Trusts will be reported on a consolidated basis as we receive tax factors from the respective Trusts. If you have Trust units that are still pending, you will receive a summary advising you which securities have not been reported.
- Limited partnerships will be reported on an individual basis as TD Waterhouse receives tax factors from the respective partnerships.
- Income Trusts and partnerships have until April 2, 2007 to advise TD Waterhouse of their tax factors.

(please turn over)

Frequently asked questions (FAQ)

Q. How are stock dividends and distributions treated by CRA or IRS?

A. CRA treats stock dividends and some distributions as taxable dividends, 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 1042 S 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 values of the spin-off shares immediately after the distribution. You should attach to the election any T5 slip you receive regarding this income.

FAQ cont'd.

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

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 dates to remember

March 1, 2007 – Last day for 2006 RSP contributions

April 30, 2007 – Last day to file your 2006 tax return without possible penalty

June 15, 2007 – Last day to file your 2006 tax return if you are self-employed, without possible penalty

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 you owe taxes.

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

- For information about Canadian tax filing and guides, visit the CRA website at www.cra-arc.gc.ca
- For information about U.S. tax filing and guides, visit the Internal Revenue Service (IRS) website at www.irs.gov
- We recommend that you contact your Tax Advisor if you have any questions relating to your personal circumstances.

How TD Waterhouse can help you:

If you have lost or have not received your tax slip(s), or if you identify any discrepancies on any of your tax slips, please call TD Waterhouse at the number indicated on your account statement or, if you are a TD Waterhouse Institutional Services client, please contact your Investment Counsellor.

During March and April 2007, amendments to 2006 tax slips can usually be completed within three business days. Amendments to tax slips for prior years can usually be completed within seven days.



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