

Income earned abroad is taxable

The Canada Revenue Agency (CRA) would like to remind taxpayers that they must report their worldwide income from all sources, both inside and outside Canada.

Concerning Tax Havens

Taxpayers who use tax havens to hide assets or avoid taxes should know that the CRA is working with international partners to address tax avoidance and evasion. Specially trained auditors and tax avoidance officers are focused on aggressive international tax planning, including the abusive use of tax havens, to ensure that Canadians are accurately reporting their income and paying tax. If your unreported income is found by the CRA, you will face serious consequences.

Failure to Report Income Has Consequences

Not reporting taxable income from foreign sources is illegal. If unreported income is found as a result of a review or an audit, you will have to pay the taxes owed plus interest and penalties. If the CRA determines that you failed to report income in an attempt to evade taxes, you could face criminal charges that may result in court imposed fines or jail time.

Foreign Property Ownership Reporting Rules

In addition to having to report all of your income from both inside and outside Canada, when completing your income tax return, you will be asked if you have foreign property with a total cost of more than \$100,000 CDN. If you do, check “yes” and attach a completed Form T1135, **foreign income verification statement**. Penalties are imposed if the statement is not filed, or not filed on time.

CRA’s Voluntary Disclosures Program

The CRA has a **Voluntary Disclosures Program** available to taxpayers who want to correct their tax affairs before we begin any audit action or investigation. If you make a full disclosure before the CRA begins any compliance action, you may only have to pay the taxes owing plus interest, but you will not have to pay any penalties nor face prosecution in the courts. Visit www.cra.gc.ca for more information.

Related documents and publications:

- Foreign Reporting
- Foreign Income Verification Statement (T1135)
- Tax havens and tax treaties