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Director

May 29, 2012

Mr. Rob Bledig  
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Dear Mr. Bledig:

**Re: New T5013 Requirements for Nominees**

I am writing on behalf of members of the Investment Industry Association of Canada (IIAC) with respect to new filing requirements for partnerships in 2011 (<http://www.cra-arc.gc.ca/whtsnw/tms/prtnrshp-eng.html>). IIAC represents 175 members – 85% by number, and 95% by revenue, of active investment dealers regulated by the Investment Industry Regulatory Organization of Canada (IIROC). A number of our members have told us that CRA has advised that paper T5013 filings will be rejected if, among other things, the following three forms – T5013SUM, T5013FIN and Schedule 50 – and new RZ numbers are not provided for each partnership. When the reporting changes were discussed briefly last summer as part of our members' annual meeting with the CRA, our member firms were led to understand that they would not be affected. While we understand CRA undertook some consultation with accounting firms on matching requirements, those contacted may not have been familiar with operational challenges experienced by tax reporting firms. Based on discussion with our members who have raised concerns with us:

- i. We do not think it is or will be feasible for investment dealers to submit T5013FINs and Schedule 50s and, therefore, suggest that limited partnership issuers continue submitting these completed documents to CRA as currently
- ii. With respect to the T5013SUM and RZ number requirements, we would like to discuss alternatives that would be implemented when the T5013s/T5013As T5103SUM can be submitted electronically via XML filing.

While our members hold securities and other investments in nominee form for their clients, they are not agents of the partnerships in the ordinary sense, and therefore do not have much of the additional information required. We hope that we can discuss ways to satisfactorily address CRA needs by elaborating on our concerns regarding the new reporting requirements.

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## **1. T5013 Summary – *Information Slips Summary***

T5013/T5013A slip totals and box totals are available, although may not be in the format of the T5013 Summary. A number of members may issue a summary, and send a letter to CRA with the firm's contact information and appending copy 1 of the T5013. We assume that this has been and will remain an acceptable alternative until we are able to satisfactorily resolve some challenges.

## **2. T5013 FIN – *Partnership Financial Return***

The T5013FIN was discussed in a conference call with the CRA on August 17, 2011, at which time our members were led to understand that the form was to be used by the limited partnerships and not by the investment dealers. The T5013FIN form is essentially the partnership's tax return and:

- Some of the general questions on page 1 of the form are identical to questions from the T5013SUM that our members already provide.
- Most information requested on the T5013FIN is not information that our members have: all questions on page 2 of the T5013FIN are associated with requirements to complete more detailed schedules (e.g., schedules 2, 5, 6, 8, 9, etc. or forms T106, T2058, etc.), each of which additional schedules and forms are outside of the nominees'/agents' areas of knowledge or responsibility. For example, nominees/agents do not have the information to answer most of the questions on pages 2-4 of the T5013FIN form.
- Even if limited partnership issuers were to provide this information to our members going forward, this would merely result in CRA receiving duplicate T5013FINs, once from the limited partnership and the other the same document but by way of one of our members.

## **3. T5013 SCH 50 – *Partners' ownership and account activity***

Since limited partnership issuers already submit Schedule 50s to CRA, our members do not understand the purpose of an additional submission of the same information through them. As in the case of the T5013FIN:

- Some information from the T5013 Schedule 50 (the ownership sections (50-100 to 50-107) and fiscal period's income (or loss) (50-220) allocation) are already being collected and reported on the T5013/A slips submitted to the CRA. This includes partner's name, identification number, code and share of income/loss.
  - There is other information that investment dealers do not have, that is, the information to complete Adjusted Cost Base (ACB) Columns 1 –7 and At-Risk Amount (ARA) Columns 10 – 14.
  - The form requires some very detailed information about every single partner. Paper submission of this form for thousands (or tens of thousands) of partners is seems inconsistent with automation and efforts to reduce the red tape burden, especially for small enterprises – three-quarters of our members are small businesses by Statistics Canada's definition.
  - Given the level of detail required, we are not certain if the information our members do not collect currently would be provided by the limited partnerships without a legislative or regulatory requirement.

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- To start tracking this information would require not only new manual operational procedures, but systems enhancements at the member level and within their service bureaus, all of which would require time and resources that are already stretched significantly due to increasing regulatory requirements in many areas.

#### **4. RC257 – RZ for Partnership Account**

Our members include the notation "Prepared by xxx" under the partnership's name and address on the T5013/T5013As that they issue and provide the partnership ID and partnership Tax Shelter ID on each T5013/A form, which we believe allows the partnership information to be matched. We therefore believe obtaining a partnership RZ for each partnership, when many of our members will act for clients holding shares or units in the same partnership (meaning every partnership would have multiple RZ numbers) appears duplicative, unnecessarily complicated, costly (some of our members have client holdings in partnerships numbering in the hundreds), and potentially confusing.

Looking ahead, our members have their own RZ number that they use to submit other tax slips to the CRA. They also receive each limited partnership's RZ number as part of their posting on the Canadian Depository for Securities (CDS) Innovations website, a website developed by CDS Innovations with our members to expedite tax filings of T3, T5 and T5013 reporting that is also accessible to CRA and from which CRA could get automated files (<http://www.cdsinnovations.ca/applications/taxforms/taxforms.nsf/Splash?Openpage>). Since our members' RZ numbers are currently required as part of the T5013SUM, once XML filing is introduced by the CRA, the summary record will include both RZ numbers – that of our member and that of the limited partnership – providing sufficient information to identify the nominee/agent and the limited partnership.

#### **5. Other**

While we understand CRA would like reconciliation of the nominee/agent information with the composite T5013 information slips that nominees/agents receive from the partnership, we understand that in many cases composite T5013s are not received by our members, even after follow-up with the partnerships many times. We would appreciate understanding what CRA is doing to address partnership non-compliance.

#### **6. Timing**

For nominees/agents to provide information on different forms/returns to the CRA at the same time as limited partnerships do, nominee/agents must receive information from the partnership several weeks before the due date for the partnership to file with CRA to enable intake, verification, processing, etc. of the information. Currently, publicly listed partnerships are required to post the details of their distributions on the CDS Innovations website within 60 or 67 days of year-end. Private placements, however, are not required to do so, although a request for this to be mandated, at least in the case of limited partnership units held by public trusts and partnership units, has been submitted to Finance. For changes of this nature, the purpose of which we do not yet fully understand, significant time is needed to make operational and systems changes and, in the case of the proposed changes discussed here, there

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would need to be extensive interaction with the agents of the partnerships, internal development areas and service bureaus.

## 7. Recommendations

In light of the foregoing challenges, we would like to request that the new requirements be rewritten to exclude those nominees/agents, like our members, that do not have this information (i.e., the majority of information requested in the T5013 FIN and T5013 SCH 50, and new RZ numbers). If the additional information *is* available currently to our members and necessary to the CRA's purposes, we recommend that appropriate fields be added to the T5013SUM. In terms of timing, we believe that our members should be in a position to submit T5013SUMs electronically to the CRA once XML filing is available for T5013s/T5013As and sufficient time for operational/systems changes has been provided.

Our members are strongly in favour of T5013 filing by XML as we believe that, among other things, it would help CRA to reconcile records on a timely automated basis. As such XML filing is already anticipated, a significant change to *current* filing requirements would potentially be only for a short period and then be changed again. This would mean throwaway changes to systems and procedures. This is a further reason, we believe, to work with CRA on alternatives to the recent changes.

We hope that we can speak shortly to address CRA concerns and determine the best way to meet CRA requirements in a way that is manageable for tax reporting firms, CRA and limited partnerships.

Yours sincerely,



Cc: Sylvie Chenette  
Joanne Verkerk  
Louise DesLauriers