

Claim for Tax Shelter Loss or Deduction

Year

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- Fill in this form if you are an investor claiming a loss or deduction, a donation or political contribution deduction, or a tax credit for an interest in a tax shelter. We may verify and adjust your claim.
- If you receive a T5003 slip (tax shelter), and a T5013 slip (partnership) or an official donation or political contribution slip for the same tax shelter, do not claim amounts more than once. **Under the Income Tax Act, we can apply a penalty of 50% of the understated tax if you make a false claim knowingly or in circumstances amounting to gross negligence.**
- Attach a completed copy of this form to your income tax and benefit return together with documents (a copy of your T5003 slip and the tax shelter's statement of earnings, or a copy of your T5013 slip) to support the amount you are claiming as a loss or deduction, a donation or political contribution deduction, or a tax credit.
- You have to identify a tax shelter interest you bought after August 31, 1989, with a tax shelter identification number. You have to provide this number on your claim for any investment in the tax shelter you bought after that date.
- For more more information on how to complete this form, call us at **1-800-959-5525**.

Investor's name										Investor's identification number*			
Investor's address													
Tax shelter identification number**								Tax shelter's name		Purchase date Year Month		Loss or deduction claimed	Line from T1 return***
T	S												
T	S												
T	S												
T	S												
T	S												
T	S												
T	S												
T	S												
T	S												
Total amount claimed										67650			

Personal information (including the SIN) is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the Privacy Act, individuals have the right to access their personal information, request correction, or file a complaint to the Privacy Commissioner of Canada regarding the handling of the individual's personal information. Refer to Personal Information Bank CRA PPU 035 on Info Source at canada.ca/cra-info-source

Notes

Use another form if you need more room to list your tax shelter losses or deductions. Enter the "Total amount claimed" on the last form only. That amount is the total of all losses or deductions you are claiming for the year.

* This is the social insurance number (SIN) if the investor is an individual, the Business Number if the investor is a corporation, the partnership account number if the investor is a partnership, or the trust account number if the investor is a trust.

** Income Tax Act paragraph 237.1(5)(c) – "The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter."

*** Fill in the last column above to indicate the line where you are making your claim on an income tax and benefit return.

- If your claim is for a Gift, use line 34900, and if your claim is for a Political contribution (monetary contribution), use line 40900.
- If you are a limited partner of a partnership that invested in a tax shelter, make your claim on line 12200, Net partnership income: limited or non-active partners only.
- Otherwise, make your claim on the line that corresponds with the type of loss or deduction you are claiming.

For example: Line 12600, Rental income Line 21700, Business investment loss
 Line 13500, Business income Line 22100, Carrying charges and interest expenses
 Line 14100, Farming income Line 22400, Exploration and development expenses
 Line 14300, Fishing income Line 23200, Other deductions

Tax Shelters

Generally, a tax shelter is **any** of the following:

- an **investment in property** (other than a flow-through share or a prescribed property)
- a **gifting arrangement** under which a person entering into **any** of the following arrangement:
 - incurs a limited-recourse debt that can reasonably be considered to relate to a gift to a qualified donee or to a monetary contribution
 - makes a gift to a qualified donee or makes a monetary contribution to a registered party, a registered association, or a candidate as those terms are defined in the Canada Elections Act

Generally, the **investment in property** or the **gifting arrangement** is a tax shelter **if** it is promoted as offering income tax savings **and if** it is reasonable to consider, based on statements or representations made or proposed to be made, that within the first four years of buying an investment in the property or entering into the gifting arrangement, the buyer or donor will have losses, deductions, or credits. **Further**, it has to be reasonable to consider that the losses, deduction, or credits would be **equal to or more than** the cost of the original investment or of the property acquired under the gifting arrangement, net of any prescribed benefits expected to be received or enjoyed, directly or indirectly, by the person or another person with whom the person does not deal at arm's length.

The tax shelter rules for gifting arrangements generally apply to gifts, monetary contributions, and representations made and property acquired under the gifting arrangement after February 18, 2003.

Under the Income Tax Act, a tax shelter promoter has to get an identification number from the Canada Revenue Agency before selling the tax shelter. The number does not indicate that we guarantee any investment, or authorize any resulting tax benefits. We use this number for administrative purposes only. If you own a tax shelter, you have to give its identification number when you file a tax return.

We recognize that legitimate tax shelters are established for valid business reasons. However, we are concerned that some promoters sell tax shelters mainly to help taxpayers avoid paying taxes.

Investors should be cautious when considering a tax shelter investment if they suspect that it has these following features:

- a lack of business activity, or an activity with no reasonable expectation of profit
- unreasonable or inflated expenses, or overvalued assets
- limited-recourse financing, or financing arrangements that indefinitely defer an investor's payment
- losses for tax purposes will be more than the amount of the investment that is actually at risk
- the promoter or others are making verbal assurances of income tax consequences that are different from, or are not confirmed by, professional opinions contained in the investment documents

Tax benefits resulting from a tax shelter for a genuine business or investment are acceptable if they are reasonable and all other requirements of the Income Tax Act have been met. However, a tax shelter established only for a tax benefit (e.g., to generate a tax refund) may be unacceptable, and we may apply the general anti-avoidance rule of the Income Tax Act to deny the benefit being sought.

To ensure fairness in the tax system and prevent abuses through aggressive tax shelter promotions, we review and audit tax shelters. When we review a tax shelter, we determine if the tax shelter leads to an abusive application of the rules by letting investors claim deductions or losses that are more than any amounts they will have to pay. If we suspect fraud, we investigate the actions of the parties involved.

For more information on tax shelters and the general anti-avoidance rule, see Information Circular 89-4, Tax Shelter Reporting, and Information Circular 88-2, General Anti-Avoidance Rule – Section 245 of the Income Tax Act. You can get these information circulars at canada.ca/cra-forms or call 1-800-959-5525.