



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		Loss or deduction claimed	Line from T1 return**
			Year	Month		
1	T S					
2	T S					
3	T S					
4	T S					
5	T S					
6	T S					
7	T S					
8	T S					
9	T S					
Total amount claimed					6765	

Note

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.

* *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 individual income tax and benefit return.

- If your claim is for a *Gift*, use line 349, and if your claim is for a *Political contribution* (monetary contribution), use line 409.
- If you are a **limited partner** of a partnership that invested in a tax shelter, make your claim on line 122, *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
 126, *Rental income*; 141, *Farming income*; 217, *Business investment loss*; 224, *Exploration and development expenses*;
 135, *Business income*; 143, *Fishing income*; 221, *Carrying charges and interest expenses*; 232, *Other deductions*

Privacy Act, personal information bank number CRA PPU 035

(Vous pouvez obtenir ce formulaire en français à www.arc.gc.ca/formulaires ou en composant le **1-800-959-7775**.)

Tax Shelters

Generally, a tax shelter is:

- an **investment in property** (other than a flow-through share or a prescribed property); or
- a **gifting arrangement** under which a person entering into the arrangement:
 - 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*, or
 - incurs a limited-recourse debt that can reasonably be considered to relate to a gift to a qualified donee or to a monetary contribution.

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 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; or
- 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 www.cra.gc.ca/forms or by calling **1-800-959-5525**.