



Do not use this area

INFORMATION RETURN OF NON-ARM'S LENGTH TRANSACTIONS WITH NON-RESIDENTS T106 SUMMARY FORM

- Refer to the instruction sheet before you complete the T106 Summary and Slips.
Complete a separate T106 Slip for each non-resident.
Refer to the instruction sheet for information on the penalties applicable to each T106 Slip.
If an election has been made to use functional currency (see instruction sheet), state the elected functional currency code:

Section 1 - Reporting person/partnership identification

Check (v) the applicable box and complete the areas that apply.

Form for Section 1 with fields for Corporation, Partnership, Trust, and Individual identification, including names, addresses, and business numbers.

Section 2 - Summary information

Form for Section 2 with questions 1-10 regarding tax year, NAICS codes, and reporting details.

Section 3 - Non-monetary or nil consideration

Form for Section 3 with questions 1-2 regarding non-monetary consideration.

Certification

Person to contact for more information (please print)

Fields for First name, Last name, Area code, and Telephone number.

I, \_\_\_\_\_, certify that the information given on these T106 Summary and Slips is, to the best of my knowledge, correct and complete.

Fields for Date, Authorized signing officer's signature, and Position, title, or officer's rank.

## Instructions

If an election has been made under paragraph 261(3)(b) of the *Income Tax Act* to report in a functional currency, state all monetary amounts in that functional currency, otherwise state all monetary amounts in Canadian dollars (no cents). The codes for the functional currencies are as follows:

AUD – for Australian dollar

USD – for U.S. dollar

GBP – for U.K. pound

EUR – for Euro

### Section 1 – Reporting person/partnership identification

For partnership code, check (✓):

- 1 If end partners are individuals or trusts.
- 2 If end partners are corporations.
- 3 If end partners are a combination of 1 and 2 mentioned above.

An end partner is the final recipient (corporation, trust or individual) that receives an allocation of income from the partnership after the income has flowed through the various levels of a tiered partnership.

For individual code, check (✓):

- 1 If the individual or the individual's spouse is self-employed.
- 2 If the individual or the individual's spouse is not self-employed.

### Section 2 – Summary information

**Q.1.** Enter the applicable tax year/fiscal period.

**Q.2.** State if this is the first time that a T106 has been filed. If "no," enter the last tax year/fiscal period end for which T106 documentation was filed.

**Q.5.** Enter the gross revenue of the reporting person/partnership. Do not enter the net income or taxable income. When reporting non-arm's length transactions between a related party and a branch, enter the gross income attributable to the branch.

**Q.6.** State the main business activities of the reporting person/partnership by entering the appropriate North American Industrial Classification System (NAICS) code(s). The list of current NAICS codes can be found at the Statistics Canada internet site,

<http://www.statcan.ca/english/concepts/industry.htm#2>. Main business activity means any business segment which accounts for more than 10% of the gross revenue of the reporting person/partnership or the non-resident.

### Certification

An authorized officer, person, or representative has to sign this form when it is completed. The certification declaration on this form applies to the T106 Summary and Slips.



Refer to the information and instruction sheet before you complete this form. Check (✓) the applicable boxes and complete the areas that apply.

Slip \_\_\_\_\_ of \_\_\_\_\_

Part I - Reporting person/partnership information

Form section for Part I including Corporation, Partnership, Trust, Individual, Business Number (BN), Partnership identification number, Social Insurance Number, and tax year/fiscal period.

Part II - Non-resident information

Form section for Part II including Name of the non-resident, Address, Type of relationship, NAICS code(s), and documentation requirements.

Part III - Transactions between reporting person/partnership and non-resident

Enter in the appropriate box the monetary consideration (to the nearest Canadian dollar/ functional currency unit if applicable) derived or incurred for the following transactions with the non-resident.

Table for Part III transactions with columns for Sold to non-resident, Revenue from non-resident, Purchased from non-resident, Expenditure to non-resident, and Other. Includes sub-sections for Tangible Property, Rents, Royalties and Intangible Property, Services, Financial, and Other.

Part IV - Loans, advances, investments and similar amounts

Table for Part IV showing Beginning balance, Increase, Decrease, and Ending balance for amounts owed and investment in non-resident.

**Part V – Derivatives**

	Number of contracts	Notional amount	Revenue from non-resident	Expenditure to non-resident
101 Interest Rate Contracts		\$	\$	\$
102 Foreign Exchange Contracts		\$	\$	\$
103 Credit Contracts		\$	\$	\$
104 Equity Contracts		\$	\$	\$
105 Commodity Contracts		\$	\$	\$
106 Index Contracts		\$	\$	\$
107 Fees (including commissions)		\$	\$	\$
108 Other payments / receipts (specify)		\$	\$	\$

Please enter the total of all entries made in each column of Part V. E=  F= \$  G= \$  H= \$

Please enter in box I the total of all entries made in boxes A, B, C, D, G and H. I = \$

**Part VI – Current accounts**

	Beginning balance	Increase	Decrease	Ending balance
Amount of accounts payable	\$ <input type="text"/>	+ \$ <input type="text"/>	– \$ <input type="text"/>	= \$ <input type="text"/>
Amount of accounts receivable	\$ <input type="text"/>	+ \$ <input type="text"/>	– \$ <input type="text"/>	= \$ <input type="text"/>

**Instructions**

If an election has been made under paragraph 261(3)(b) of the *Income Tax Act* to report in a functional currency, state all monetary amounts in that functional currency, otherwise state all monetary amounts in Canadian dollars (no cents).

**Part II – Non-resident information**

**Q.1 and Q.2.** Enter the name and address of the non-resident. For the list of country codes, see the CRA publication, T4061 – NR4 – *Non-Resident Tax Withholding, Remitting and Reporting guide*, Appendix A – Country Codes, at: <http://www.cra-arc.gc.ca/E/pub/tg/t4061/t4061-e.html>.

**Q.3.** State the type of relationship that exists between the reporting person/partnership and the non-resident. The Canada Revenue Agency needs the relevant financial statements (in English or French) of the non-resident if the non-resident is controlled by the reporting person or partnership and is resident in a non-treaty country. Canada has income tax conventions (treaties) with more than 60 countries. These include the United States, the United Kingdom, France, Japan, and Australia. For information about the countries with which Canada has concluded an income tax treaty, contact your tax services office or consult the Internet at: [www.fin.gc.ca](http://www.fin.gc.ca).

**Q.4.** State the main business activities for the transactions reported in Part III by entering the appropriate North American Industrial Classification System (NAICS) codes. The current NAICS codes can be found at the Statistics Canada internet site, <http://www.statcan.ca/english/concepts/industry.htm#2>. You can enter more than one code.

**Q.5.** State the main countries for the transactions reported in Part III by entering the appropriate country code. You can enter more than one code. For the list of country codes, see the information provided under Q1. and Q2. above.

**Q.6.** Enter **yes** or **no** to the question. In general, subsection 247(4) of the *Income Tax Act* relates to the requirement to maintain and make available contemporaneous transfer pricing documentation. You can find more information on contemporaneous documentation requirements in Information Circular 87-2, *International Transfer Pricing*. The circular is available at our tax services offices and on the Internet at: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

**Part III – Transactions between reporting person/partnership and non-resident**

Enter (to the nearest Canadian dollar/functional currency unit if applicable) the monetary consideration derived or incurred for the transactions in Part III. Only record in Part III those amounts that apply to the non-resident described in Part II. Report gross amounts in the two columns.

The “Sold to non-resident” and “Revenue from non-resident” refers to gross sales and revenue received from non-arm’s length transactions with non-residents. For example, this includes transactions related to exports from Canada and services provided to the non-resident.

The “Purchased from non-resident” and “Expenditure to non-resident” refers to gross purchases and expenditures made relating to non-arm’s length transactions with non-residents. For example, this includes transactions related to imports into Canada and services provided by the non-resident.

For the banking industries, the line for “Stock in trade/raw materials” must be used to report bonds, debentures, loans, mortgage transactions. The normal interest income and expense on loans and advances with the non-arm’s length non-resident(s) must be reported in the Financial section.

**Part V – Derivatives**

The column for Notional Amounts applies to swap transactions. The terms used in this section are described below:

**Descriptions**

- |   |   |
|---|---|
| <p>101 Interest Rate Contracts<br/>This section includes</p> <ul style="list-style-type: none"> <li>– forward rate arrangements</li> <li>– swaps</li> <li>– options purchased</li> <li>– options written</li> </ul> | <p>104 Equity Contracts<br/>– includes contracts used to transfer the economic benefits of securities and debt instruments</p>  |
| <p>102 Foreign Exchange Contracts<br/>– forward contracts<br/>– cross currency swaps<br/>– cross currency interest rate swaps<br/>– options purchased<br/>– options written</p>                                     | <p>105 Commodity Contracts<br/>– includes swaps, forward contracts and options</p>  |
| <p>103 Credit Contracts<br/>– risk transfer arrangements</p>  | <p>106 Index Contracts<br/>– includes all contracts that derive their value from publicly traded indices</p> <p>107 Fees<br/>– any fee or commission charged on derivative transactions</p> <p>108 Other Payments / Receipts<br/>– other payments and receipts not identified above</p> |

**Do you need more information?**

For general enquiries, contact the Business Enquiries section of your tax services office. For detailed information about completing the form, contact the International Audit Division of your tax services office. The address and telephone number of the tax services office are listed under “the Canada Revenue Agency” in the Government of Canada section of your telephone book and on the Internet at: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).



Refer to the information and instruction sheet before you complete this form. Check (✓) the applicable boxes and complete the areas that apply.

Slip \_\_\_\_\_ of \_\_\_\_\_

Part I - Reporting person/partnership information

Form section for Part I containing fields for Corporation, Business Number (BN), Trust, Partnership, Partnership identification number, Individual, Social Insurance Number, and tax year/fiscal period.

Part II - Non-resident information

Form section for Part II containing questions 1 through 7 regarding non-resident details, relationship type, business activities, and documentation.

Part III - Transactions between reporting person/partnership and non-resident

Enter in the appropriate box the monetary consideration (to the nearest Canadian dollar/ functional currency unit if applicable) derived or incurred for the following transactions with the non-resident.

Table for Part III with columns for Sold to non-resident, Revenue from non-resident, Purchased from non-resident, Expenditure to non-resident, and Other. Rows include Tangible Property, Rents, Royalties and Intangible Property, Services, Financial, and Other.

Part IV - Loans, advances, investments and similar amounts

Table for Part IV with columns for Beginning balance, Increase, Decrease, and Ending balance. Rows include Amounts owed by reporting person/partnership, Amounts owed to reporting person/partnership, and Investment in non-resident (ACB).

**Part V – Derivatives**

	Number of contracts	Notional amount	Revenue from non-resident	Expenditure to non-resident
101 Interest Rate Contracts .....		\$	\$	\$
102 Foreign Exchange Contracts .....		\$	\$	\$
103 Credit Contracts .....		\$	\$	\$
104 Equity Contracts .....		\$	\$	\$
105 Commodity Contracts .....		\$	\$	\$
106 Index Contracts .....		\$	\$	\$
107 Fees (including commissions) .....		\$	\$	\$
108 Other payments / receipts (specify) .....		\$	\$	\$
Please enter the total of all entries made in each column of Part V. ....	<b>E=</b> <input type="text"/>	<b>F=</b> \$ <input type="text"/>	<b>G=</b> \$ <input type="text"/>	<b>H=</b> \$ <input type="text"/>

Please enter in box I the total of all entries made in boxes A, B, C, D, G and H. .... **I=** \$

**Part VI – Current accounts**

	Beginning balance	Increase	Decrease	Ending balance
Amount of accounts payable .....	\$ <input type="text"/>	+ \$ <input type="text"/>	- \$ <input type="text"/>	= \$ <input type="text"/>
Amount of accounts receivable .....	\$ <input type="text"/>	+ \$ <input type="text"/>	- \$ <input type="text"/>	= \$ <input type="text"/>

**Instructions**

If an election has been made under paragraph 261(3)(b) of the *Income Tax Act* to report in a functional currency, state all monetary amounts in that functional currency, otherwise state all monetary amounts in Canadian dollars (no cents).

**Part II – Non-resident information**

**Q.1 and Q.2.** Enter the name and address of the non-resident. For the list of country codes, see the CRA publication, T4061 – NR4 – *Non-Resident Tax Withholding, Remitting and Reporting guide*, Appendix A – Country Codes, at: <http://www.cra-arc.gc.ca/E/pub/tg/t4061/t4061-e.html>.

**Q.3.** State the type of relationship that exists between the reporting person/partnership and the non-resident. The Canada Revenue Agency needs the relevant financial statements (in English or French) of the non-resident if the non-resident is controlled by the reporting person or partnership and is resident in a non-treaty country. Canada has income tax conventions (treaties) with more than 60 countries. These include the United States, the United Kingdom, France, Japan, and Australia. For information about the countries with which Canada has concluded an income tax treaty, contact your tax services office or consult the Internet at: [www.fin.gc.ca](http://www.fin.gc.ca).

**Q.4.** State the main business activities for the transactions reported in Part III by entering the appropriate North American Industrial Classification System (NAICS) codes. The current NAICS codes can be found at the Statistics Canada internet site, <http://www.statcan.ca/english/concepts/industry.htm#2>. You can enter more than one code.

**Q.5.** State the main countries for the transactions reported in Part III by entering the appropriate country code. You can enter more than one code. For the list of country codes, see the information provided under Q1. and Q2. above.

**Q.6.** Enter **yes** or **no** to the question. In general, subsection 247(4) of the *Income Tax Act* relates to the requirement to maintain and make available contemporaneous transfer pricing documentation. You can find more information on contemporaneous documentation requirements in Information Circular 87-2, *International Transfer Pricing*. The circular is available at our tax services offices and on the Internet at: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

**Part III – Transactions between reporting person/partnership and non-resident**

Enter (to the nearest Canadian dollar/functional currency unit if applicable) the monetary consideration derived or incurred for the transactions in Part III. Only record in Part III those amounts that apply to the non-resident described in Part II. Report gross amounts in the two columns.

The "Sold to non-resident" and "Revenue from non-resident" refers to gross sales and revenue received from non-arm's length transactions with non-residents. For example, this includes transactions related to exports from Canada and services provided to the non-resident.

The "Purchased from non-resident" and "Expenditure to non-resident" refers to gross purchases and expenditures made relating to non-arm's length transactions with non-residents. For example, this includes transactions related to imports into Canada and services provided by the non-resident.

For the banking industries, the line for "Stock in trade/raw materials" must be used to report bonds, debentures, loans, mortgage transactions. The normal interest income and expense on loans and advances with the non-arm's length non-resident(s) must be reported in the Financial section.

**Part V – Derivatives**

The column for Notional Amounts applies to swap transactions. The terms used in this section are described below:

**Descriptions**

101 Interest Rate Contracts This section includes – forward rate arrangements – swaps – options purchased – options written	104 Equity Contracts – includes contracts used to transfer the economic benefits of securities and debt instruments
102 Foreign Exchange Contracts – forward contracts – cross currency swaps – cross currency interest rate swaps – options purchased – options written	105 Commodity Contracts – includes swaps, forward contracts and options
103 Credit Contracts – risk transfer arrangements	106 Index Contracts – includes all contracts that derive their value from publicly traded indices
	107 Fees – any fee or commission charged on derivative transactions
	108 Other Payments / Receipts – other payments and receipts not identified above

**Do you need more information?**

For general enquiries, contact the Business Enquiries section of your tax services office. For detailed information about completing the form, contact the International Audit Division of your tax services office. The address and telephone number of the tax services office are listed under "the Canada Revenue Agency" in the Government of Canada section of your telephone book and on the Internet at: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).



## Information Return of Non-Arm's Length Transactions with Non-Residents

### T106 Information and Instructions

#### Purpose

The T106 Summary and Slips are annual information returns used to report non-arm's length transactions between reporting persons or partnerships and non-residents under section 233.1 of the *Income Tax Act*. The T106 Summary and Slips are prescribed forms.

#### Definitions

Under section 233.1 of the *Income Tax Act*:

A "**reporting person**" for a taxation year means a person (corporation, trust or individual) who, at any time in the year,

- (a) is resident in Canada; or
- (b) is non-resident and carries on business (other than a business carried on as a member of a partnership) in Canada.

A "**reporting partnership**" for a fiscal period means a partnership

- (a) a member of which is resident in Canada in the period; or
- (b) that carries on business in Canada in the period.

A "**reportable transaction**" means

- (a) in the case of
  - (i) a reporting person for a taxation year who is not resident in Canada at any time in the year, or
  - (ii) a reporting partnership for a fiscal period no member of which is resident in Canada in the period, a transaction or a series of transactions that relate in any manner whatever to a business carried on in Canada by the reporting person or partnership in the year or period or a preceding taxation year or period; and
- (b) in any other case, a transaction or series of transactions that relate in any manner whatever to a business carried on by a reporting person (other than a business carried on by a reporting person as a member of a partnership) or partnership in a taxation year or fiscal period.

The terms **arm's length** and **non-arm's length** are discussed in Interpretation Bulletin IT 419, *Meaning of Arm's Length*. Refer also to sections 251 and 252 of the *Income Tax Act*.

#### Who has to file

A **reporting person** has to file T106 documentation for a tax year in respect of reportable transactions in which the reporting person and the non-arm's length non-resident person (or partnership of which that non-resident person is a member) participated in the period. The reporting person has to file the T106 documentation if the amount of the total reportable transactions for all the non-residents combined is **more than CAN \$1,000,000 (i.e., the total of all Box I amounts is more than CAN \$1,000,000)**.

A **reporting partnership** has to file T106 documentation for a fiscal period in respect of reportable transactions in which the reporting partnership and the non-arm's length non-resident person (or partnership of which the non-resident person is a member) participated in the period. The reporting partnership has to file the T106 documentation if the amount of the total reportable transactions for all the non-residents is **more than CAN \$1,000,000 (i.e., the total of all Box I amounts is more than CAN \$1,000,000)**. File T106 documentation for the partnership only and not for each partner.

Where a reporting person or partnership's total amount of the transactions with a particular non-resident during the taxation year is below \$25,000, there is no need to report these transactions in Part III of the T106 Slip. Please see the notice at <http://www.cra-arc.gc.ca/tx/nnrstdnts/ntcs/t106-eng.html> for additional information.

#### Branches

A Canadian branch of a foreign-based corporation or a foreign-based branch of a Canadian corporation does not have to file T106 documentation for notional transactions. However, non-arm's length transactions between a branch and a non-arm's length party have to be reported in the reporting person's/partnership's T106.

#### When to file

T106 documentation has to be filed on or before the following dates:

**Corporations** – six months after the end of the tax year.

**Partnerships** – the due date is the same as the due date for filing a partnership information return under section 229 of the *Income Tax Regulations*. If no partnership information return has to be filed, the reporting partnership's due date is the day by which the partnership information return would be required to be filed if section 229 did apply to the reporting partnership.

**Trusts** – 90 days after the end of the tax year.

**Individuals** – April 30 after the end of each calendar year. For individuals who are self-employed, or individuals whose spouse is self-employed, the filing due date is extended, as with their T1 individual income tax returns, to June 15 after the end of the calendar year.

For short tax years/fiscal period ends, T106 documentation is due at the same time as the filing due date of the T1, T2, and T3 income tax returns or the T5013 information return. For short tax years/fiscal periods which together do not exceed 12 months, one set of T106 documentation is enough if information for the tax years/fiscal periods is detailed in a letter that must accompany the T106 documentation.

#### What to file

Each reporting person or partnership has to file one T106 Summary, as well as a separate T106 Slip for each non-resident. The information reported in the T106 is filed in respect of the corporation, partnership, trust or individual and not by sub-division, cost centre or individual partner.

#### Where to file

T106 documentation has to be mailed to the **Ottawa Technology Centre, Validation and Verification Division, Other Programs Unit, 875 Heron Road, Ottawa ON K1A 1A2**. T106 documentation has to be filed separately from the income tax return. Do not attach T106 documentation to your income tax return.

#### Penalties

**Late Filing** – A late filing penalty, or multiple late filing penalties for more than one T106 Slip may be assessed under subsection 162(7) of the *Income Tax Act* where T106 documentation is filed after the due date. The penalty is equal to the greater of \$100 and \$25 per day, as long as the failure to file continues, to a maximum of 100 days.

**Failure to file** – A failure to file penalty may be assessed under subsection 162(10) of the *Income Tax Act* where reporting persons or partnerships knowingly, or under circumstances amounting to gross negligence, fail to file or fail to comply with a request by the Canada Revenue Agency (CRA) for T106 documentation. The minimum penalty is \$500 per month, to a maximum of \$12,000 for each failure to comply. Where the CRA has served a demand to file T106 documentation, the minimum penalty is \$1,000 per month, to a maximum of \$24,000 for each failure to comply.

**False statement or omission** – A false statement or omissions penalty may be assessed under subsection 163(2.4) of the *Income Tax Act* where information provided on the T106 Summary or Slip is incomplete or incorrect. The penalty is \$24,000.

## Transfer Pricing Methodologies (TPM)

Use the codes listed below to reflect the main transfer pricing methodology.

- |   |
|---|
| <ol style="list-style-type: none"><li>1 Comparable Uncontrolled Price</li><li>2 Cost-Plus</li><li>3 Resale</li><li>4 Profit Split</li><li>5 Transactional Net Margin</li><li>6 Qualifying Cost Contribution Arrangement</li><li>7 Other</li></ol> |
|---|

You can find more information on transfer pricing methods in Information Circular 87-2, *International Transfer Pricing*. The circular is available at our tax services offices and on the Internet at: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).