



CIBC PRIVATE  
WEALTH



A SOLINVEST CLIENT EDUCATION GUIDE

# U.S. Stocks in Canadian Investment Vehicles

*An Estate Tax, T1135, and Withholding Reference for Canadian Investors*

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Most Canadian investors hold U.S. stocks. Few realize how three different tax systems — Canadian foreign property reporting, U.S. estate taxation, and U.S. dividend withholding — apply differently across registered, taxable, and corporate accounts. This guide is the framework Solinvest uses to identify exposure, structure the right questions, and reach calmer, more confident decisions with each client.

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As of June 26, 2026 · [solinvest.ca](http://solinvest.ca)

# Cross-border tax considerations for Canadian investors

Cross-border investing creates compounding tax exposures that are easy to miss until they matter most: at filing time, at withdrawal, or at death. This guide consolidates three independent tax systems into a single structured reference, providing a foundation for clear, deliberate decision-making across your entire account architecture.

*Reliable financial decisions come from structured, repeatable processes — not reactive ones. This matrix is one of those structures.*

## Three tax dimensions on every U.S. equity holding

### 1. U.S. estate tax exposure

The United States levies estate tax on the fair market value of U.S.-situated property owned by a non-resident, non-citizen at death. Direct shares of U.S. corporations — including those held inside Canadian registered plans — are generally treated as U.S.-situs property. The Canada–U.S. tax treaty provides a unified credit that scales with the worldwide estate, but the filing analysis is triggered once U.S.-situs assets exceed US\$60,000.

*Common misconception: an RRSP or TFSA wrapper does not change the situs of the underlying shares.*

### 2. Canadian foreign property reporting (T1135)

If specified foreign property has a total cost of more than CAD \$100,000 at any point in the year, Form T1135 must be filed. Above CAD \$250,000 in cost, detailed reporting applies. The threshold is based on cost amount in Canadian dollars — not market value, and not USD.

*Canadian registered plans (RRSP, RRIF, TFSA, RDSP, RESP, FHSA, IPP) are excluded from T1135 reporting. Non-registered accounts and Canadian corporations are not.*

### 3. U.S. dividend withholding

U.S. dividends paid to a Canadian holder are subject to withholding tax at source. With a properly filed W-8BEN (individuals) or W-8BEN-E (entities), the rate is generally reduced from 30% to 15% under the Canada–U.S. tax treaty. RRSPs and RRIFs frequently receive further treaty relief because they qualify as recognized retirement plans; TFSAs, RDSPs, RESPs, and FHSAs typically do not.

## Cross-border tax treatment by Canadian vehicle

How nine common Canadian vehicles handle direct holdings of U.S. corporate shares, across the three tax dimensions described on the previous page. Source tags map to the references on the final page.

Vehicle	U.S. Estate	T1135	Dividend W/H	Reasoning and planning note
<b>RRSP</b> <i>Registered retirement savings plan</i>	<b>EXPOSED</b>	<b>EXEMPT</b>	<b>TREATY RELIEF</b>	Canadian registration does not remove U.S.-situs character for direct U.S. shares. RRSPs are excluded from T1135 and often receive treaty relief from U.S. dividend withholding as a recognized retirement plan. <i>Sources: S1, S2, S3, S4</i>
<b>RRIF</b> <i>Registered retirement income fund</i>	<b>EXPOSED</b>	<b>EXEMPT</b>	<b>TREATY RELIEF</b>	Similar to RRSP: direct U.S. shares may be U.S.-situs for estate purposes. RRIF assets are excluded from T1135 and commonly receive RRSP/RRIF treaty withholding treatment on dividends. <i>Sources: S1, S2, S3, S4</i>
<b>TFSA</b> <i>Tax-free savings account</i>	<b>EXPOSED</b>	<b>EXEMPT</b>	<b>15%</b>	A TFSA is excluded from T1135, but it is not generally treated like a pension account for U.S. dividend withholding. Direct U.S. shares remain U.S.-situs for estate purposes, and treaty withholding cannot be recovered through a Canadian foreign tax credit. <i>Sources: S1, S2, S3, S4</i>
<b>RDSP</b> <i>Registered disability savings plan</i>	<b>LIKELY</b>	<b>EXEMPT</b>	<b>15%</b>	Registered-plan status generally excludes the property from T1135, but direct U.S. shares may still be treated as U.S.-situs property. U.S. dividend withholding generally applies because RDSPs are not treated as recognized retirement plans for treaty purposes. <i>Sources: S1, S2, S3</i>
<b>RESP</b> <i>Registered education savings plan</i>	<b>LIKELY</b>	<b>EXEMPT</b>	<b>15%</b>	Registered-plan status generally excludes the property from T1135. U.S. dividend withholding generally applies, and estate-tax analysis depends on legal ownership and subscriber/beneficiary facts. <i>Sources: S1, S2, S3</i>
<b>FHSA</b> <i>First home savings account</i>	<b>LIKELY</b>	<b>LIKELY EXEMPT</b>	<b>15%</b>	FHSA is a Canadian registered account. Current practical treatment is generally consistent with registered-plan T1135 exclusion, but current CRA guidance should be confirmed for the account type. U.S. withholding generally applies — FHSA is not currently treated as a recognized retirement plan for treaty purposes. <i>Sources: S1, S2, S3</i>
<b>IPP</b> <i>Individual / registered pension plan</i>	<b>USUALLY NO</b>	<b>DEPENDS</b>	<b>REDUCED</b>	If the pension trust legally owns pooled assets and the member owns a pension entitlement, the member generally does not directly own the U.S. shares. Custom IPP legal ownership matters; trustee documentation and treaty status drive withholding treatment. <i>Sources: S1, S2, S3, S4</i>
<b>Canadian corporation</b> <i>Holdco or operating company</i>	<b>SHIELDED</b>	<b>REQUIRED</b>	<b>15% W-8BEN-E</b>	The shareholder owns Canadian corporate shares, not the underlying U.S. stocks. The corporation has its own Canadian tax, T1135, passive-income, foreign-tax-credit, and FX tracking issues that must be coordinated. <i>Sources: S1, S2, S3, S5</i>
<b>Non-registered account</b> <i>Individual taxable brokerage</i>	<b>EXPOSED</b>	<b>REQUIRED</b>	<b>15% W-8BEN</b>	Direct U.S. corporate shares are U.S.-situs assets, specified foreign property for T1135, and U.S. dividends generally face treaty withholding. Track CAD cost for T1135, USD FMV for estate exposure, and foreign tax credits on the Canadian return. <i>Sources: S1, S2, S3, S4</i>

<b>EXPOSED</b>	<b>PARTIAL</b>	<b>LOW</b>
Tax exposure applies	Structure-dependent	Generally not exposed

# Important cautions and key terms

## Reading the matrix

<p><b>ESTATE EXPOSURE</b></p> <p>“EXPOSED” means direct U.S. corporate shares should generally be considered U.S.-situs property for a non-resident, non-citizen estate analysis. Treaty relief may reduce or eliminate tax owing, but it does not remove the filing or analysis obligation.</p>	<p><b>T1135</b></p> <p>Threshold is based on total cost amount of specified foreign property in CAD. Reporting generally starts above CAD \$100,000; detailed reporting starts at CAD \$250,000 or more. Cost amount, not market value.</p>	<p><b>WITHHOLDING</b></p> <p>The 15% column refers to U.S. dividend withholding after treaty documentation. Without valid W-8 documentation on file with the custodian, default withholding can be higher — commonly 30%.</p>
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*Scope: this is a planning matrix, not tax advice. U.S. citizenship, U.S. domicile, green-card history, plan or trust documentation, treaty positions, and account custodian practices can change the answer for any specific case. The matrix assumes a Canadian resident who is not a U.S. citizen, not U.S.-domiciled, and directly holds U.S. corporate shares unless noted.*

## Glossary

<b>U.S.-situs property</b>	Property treated as situated in the United States for U.S. estate tax purposes. For Canadian residents, this includes shares of U.S. corporations, U.S. real estate, and tangible property physically located in the U.S. — regardless of which Canadian wrapper holds them.
<b>Specified foreign property</b>	Defined in the Canadian Income Tax Act for T1135 reporting. Includes shares of non-resident corporations, debt of non-residents, foreign real estate held for investment, and interests in foreign trusts. Excludes property used in an active business and personal-use property.
<b>T1135 thresholds</b>	Form T1135 must be filed if specified foreign property cost exceeds CAD \$100,000 at any point in the year. Simplified reporting applies between CAD \$100,000 and \$250,000; detailed reporting applies at CAD \$250,000 or more. The test is based on cost amount in Canadian dollars, not market value and not USD.
<b>Form 706-NA</b>	U.S. Estate Tax Return for non-resident, non-citizen decedents. Filing is generally required when U.S.-situated assets exceed US\$60,000, even if treaty provisions ultimately reduce or eliminate U.S. tax owing. Filing the analysis is separate from owing the tax.
<b>W-8BEN / W-8BEN-E</b>	U.S. tax forms used to certify foreign status and claim treaty benefits. W-8BEN is used by individuals; W-8BEN-E is used by entities, including Canadian corporations holding U.S. dividend-paying shares. Without valid documentation, U.S. dividend withholding defaults to 30% rather than the 15% treaty rate.
<b>Recognized retirement plan</b>	Under the Canada–U.S. tax treaty, RRSs and RRIFs are generally treated as pension or retirement plans, which can support reduced or eliminated U.S. dividend withholding. TFSAs, RDSPs, RESPs, and FHSAs are typically not treated this way for U.S. treaty purposes.
<b>Treaty unified credit</b>	The Canada–U.S. tax treaty provides Canadian-resident decedents with a U.S. estate tax credit that scales with the U.S.-situs portion of the worldwide estate. The credit can reduce or eliminate actual U.S. estate tax owing, but does not remove the analysis or filing obligation.
<b>ACB and FX tracking</b>	Adjusted cost base must be tracked in Canadian dollars at the FX rate on the trade date for each U.S.-dollar transaction. This is required for Canadian capital gains reporting on disposition and is independent of T1135 cost reporting and U.S. estate-tax FMV reporting.

# Common traps in cross-border tax planning

Four recurring misconceptions surface in Coreen's review of client portfolios. Each one is fixable — once it is named.

## Trap 1. Assuming RRSP/TFSA status removes U.S.-situs exposure

### The trap

Treating the Canadian wrapper as if it changes the situs of the underlying shares for U.S. estate-tax purposes. It does not.

### The clean rule

Canadian registered-account status does not automatically shelter direct U.S. shares from U.S. estate tax. The estate analysis is triggered by ownership of U.S.-situs property at death, regardless of which Canadian wrapper holds it.

### The diagnostic question

*Does the individual personally own U.S.-situs property at death — and if so, is the worldwide estate large enough to trigger material U.S. estate-tax exposure under the treaty?*

## Trap 2. Using market value instead of CAD cost amount

### The trap

Testing the T1135 threshold against current market value rather than total cost in Canadian dollars, and missing the filing because positions are down.

### The clean rule

T1135 reporting is based on the total cost amount of specified foreign property in Canadian dollars. Reporting begins above CAD \$100,000 in cost; detailed reporting applies at CAD \$250,000 or more. Cost, not market value.

### The diagnostic question

*Did the cost amount of specified foreign property exceed CAD \$100,000 at any point in the year — even briefly?*

## Trap 3. Assuming TFSA/RESP/RDSP/FHSA receive the same U.S. treatment as RRSP/RRIF

### The trap

Extending RRSP/RRIF treaty withholding treatment to other Canadian registered plans by default. The other plans are typically not treated as recognized retirement plans for U.S. treaty purposes.

### The clean rule

Under the Canada–U.S. tax treaty, RRSPs and RRIFs are generally treated as recognized retirement plans, supporting reduced or eliminated U.S. dividend withholding. TFSAs, RESPs, RDSPs, and FHSAs typically do not receive that treatment, and the 15% treaty rate applies — with no Canadian tax credit available to recover it.

### The diagnostic question

*Which account legally receives each U.S. dividend, and is the appropriate W-8 documentation on file with the custodian?*

## Trap 4. Treating a corporation as tax-free simplification

### The trap

Holding U.S. shares inside a Canadian holding or operating company because it removes shareholder-level U.S. estate-tax exposure on the underlying shares — without accounting for the corporate compliance and integration costs that follow.

### The clean rule

A Canadian corporation can block shareholder-level U.S. estate-tax exposure on the underlying U.S. stocks, but creates corporate-level T1135, passive-income, foreign-tax-credit, ACB and FX tracking, and integration planning issues that must be coordinated.

### The diagnostic question

*Do the estate-tax savings of the corporate structure justify the corporate tax, accounting, T1135, and integration costs across the full investment horizon?*

## Key tax exposure review and planning items

The planning items Solinvest reviews systematically with each client, organized by vehicle. These priorities flow directly from the cross-border tax exposures mapped on the previous pages.

<b>RRSP and RRIF</b>	Monitor U.S.-situs fair market value inside the plan, confirm the custodian is correctly applying treaty withholding treatment to U.S. dividends, and verify that W-8BEN documentation is current. Coordinate estate-tax exposure analysis for larger plan balances.
<b>TFSA</b>	Identify concentrated U.S. dividend-paying positions where the 15% withholding drag matters and cannot be recovered. Where simplicity is the priority, evaluate Canadian-listed exposure to U.S. markets as an alternative structure.
<b>RESP, RDSP, FHSA</b>	Confirm plan-level tax treatment with the custodian. Where administrative simplicity and estate-tax planning matter, evaluate Canadian-listed funds as an alternative to direct U.S. share holdings.
<b>IPP</b>	Coordinate cross-border tax counsel review of IPP documentation, the legal ownership of pooled assets, and the withholding documentation on file with the custodian and trustee.
<b>Canadian corporation</b>	Coordinate corporate T1135 filing, W-8BEN-E with the custodian, ACB and FX tracking on every U.S.-dollar transaction, foreign tax credit utilization, and passive-income / small-business-deduction integration planning.
<b>Non-registered account</b>	Track CAD cost for T1135, USD fair market value for estate exposure, and foreign tax credit utilization on the Canadian return. Review concentrated U.S. positions for estate-tax planning over the full investment horizon.

*Cross-border tax exposure rarely shows up in a quarterly statement. It surfaces at withdrawal, at filing time, or at death — and almost always when the family least wants a surprise. The solution is structural, not reactive: build the right account architecture, document it properly, and review it on a recurring schedule. That is the work Solinvest does.*

# Sources, disclaimer, and contact

## Authoritative sources

### S1. IRS — Estate tax for nonresidents not citizens of the United States

U.S. estate tax applies to the transfer of U.S.-situated property. Form 706-NA filing threshold is generally US\$60,000 of U.S.-situated assets.  
<https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax-for-nonresidents-not-citizens-of-the-united-states>

### S2. CRA — Questions and answers about Form T1135

Specified foreign property held in RRSPs and TFSAs is excluded from Form T1135. Broader registered-plan exclusions are discussed in CRA and practitioner materials.

<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/questions-answers-about-form-t1135.html>

### S3. CRA — Foreign Income Verification Statement

T1135 has simplified reporting between CAD \$100,000 and \$250,000; detailed reporting applies at CAD \$250,000 or more.

<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/foreign-income-verification-statement.html>

### S4. Canada–U.S. Income Tax Convention, Article X

Treaty dividend withholding is generally 15% in ordinary portfolio cases; pension and RRSP treatment depends on treaty provisions and custodian application.

<https://www.canada.ca/en/department-finance/programs/tax-policy/tax-treaties/country/united-states-america-convention-consolidated-1980-1983-1984-1995-1997.html>

### S5. CRA — Corporations that own specified foreign property over CAD \$100,000

Canadian corporations may be required to file T1135 where specified foreign property cost exceeds CAD \$100,000.

<https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2016/corporations-that-specified-foreign-property-over-100-000-efile-form-t1135-online.html>

### S6. IRS — Instructions for Forms W-8BEN and W-8BEN-E

W-8 documentation is used to establish foreign status and claim treaty withholding benefits.

<https://www.irs.gov/instructions/iw8ben>

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