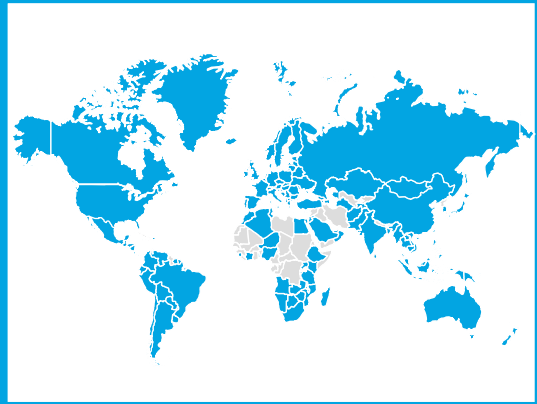


# EXPATRIATES

## Canada

### Tax Facts for International Assignees



#### INCOME TAX: WHO IS LIABLE

A resident of Canada must file a Canadian income tax return on an annual basis reporting their worldwide income. Canada allows a foreign tax credit for taxes paid on income from abroad.

A non-resident of Canada is only taxable on Canadian-source income and must file a Canadian income tax return for calendar years where such income is earned.

Canadian-source income includes income from a permanent establishment in Canada, salaries paid for work performed in Canada, directors' fees, income from the sale of real property in Canada, dividends, royalties, and other similar income paid from Canadian payees or corporations.

An individual who is resident in Canada for only part of the year is taxable in Canada on worldwide income only for the portion of the year during which they were resident.

An individual is no longer considered to be a resident of Canada when they have sufficiently severed their residential ties to Canada (e.g. spouse and dependents, permanent home, social and economic ties, etc.), whether by domestic fact or by using the treaty tie-breaker rules.

Canada has tax treaties with a variety of countries, most of which define tie-breaker tests to determine the residency of taxpayers considered residents of multiple countries.

<https://www.canada.ca/en/department-finance/programs/tax-policy/tax-treaties/in-force.html>

#### BREAKING RESIDENCY - EXIT PROCEDURES

Canada levies a “departure tax” on residents when they cease Canadian tax residency. This is a deemed disposition of certain taxable assets. The deemed sale occurs at fair market value on the date that Canadian residency ceases.

Departure tax is due on the same day as the tax filing and payment deadline, which is usually April 30th of the following year.

As there may be departure tax administered on unrealized gains, it is possible to file an election to defer payment of the tax until such time as the assets are sold. It may be necessary to post security for this purpose.

Assets taxable for departure tax purposes generally include non-registered investments, but generally exclude pensions, tax-sheltered retirement accounts, Canadian real property, Canadian business property, and a number of other exceptions.

If an individual was only temporarily a resident in Canada for tax purposes, meaning that they were resident for less than 60 months during the 10 years preceding their departure, then the departure tax may not apply to certain types of property they owned.

There are important considerations for an individual who sells or rents out their Canadian home after ceasing residency.

There are additional considerations for various Canadian tax incentive programs (e.g. RESP, RRSP, HBP, TFSA, CCB, etc.) after an individual ceases Canadian residency.

## INCOME TAX RATES

There are ten provinces and three territories in Canada - each of which administers different income tax rates on different types of income. Ontario is Canada's most populous province and levies a combined top marginal tax rate of 53.53% on ordinary income.

Dividends received from Canadian corporations receive preferential treatment - they are subject to a gross-up and dividend tax credit mechanism, which is designed to provide taxpayers with a credit for Canadian tax already paid by the paying corporation.

For more details, please refer to pages 2 through 8 of the following publication:

<https://www.bdo.ca/BDO/media/Misc-Documents/2019-Tax-Facts.pdf>

## SOCIAL SECURITY CONTRIBUTIONS

While working in Canada, in all provinces except Quebec, individuals must contribute to both the Canada Pension Plan (CPP) and Canadian Employment Insurance (EI).

For employees in the province of Quebec, individuals must contribute to the Quebec Pension Plan (QPP), Canadian Employment Insurance (EI), and Quebec Parental Insurance Plan (QPIP).

Self-employed individuals contribute double the employee's CPP or QPP contributions. Self-employed individuals are not liable for EI premiums, but may opt to pay them. Self-employed individual in Quebec must contribute to the QPIP.

Canadian social security taxes are capped, and as such, they are generally lower than in other countries.

For more details, please refer to page 9 of the following publication:

<https://www.bdo.ca/BDO/media/Misc-Documents/2019-Tax-Facts.pdf>

A certificate of coverage from Canada can serve to exempt individuals from having to contribute to the host country's social system, if continuing to contribute to CPP or QPP. Canada has entered into social security totalization agreements with a number of countries.

Quebec has entered into their own social security totalization agreements with a number of countries, and do not follow the same regulations as Canada federally.

For further information contact: [dmoses@bdo.ca](mailto:dmoses@bdo.ca)

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