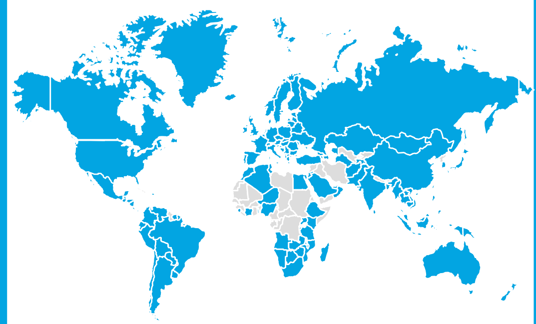
INPATRIATES
Canada
Tax Facts for International Assignees



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.

Canada does not permit filing of joint returns with spouses.

Residency under Canadian domestic tax law is based on one's factual ties with Canada (e.g. location of permanent home, location of spouse and dependents, location of social and economic ties, etc.).

Additionally, the sojourning rule deems one to be a Canadian resident for the entire year if they spend 183 days or more in Canada during a calendar year.

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

REGISTRATION AND FORMALITIES

The Canadian tax year is the calendar year. The filing and payment deadline for Canadian income tax is April 30th of the following year (self-employed taxpayers have until June 15th to file but are still required to pay any tax owing by April 30th). These are hard deadlines (i.e. there is no opportunity for an extension of the filing deadlines in Canada).

All individuals intending to file a Canadian tax return must obtain a Canadian Social Insurance Number (SIN) or Individual Tax Number (ITN).

Employers are required to deduct, at source, income taxes and contributions to social taxes based on an individual's employment income.

Quarterly tax instalment payments may be required if tax withholding at source is insufficient to cover the tax owing.

Quebec is the only province that requires the filing of a separate tax return. All other provincial taxes are calculated within the schedules of an individual's Canadian Federal income tax return.

An individual who owns certain foreign assets with a total cost exceeding CAD 100,000 while a resident of Canada, may need to file a Foreign Income Verification Statement (Form T1135) annually. Certain exceptions apply.

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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 the 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.

OTHER TAXES

The Goods and Services Tax (GST) is a federal value added tax administered on all goods purchased within Canada, along with an additional sales tax levied by certain provinces. In several provinces, the federal and provincial taxes are combined into a single Harmonized Sales Tax (HST).

Most Canadian municipalities administer a property tax levy on the estimated market value of real property. School taxes are also levied by local and regional school boards, which are also generally based on the value of real property.

There are no net wealth/worth taxes in Canada. There are no federal or provincial/territorial inheritance, estate, or gift taxes. However, an individual who dies is deemed to have disposed of their capital property.

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