



Canada Revenue
Agency

Agence du revenu
du Canada

Newcomers to Canada 2005

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Your opinion counts!

We review this pamphlet each year. If you have any comments or suggestions that would help us improve the explanations it contains, we would like to hear from you.

Please send your comments on this pamphlet to:

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Canada Revenue Agency
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CANADA

La version française de cette publication est intitulée
Nouveaux arrivants au Canada.

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Before you start

Is this pamphlet for you?

This pamphlet is for you if you left another country to settle in Canada in 2005.

This pamphlet will introduce you to the Canadian income tax system and help you complete your first income tax return as a resident of Canada.

This pamphlet does not apply to you if you are in Canada temporarily in 2005. You should get guide T4058, *Non-Residents and Income Tax*.

Are you a resident of Canada?

You become a resident of Canada for income tax purposes when you establish significant residential ties in Canada. You usually establish these ties on the date you arrive in Canada.

What are residential ties?

Residential ties include:

- a home in Canada;
- a spouse or common-law partner (see the definition in the *General Income Tax and Benefit Guide*) and dependants who move to Canada to live with you;
- personal property, such as a car or furniture; and
- social ties in Canada.

“Other” ties that may be relevant include a Canadian driver’s licence, Canadian bank accounts or credit cards, and health insurance with a Canadian province or territory.

Newcomers to Canada who have established residential ties with Canada may be:

- protected persons;
- people who have applied for or received permanent resident status from Citizenship and Immigration Canada; or
- people who have received approval-in-principle from Citizenship and Immigration Canada to stay in Canada.

If you were a resident of Canada in an earlier year, and you are now a non-resident, you will be considered a Canadian resident when you move back to Canada and re-establish your residential ties.

Do you need help determining your residency status?

If you are not sure whether you are a resident of Canada for income tax purposes, complete Form NR74, *Determination of Residency Status (Entering Canada)*. Send us the form as soon as possible so we can give you an opinion on your residency status before your tax return is due.

For more information about residency status, get Interpretation Bulletin IT-221, *Determination of an Individual's Residence Status*.

Canada's tax system

Canada's tax system is similar to that of many countries. Employers and other payers usually deduct taxes from the income they pay you, and people with business or rental income normally pay their taxes by instalments.

Many of the benefits people enjoy in Canada are made possible through taxes. Canada's tax system pays for roads, public utilities, schools, health care, economic development, cultural activities, defence, and law enforcement.

Each year, you determine your final tax obligation by completing an income tax return and sending it to us. On the return, you list your income and deductions, calculate federal and provincial or territorial tax, and determine if you have a balance of tax owing

for the year, or whether you are entitled to a refund of some or all of the tax that was deducted from your income during the year.

An important feature of the Canadian tax system is that you have the right and the responsibility to verify your income tax status each year, and to make sure that you pay the correct amount of taxes according to the law.

Guide RC4213, *Your Rights*, outlines the fair treatment you are entitled to receive when you deal with us. You have other rights that are defined in the *Canadian Charter of Rights and Freedoms*, in statutes, and in common law.

Compliance

Each year, the CRA (Canada Revenue Agency) promotes compliance and client education through many review programs.

Under some programs, we review a number of deductions and credits on the individual income tax return and ensure that various income amounts have been correctly reported.

We also review benefits and credits such as the Canada Child Tax Benefit (CCTB), and the Goods and services tax/harmonized sales tax (GST/HST) credit.

The underground economy

The underground economy is defined as income earned but not reported for tax purposes and the sale of goods or services on which taxes or duties have not been paid. The underground economy is often associated with the exchange of goods and services for cash where no records are kept.

The CRA works to maintain the confidence of Canadians in the fairness and honesty of Canada's tax system. As part of its efforts to fight the underground economy, the CRA works with the provinces, territories, private sector, and other countries to encourage compliance with Canada's tax laws and ensure that those who do not comply have no unfair advantage over honest taxpayers.

The CRA has developed a balanced approach to fighting the underground economy. This approach includes:

- enforcement activities such as audits to penalize those who try to operate outside the system; and
- an educational strategy to increase awareness of the risks and consequences of participating in the underground economy.

Social insurance number

As a newcomer to Canada, you will need a social insurance number (SIN). The SIN is a nine-digit identification number that is personal and confidential.

Since your SIN is unique, we use it to identify you for income tax and benefit purposes. You have to give your SIN to anyone who prepares a tax information slip for you.

We also use your SIN to update your record of earnings for your contributions to the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP). Use the SIN assigned to you, since the amount of CPP or QPP benefits you will receive when you retire is based on your record of earnings.

If you do not already have a SIN, you can apply for one at any Social Development Canada (SDC) office. You can find the telephone number for the office in your area in the government section of your telephone book. You can also visit the SDC Web site at www.sdc.gc.ca for information on obtaining a SIN.

Canada Child Tax Benefit (CCTB)

If you are primarily responsible for the care and upbringing of a child who is under 18 years of age, you may be eligible for monthly CCTB payments for that child.

We base the amount of your payments on the number of children you have, their age, and your family net income. Both you and your spouse or common-law partner (if applicable) must file tax returns every year so that we can calculate the amount of your CCTB, even if there is no income to report.

To apply for the CCTB and related provincial or territorial benefits and credits, get the Canada Child Tax Benefit package. The package includes Form RC66, *Canada Child Tax Benefit Application*. Depending on your immigration and residency status, you may have to complete Schedule RC66SCH, *Status in Canada/Statement of Income*. Submit a completed application along with any required schedules and documentation as soon as possible after you and your child arrive in Canada. You can get this package by calling 1-800-387-1193.

Do you have to file a tax return?

Even though you lived in Canada for only part of the year, you may have to file a tax return. For example, you have to file a tax return if you owe tax, or if you want to receive a refund because you paid too much tax.

Even if you have no income to report or tax to pay, you must file a tax return to apply for the goods and services tax/harmonized sales tax (GST/HST) credit, or if you or your spouse wants to begin or continue receiving Canada Child Tax Benefit, and provincial or territorial tax benefits and credits.

For more information, see “Do you have to file a return?” in the *General Income Tax and Benefit Guide*.

If you lived in Quebec during the year, you may need to file a separate provincial return. For more information, contact Revenu Québec, or visit their Web site at www.revenu.gouv.qc.ca.

Which tax and benefit package should you use?

Use the *General Income Tax and Benefit Guide* and the forms book for the province or territory where you lived on December 31, 2005. Tax rates and tax credits are different in each province and territory, so it is important to use the correct forms book.

Where can you get the package you need?

You can get a copy of the *General Income Tax and Benefit Guide* and forms book from our Web site at www.cra.gc.ca/forms or by phone at 1-800-959-2221 (calls from Canada and the United States).

What date is your 2005 tax return due?

Generally, your 2005 tax return has to be filed **on or before April 30, 2006**.

Note

When a due date falls on a Saturday, Sunday, or a holiday recognized by the CRA, we consider your return to be filed on time or your payment to be paid on time if we receive it or it is postmarked on the next business day.

Self-employed persons – If you or your spouse or common-law partner carried on a business in 2005 (other than a business whose expenditures are mainly in connection with a tax shelter), your 2005 tax return has to be filed **on or before June 15, 2006**. However, if you have a balance owing for 2005, you still have to pay it **on or before April 30, 2006**.

Deceased persons – If you are the legal representative (executor, administrator, or liquidator) of the estate of an individual who died in 2005, you may have to file a return for 2005 for that individual. Get guide T4011, *Preparing Returns for Deceased Persons*, for details about your filing requirements and options.

If you owe tax and do not file your tax return by the due date, we will charge you a late-filing penalty and interest on any unpaid amounts. For details, see “What penalties and interest do we charge?” in the *General Income Tax and Benefit Guide*.

Where to send your tax return

Please mail your 2005 return to the International Tax Services Office. Use the envelope included with this pamphlet.

If you file tax returns in later years while you are a resident of Canada, you should send them to the tax centre that serves the province or territory where you live.

You should receive a 2006 tax package by mail in early 2007.

Completing your tax return

Most of the information you need to complete your 2005 tax return is in the *General Income Tax and Benefit Guide*. However, this section includes some additional information you will need.

Identification

It is important that you complete the entire identification area on page 1 of your tax return. We need this information to assess your return and calculate your goods and services tax/harmonized sales tax (GST/HST) credit, plus any benefits to which you may be entitled under the Canada Child Tax Benefit.

Enter the date you arrived in Canada in 2005 in the appropriate area on page 1 of your tax return as shown in the example below.

Example

Ugor arrived in Canada from Ukraine on June 8, 2005. He will complete the date of entry as shown below.

If you became or ceased to be a resident of Canada in 2005, give the date of:					
entry	Month	Day	or departure	Month	Day
	0	6			
		0			8

If you have requested a social insurance number (SIN), but have not yet received one, and the deadline for filing your tax return is near, file your return without a SIN to avoid the late-filing penalty and interest charges. Include a note to explain that you have requested but not yet received a SIN.

Your spouse or common-law partner's net world income

Enter your spouse or common-law partner's net world income for the year. Underneath, enter your spouse or common-law partner's net world income for the period **you** were resident in Canada.

Goods and services tax/harmonized sales tax (GST/HST) credit application

GST is a tax that you pay on most goods and services sold or provided in Canada. In some provinces, GST has been blended with provincial sales tax and is called **HST**.

The **GST/HST credit** helps individuals and families with low and modest incomes offset all or part of the GST or HST that they pay.

We will base your credit on your family net income and the number of children you have. This information is also used to calculate payments from related provincial programs.

To receive the GST/HST credit, you have to apply for it, even if you received it previously. Complete the GST/HST credit application area on page 1 of your tax return. If you qualify, we will send you payments in July and October of 2006 and January and April of 2007.

However, in the year you became a resident of Canada, you may be entitled to the GST/HST credit issued after your arrival. For more information, get Form RC151, *GST/HST Credit Application for Individuals Who Become Residents of Canada*.

To receive the GSTC for any eligible children, you will have to register them by completing Form RC66, *Canada Child Tax Benefit Application*.

For more information on the GST/HST credit, see pamphlet RC4210, *GST/HST Credit*.

Income

You have to report your world income for the part of the year that you were **a resident of Canada**. World income is income from all sources, both inside and outside Canada.

For the part of the year that you were **not a resident of Canada**, you have to report **only** the following income:

- income from employment in Canada or from a business carried on in Canada;
- taxable capital gains from disposing of taxable Canadian property; and
- the taxable part of scholarships, fellowships, bursaries, and research grants you received from Canadian sources.

Note

For the part of the year that you were **not a resident of Canada**, do not include on your tax return any gain or loss from disposing of taxable Canadian property, or a loss from a business carried on in Canada if, under a tax treaty, the gain from that disposition or any income from that business is exempt from tax in Canada.

If you are a protected person and you received funds from a charitable organization such as a church group, you generally do not have to report the amounts on your tax return. However, if a charitable organization hired you as an employee, the employment income you received is taxable.

Deemed acquisitions

If you owned certain properties, such as stocks, in your previous country of residence, we consider you to have acquired them at a cost equal to their fair market value on the date you became a resident of Canada. This is called a **deemed acquisition**.

Usually, the fair market value is the highest dollar value you can get for your property in a normal business transaction.

You should keep a record of the fair market value of your properties on the date you arrived in Canada. The fair market value will be your cost when you calculate your gain or loss from selling the property in the future.

Deductions

Registered retirement savings plan contributions

Generally, you cannot deduct contributions you made to a registered retirement savings plan (RRSP) in 2005 if this is the first year that you will be filing a tax return in Canada.

However, if you filed a tax return in Canada for any tax year from 1991 to 2004, you may be able to claim a deduction for RRSP contributions in Canada for 2005. We base the maximum amount you can deduct on certain types of income you earned in earlier years.

Note

You cannot deduct on your Canadian tax return contributions you made to retirement savings plans in other countries.

For more information, see line 208 in the *General Income Tax and Benefit Guide* or get guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Moving expenses

Generally, you cannot deduct moving expenses incurred to move to **Canada**.

However, if you entered Canada to attend courses as a full-time student at a college, university, or other institution offering post-secondary education and you received a scholarship, bursary, fellowship, or research grant to attend that educational institution, you may be eligible to deduct your moving expenses.

For more details, get Form T1-M, *Moving Expenses Deduction*.

Support payments

If you make spousal or child support payments, you may be able to deduct the amounts you paid, even if your former spouse or common-law partner does not live in Canada. For details, get guide P102, *Support Payments*.

Treaty-exempt income

You have to report all foreign-source income that you received after you became a resident of Canada. However, part or all of the income may be exempt from Canadian tax if Canada has a tax treaty with the country in which you earned the income and there is a provision in the treaty that prevents Canada from taxing the type of income you received. You can deduct the exempt part on line 256 of your return.

For a list of the countries with which Canada has tax treaties, see “Tax treaties” on page 20. If you are not sure if the applicable tax treaty contains a provision that makes your foreign-source income exempt from tax in Canada, contact us.

Federal tax and credits

Use Schedule 1, *Federal Tax*, to calculate your federal tax and any credits that apply to you.

Federal non-refundable tax credits

As a newcomer to Canada during 2005, you may be limited in the amount you can claim this year for certain federal non-refundable tax credits.

To determine the total you can claim, add:

- the amount for each federal non-refundable tax credit that applies to the part of the year that you were **not resident** in Canada (as explained below); and
- the amount for each federal non-refundable tax credit that applies to the part of the year that you were **resident** in Canada (as explained on page 15).

The total you claim for each federal non-refundable tax credit cannot be more than you would have claimed if you were resident in Canada for the whole year.

For the part of the year you were not a resident of Canada

You can claim the following federal non-refundable tax credits if you are reporting Canadian-source income (as listed under

“Income” on page 11) for the part of the year you were not a resident of Canada:

- Canada Pension Plan or Quebec Pension Plan contributions;
- Employment Insurance premiums;
- disability amount (for yourself);
- interest paid in 2005 on loans for post-secondary education made to you under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial government laws;
- tuition fees (for yourself); and
- donations and gifts.

In addition, if the Canadian-source income you are reporting for the part of the year you were not a resident of Canada is at least 90% of your net world income for that part of the year (or if you had no income from sources inside and outside Canada for that part of the year), you can claim the remaining applicable federal non-refundable tax credits in full. See the *General Income Tax and Benefit Guide* for a list of the remaining federal non-refundable tax credits.

Note

If you are claiming full federal non-refundable tax credits, **attach a note to your tax return** stating your net world income (in Canadian dollars) for the part of the year that you were not a resident of Canada. Show separately the net income you received from sources inside and outside Canada for that part of the year. We cannot allow full federal non-refundable tax credits without this note.

For the part of the year you were a resident of Canada

You can claim the following federal non-refundable tax credits as long as they apply to the part of the year that you were a resident of Canada:

- Canada Pension Plan or Quebec Pension Plan contributions;

- Employment Insurance premiums;
- pension income amount (for yourself);
- interest paid in 2005 on loans for post-secondary education made to you under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial government laws;
- tuition and education amounts (for yourself);
- medical expenses; and
- donations and gifts.

In addition, you can claim the remaining applicable federal non-refundable tax credits based on the number of days you were a resident of Canada in the year (use the date you put in the Identification area to calculate the number of days). See the *General Income Tax and Benefit Guide*, for a list of the remaining federal non-refundable tax credits.

Example 1 (see line 300 in the guide)

David arrived in Canada from Australia on May 6, 2005.

He entered "05-06" in the Identification area of his return. He then calculated that from May 6 to December 31 there were 240 days.

David claims the basic personal amount calculated as follows:

$$\frac{240 \text{ days in Canada} \times \$8,648}{365 \text{ days in 2005}} = \$5,686.36$$

David will enter \$5,686.36 on line 300 of his Schedule 1.

Example 2 (see line 301 in the guide)

Jennifer is 70 years old. She arrived in Canada on March 31, 2005. Her net income between March 31 and December 31, 2005, was \$30,000. Jennifer calculates the age amount she can claim as follows:

$$\frac{276 \text{ days in Canada} \times \$3,979}{365 \text{ days in 2005}} = \$3,008.78$$

$$\text{Jennifer's net income} = \$30,000.00$$

$$\frac{276 \times \$29,619}{365} = \underline{\$22,396.83}$$

$$\$30,000.00 - \$22,396.83 = \underline{\$7,603.17}$$

$$\$7,603.17 \times 15\% = \underline{\$1,140.48}$$

$$\text{The age amount is } \$3,008.78 - \$1,140.48 = \underline{\$1,868.30}$$

Federal foreign tax credits

After you become a resident of Canada, you may receive income from the country where you used to live or from another country. This income may be subject to tax in Canada **and** the other country. This could happen if:

- no tax treaty exists between Canada and the other country; or
- there is no provision in the tax treaty that prevents both countries from taxing the type of income you received.

If this is your situation, you may be able to reduce the amount of federal tax you have to pay by claiming a federal foreign tax credit for the foreign tax you paid. For information about federal foreign tax credits, see lines 431 and 433 in the *General Income Tax and Benefit Guide*.

Your province or territory may offer a similar credit. For details, see the forms book for the province or territory where you lived on December 31, 2005, unless you were a resident of Quebec. In that case, see the guide for your provincial tax return.

Provincial or territorial tax

Usually, you have to pay tax to the province or territory where you lived on December 31, 2005.

If you lived in Quebec on December 31, 2005, you can get information on how to calculate your Quebec provincial tax by contacting Revenu Québec.

If you lived in another province or territory on December 31, 2005, see the *General Income Tax and Benefit Guide* and forms book for the province or territory you lived in. This will provide information on how to calculate your provincial or territorial tax. You will have to complete Form 428.

Provincial or territorial non-refundable tax credits

Similar to federal non-refundable tax credits, as an immigrant, you may be limited in the amount you can claim this year for certain provincial or territorial non-refundable tax credits.

The rules for calculating your provincial or territorial non-refundable tax credits are the same rules used to calculate your corresponding federal non-refundable tax credits. For details, see page 14.

Refund or balance owing

Provincial or territorial tax credits

Certain provinces and territories have tax credits. For information on these credits and how to claim them, see the *General Income Tax and Benefit Guide* and the forms book for the province or territory where you lived on December 31, 2005.

Tax treaties

Canada has tax conventions or agreements (commonly referred to as tax treaties) with the countries that are listed below. These tax treaties are designed to avoid double taxation for those who would otherwise have to pay tax in two countries on the same income. Generally, tax treaties determine how much each country can tax your income.

Algeria	Israel	Poland
Argentina	Italy	Portugal
Australia	Ivory Coast	Romania
Austria	Jamaica	Russia
Bangladesh	Japan	Senegal
Barbados	Jordan	Singapore
Belgium	Kazakhstan	Slovak
Brazil	Kenya	Republic
Bulgaria	Korea,	Slovenia
Cameroon	Republic of	South Africa
Chile	Kuwait	Spain
China, (PRC)	Kyrgyzstan	Sri Lanka
Croatia	Latvia	Sweden
Cyprus	Lithuania	Switzerland
Czech Republic	Luxembourg	Tanzania
Denmark	Malaysia	Thailand
Dominican	Malta	Trinidad
Republic	Mexico	and Tobago
Ecuador	Moldova	Tunisia
Egypt	Mongolia	Ukraine
Estonia	Morocco	United Arab
Finland	Netherlands	Emirates
France	New Zealand	United
Germany	Nigeria	Kingdom
Guyana	Norway	United States
Hungary	Pakistan	Uzbekistan
Iceland	Papua New	Venezuela
India	Guinea	Vietnam
Indonesia	Peru	Zambia
Ireland	Philippines	Zimbabwe

Do you need more information?

If, after reading this pamphlet, you need more information, you can visit our Web site at www.cra.gc.ca or you can call any of our tax services offices at **1-800-959-8281**. If you need to call the International Tax Services Office (ITSO), you can find the telephone numbers on the back cover of this pamphlet.

You can order any forms you may need on our Web site at www.cra.gc.ca/forms or by phone at **1-800-959-2221** (calls from Canada and the United States).

Representatives

You can authorize a representative (such as your spouse or common-law partner, tax preparer, or accountant) to get information on your tax matters. You can do this by completing Form T1013, *Authorizing or Cancelling a Representative* (or a letter containing the same information), that you have signed.

If you move

If you move, keeping us informed will ensure that you receive your tax and benefit package for next year and any goods and services tax/harmonized sales tax credit (GST/HST) or the Canada Child Tax Benefit payments (including any related provincial or territorial benefit payments) to which you are entitled.

You may be able to change your address over the Internet. For more information, visit our Web site at www.cra.gc.ca/myaccount.

You can also advise us by calling or writing. If you are writing make sure to sign your letter, and include your social insurance number, your new address, and the date of your move.

International Tax Services Office

International Tax Services Office
Canada Revenue Agency
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CANADA

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