



Canada Revenue
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Canada

Emigrants and Income Tax

2005



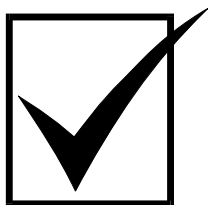
More Ways to Serve You!

Is this guide for you?

If you left Canada during 2005 to settle in another country, and you are considered to be an emigrant of Canada for income tax purposes, this guide will explain the special income tax rules that apply to you. It will also help you understand the tax implications of becoming a non-resident.

This guide does not apply to you if you left Canada in 2005 and you were a deemed or factual resident of Canada in 2005. For more information on deemed and factual residents, get pamphlet T4131, CANADIAN RESIDENTS ABROAD.

Your opinion counts!



We review this guide every 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 to:

Client Services Directorate
Canada Revenue Agency
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Ottawa ON K1A 0L5
CANADA

La version française de cette publication est intitulée LES ÉMIGRANTS ET L'IMPÔT.

NOTE: In this publication, the text inserted between square brackets represents the regular print information.

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Visually impaired persons can get our publications in braille, large print, e-text (computer diskette), or on audio cassette by visiting our Web site at **www.cra.gc.ca/alternate** or by calling **1-800-267-1267** weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time). If you are outside Canada and the United States, call the International Tax Services Office collect at **(613) 952-3741**.

At your service

What if you need help?

In this guide, we use plain language to explain the most common tax situations. If you need more information after reading this guide, you can visit our Web site at **www.cra.gc.ca** or you can contact the International Tax Services Office (the address, telephone numbers, and fax number are on page 46 [the back cover] of this guide).

T.I.P.S.

For personal and general tax information, you can use our automated **T.I.P.S.** service (by phone at **1-800-267-6999** for calls from **Canada and the United States**).

Publications

Throughout this guide, we mention forms, pamphlets, interpretation bulletins, information circulars, and other guides that give more details on specific tax topics.

You can get any of the publications mentioned in this guide on our Web page at **www.cra.gc.ca/forms** or by calling **1-800-959-2221** (from **Canada or the U.S.**). If you are outside Canada and the U.S., call the International Tax Services Office.

General information

Before you start

Are you an emigrant?

Generally, you are an emigrant for income tax purposes if you leave Canada to settle in another country and you sever your residential ties with Canada. Severing your residential ties may include:

- disposing of or giving up a home in Canada and establishing a permanent home in another country;
- having your spouse or common-law partner (see the definition in the **GENERAL INCOME TAX AND BENEFIT GUIDE**) and dependants leave Canada; and

- disposing of personal property and breaking social ties in Canada, and acquiring or establishing them in another country.

Notes

If you are the spouse or common-law partner of a deemed resident and you left Canada in 2005, you may be considered an emigrant unless, under an agreement or convention (including a tax treaty) between Canada and another country, at least 90% of your world income is exempt from tax in that other country because of your relationship with your spouse or common-law partner.

If you left Canada in 2005 and keep residential ties in Canada, you are usually considered a factual resident. However, if you are also considered to be a resident of another country for the purposes of a tax treaty, you may be considered a deemed non-resident. The ordinary effects of ceasing to be a resident of Canada will apply as if you were an emigrant.

For a list of countries with which Canada has tax treaties, see page 44 [11]. For more information, contact the International Tax Services Office.

Do you need help determining your residency status?

If you left Canada or are planning to leave Canada and need help determining your residency status, complete Form NR73, DETERMINATION OF RESIDENCY STATUS (LEAVING CANADA), and send it to us as soon as possible. We will give you our opinion of your residency status based on the information you provide on Form NR73. You will find Form NR73 at the end [in the centre] of this guide.

For more information about residency status, get Interpretation Bulletin IT-221, DETERMINATION OF AN INDIVIDUAL'S RESIDENCE STATUS.

When do you become a non-resident?

When you leave Canada to settle in another country, you usually become a **non-resident** for income tax purposes on one of the following dates, whichever is the latest:

- the date you leave Canada;
- the date your spouse or common-law partner and dependants leave Canada; or

- the date you become a resident of the country to which you are immigrating.

If you lived in another country before living in Canada and you are leaving Canada to re-establish a residence in the other country, you usually become a non-resident on the date you leave Canada. This applies even if your spouse or common-law partner temporarily stays in Canada to dispose of your home.

Note

In general you become a deemed non-resident at a time when your residential ties in the other country are such that, under the tax treaty between Canada and that country, you are considered to be a resident of that country and not a resident of Canada.

Are you receiving Canada Child Tax Benefit (CCTB) payments?

Emigrants are usually not eligible for CCTB payments. If either you or your spouse or common-law partner receives CCTB payments (or any benefits or credits from related provincial or territorial programs), it is important that you tell us your date of emigration as soon as possible.

If you receive a payment after you emigrate, you should notify us at once.

Note

If you are the spouse or common-law partner of a deemed resident and we consider you to be an emigrant in 2005, you may still be eligible for CCTB payments. If this is your situation, you will have to send us a completed Form CTB9, CANADA CHILD TAX BENEFIT STATEMENT OF INCOME, each year. For more information, contact the International Tax Services Office.

Are you receiving the goods and services tax/harmonized sales tax (GST/HST) credit?

As an emigrant, you are not entitled to the GST/HST credit. If either you or your spouse or common-law partner receives the GST/HST credit, it is important that you tell us your date of emigration as soon as possible. If you receive a GST/HST credit payment after you emigrate, you should notify us at once.

Are you participating in the Home Buyers' Plan (HBP) or Lifelong Learning Plan (LLP)?

When you emigrate from Canada after buying or building a home that qualifies under the HBP, or withdrawing funds under the LLP, you have to repay the balance of the funds you withdrew by whichever date is earlier:

- the date you file your return for the year; or
- 60 days after you become a non-resident.

If you have not repaid the funds within that time, you have to include the unpaid amount as income on your return for the year you emigrate. For more information, get guide RC4135, HOME BUYERS' PLAN (HBP), or guide RC4112, LIFELONG LEARNING PLAN (LLP).

Will you continue to receive Canadian-source income?

Canadian financial institutions and other payers have to withhold tax at a rate of 25% on certain types of income paid or credited to you

after you become a non-resident. The most common types of income subject to non-resident withholding tax include:

- interest and dividends;
- rental payments;
- pension payments;
- Old Age Security pension;
- Canada Pension Plan or Quebec Pension Plan benefits;
- retiring allowances;
- registered retirement savings plan (RRSP) payments;
- registered retirement income fund (RRIF) payments; and
- annuity payments.

Note

Interest on Canada Savings Bonds and treasury bills is not subject to non-resident withholding tax.

If there is a tax treaty between Canada and your new country of residence, the terms of the treaty may reduce the rate of non-resident withholding tax on certain types of income. For information on rates of non-resident withholding tax for the various countries with which Canada has tax treaties, contact the International Tax Services Office.

If you receive any of the types of income listed on page 13 [above] after you become a non-resident, contact the payers to let them know that you are a non-resident so they can withhold tax at the applicable rate.

Do you have to report income that has non-resident tax withheld?

Usually, you do not report on your Canadian return any income from Canada from which non-resident tax was withheld, since this tax is your final tax obligation to Canada on this income.

However, if you receive rental income from real property in Canada or timber royalties on a timber resource property or a timber limit in Canada, you can choose to pay tax on these types of income under an

alternative taxing method. By doing this, you may be able to receive a refund for part or all of the non-resident tax withheld. For information, get guide T4144, INCOME TAX GUIDE FOR ELECTING UNDER SECTION 216.

An alternative taxing method is also available on certain other types of Canadian-source income. For details, see the section called "Election under section 217 of the INCOME TAX ACT" on page 37 [9].

If you receive the Old Age Security pension, you may have to file Form T1136, OLD AGE SECURITY RETURN OF INCOME. For more information, get guide T4155, OLD AGE SECURITY RETURN OF INCOME GUIDE FOR NON-RESIDENTS.

Has your Canadian payer withheld too much non-resident tax?

If the provisions of a tax treaty were not considered, Canadian payers may have withheld tax from tax-exempt income, or they may have withheld more tax than was necessary. If this is your situation, you can ask us for a refund of the excess tax withheld by completing Form NR7-R, APPLICATION FOR REFUND OF NON-RESIDENT PART XIII TAX WITHHELD.

We can only refund excess tax withheld if you complete and send us Form NR7-R no later than two years after the end of the calendar year in which the payer sent us the tax. For example, if the payer sent us more than the required amount of tax in 2005, you have to send Form NR7-R to us by December 31, 2007.

Transfers to registered plans or funds

Certain Canadian-source amounts that are otherwise subject to non-resident withholding tax can instead be transferred to a registered pension plan (RPP), registered retirement savings plan (RRSP), or registered retirement income fund (RRIF), without having this tax withheld.

These amounts include payments out of an RPP, a deferred profit-sharing plan, an RRIF, an RRSP, or a retiring allowance. The transfers have to be direct transfers, and you have to complete Form NRTA1, AUTHORIZATION FOR NON-RESIDENT TAX EXEMPTION, before the transfer is made. For more information, contact us.

Did you own property on the date you emigrated from Canada?

This section has instructions that you need if you owned property on the date you emigrated from Canada.

List of property

If the fair market value of **all** the property you owned when you left Canada was more than \$25,000, excluding any personal-use property (such as clothing, household goods, and cars, each with a fair market value of less than \$10,000), you have to include a list of your worldwide property holdings with your 2005 return. To do this, you must use Form T1161, LIST OF PROPERTIES BY AN EMIGRANT OF CANADA. You will find Form T1161 at the end [in the centre] of this guide.

Attach a completed copy of Form T1161 to your 2005 income tax return. File your return by the filing due date.

The penalty for failing to file the T1161 by the due date is \$25 a day. There is a minimum penalty of \$100, and a maximum penalty of \$2,500.

Deemed dispositions of property

If you ceased to be a resident of Canada in 2005, you are deemed to have disposed of almost all your property at its fair market value when you left Canada and to have reacquired it for the same amount right after. This is called a deemed disposition.

This applies to most properties. Some of the exceptions are:

- Canadian real estate, Canadian resource property, and timber resource property (see the note on page 19 [this page]);
- Canadian business property (including inventory) if the business is carried on through a permanent establishment in Canada (see the note on page 19 [this page]);
- pensions and similar rights including registered retirement savings plans, registered retirement income funds, and deferred profit-sharing plans;
- rights to certain benefits under employee profit-sharing plans, employee benefit plans, employee trusts, and salary deferral arrangements;

- certain rights or interest in a trust;
- property you owned when you last became a resident of Canada, or property you inherited after you last became a resident of Canada, if you were a resident of Canada for 60 months or less during the 10-year period before you emigrated;
- employee stock options subject to Canadian tax; and
- interests in life insurance policies in Canada (other than segregated fund policies).

Note

You may elect to declare a deemed disposition on the first two properties listed on page 18 [this page].

Reporting the deemed disposition on your return

On your 2005 return, you have to calculate and include in income the capital gain or capital loss that results from your deemed disposition.

To calculate your capital gain (or loss) for a deemed disposition of property, use Form T1243, DEEMED DISPOSITION OF PROPERTY BY AN

EMIGRANT OF CANADA. You will find this form at the end [in the centre] of this guide.

Include on your Schedule 3, CAPITAL GAINS (OR LOSSES) IN 2005, the capital gain (or loss) that you reported on Form T1243.

Can you elect to defer the payment of tax on income relating to the deemed disposition of property?

You can elect to defer the payment of tax on income relating to the deemed disposition of property, regardless of the amount. You would then pay the tax later, without interest, when you sell (or otherwise dispose of) the property. This election to defer the payment of tax on income does not apply to the deemed disposition of an employee benefit plan.

To elect to defer the payment of tax on income relating to the deemed disposition of property, use Form T1244, ELECTION, UNDER SUBSECTION 220(4.5) OF THE INCOME TAX ACT, TO DEFER THE PAYMENT OF TAX ON INCOME RELATING TO THE DEEMED DISPOSITION OF PROPERTY. You will find this form at the end [in the centre] of this guide.

If you make this election for 2005, you must do so on or before April 30, 2006.

If you send us the form after this deadline, you have to include a letter indicating the reasons you could not send the election on time. We will consider accepting your late election based on the explanation given in your letter.

When is security required?

If you make this election for 2005 and the amount of federal tax owing from the deemed disposition of property is more than \$14,500 (\$12,107.50 for former residents of Quebec), you have to give us acceptable security to cover the amount that is more than \$14,500 (\$12,107.50 for former residents of Quebec). This amount is the federal tax owing on taxable income of \$50,000 (by an INTER VIVOS trust resident in Canada).

As soon as possible, contact the Revenue Collections Section of the tax services office in the region where you resided before you left Canada so that acceptable arrangements can be made before

April 30, 2006. If you do not know which office to contact, contact the International Tax Services Office.

Note

If the amount of federal tax on income relating to the deemed disposition is equal to or less than \$14,500 (\$12,107.50 for former residents of Quebec), security is not required. Simply complete Form T1244 and send it to us.

Example

Dave emigrated from Canada on May 15, 2005. When he left, he owned shares in a Canadian corporation. He bought the shares in March 1991 for \$15,000. On May 15, 2005, the fair market value of the shares was \$27,000.

Since Dave ceased to be a resident of Canada, he was deemed to have disposed of the shares for \$27,000 on May 15, 2005. As a result, he had a capital gain of \$12,000 (\$27,000 – \$15,000).

When he filed his 2005 return, Dave completed Form T1161, LIST OF PROPERTIES BY AN EMIGRANT OF CANADA. He also reported a capital gain of \$12,000 on Form T1243, DEEMED DISPOSITION OF PROPERTY

BY AN EMIGRANT OF CANADA, from the shares he was deemed to have disposed of. On Schedule 3, CAPITAL GAINS (OR LOSSES) IN 2005, he calculated a taxable capital gain of \$6,000 (50% × \$12,000). He attached his completed Schedule 3, Form T1161, and Form T1243 to his return.

Dave chose to defer the tax on income relating to the deemed disposition. To do this, he contacted us before he filed his 2005 return. Since the federal tax owing on the deemed disposition was not more than \$14,500, he did not need to give us security for it. He simply completed Form T1244, ELECTION, UNDER SUBSECTION 220(4.5) OF THE INCOME TAX ACT, TO DEFER THE PAYMENT OF TAX ON INCOME RELATING TO THE DEEMED DISPOSITION OF PROPERTY, and attached it to his return.

What type of security is acceptable?

Bank letters of guarantee, bank letters of credit, and bonds from the Government of Canada or a province or territory of Canada are considered acceptable forms of security.

Other types of security may also be acceptable, such as shares in private or publicly traded corporations, certificates in precious metals, various other marketable securities, a charge or mortgage on real property, or valuable personal property.

What if the required security cannot be raised?

If you cannot give us with the required security, contact the Revenue Collections Section of the tax services office in your region as soon as possible, in order to make acceptable arrangements.

What if you return to Canada?

If you ceased to be a resident of Canada after October 1, 1996, and you later re-establish Canadian residency, you can elect to make an adjustment to the deemed dispositions you reported when you emigrated.

For more information, contact the International Tax Services Office.

Disposing of taxable Canadian property after you emigrate

As a non-resident, you may have disposed of, or plan to dispose of, taxable Canadian property such as Canadian real estate, Canadian business property, or unlisted shares of Canadian corporations. If so, get Information Circular 72-17, PROCEDURES CONCERNING THE DISPOSITION OF TAXABLE CANADIAN PROPERTY BY NON-RESIDENTS OF CANADA – SECTION 116, to find out what you need to do.

Do you have to file a 2005 return?

Even though you lived in Canada for only part of 2005, you may have to file a 2005 return. For information, see the section called "Do you have to file a return?" in your tax guide.

If you emigrated from Quebec in 2005, you may need to file a separate provincial return. For information about your provincial tax liability, contact Revenu Québec.

Note

If you determine that you do not have to file a return for 2005, you should let us know the date you left Canada as soon as possible.

Which tax and benefit package should you use?

Use the package for the province or territory where you lived before you left Canada in 2005.

If you did not receive your package in the mail, you can get a **GENERAL INCOME TAX AND BENEFIT GUIDE** and forms book from us.

What date is your return due?

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

For exceptions to this date, see the section called "What date is your return for 2005 due?" in your tax guide.

If you are electing under section 217, see the section called "What date is your section 217 return due?" on page 39 [10].

Completing your 2005 return

You will find most of the information you need to complete your 2005 return in your tax guide. Use it along with the information provided in this section.

Identification

When completing the "Identification" area on your return, be sure to enter your **date of emigration from Canada**.

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 part of the year **you** were a resident of Canada.

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

As a non-resident, you are not eligible to receive the GST/HST credit. Therefore, do not complete this area on page 5 [1] of your return.

Income

For the part of 2005 you were considered a resident of Canada, you have to report your world income. World income is income from all sources both inside and outside Canada.

However, for the part of 2005 that you were **not a resident** of Canada, you only report the following income:

- income from employment in Canada or from a business carried on in Canada;
- employment income from a Canadian resident for your employment in another country if, under the terms of a tax treaty between Canada and your new country of residence, the income is exempt from tax in your new country;
- certain income from employment outside Canada if you were a resident of Canada when the duties were performed;
- the taxable part of scholarships, bursaries, research grants, and fellowships you received from Canadian sources; and
- taxable capital gains from disposing of taxable Canadian property.

Note

For the part of 2005 that you were not a resident of Canada, do not include on your return any gain or loss from disposing of taxable Canadian property, or loss from a business carried on in Canada, if, under a tax treaty, the gain from that disposition or any income from that business would be exempt from tax in Canada. For more information on the disposition of taxable Canadian property, see guide T4058, NON-RESIDENTS AND INCOME TAX.

Deductions

Moving expenses

Emigrants are usually not allowed to deduct moving expenses incurred for a move out of Canada.

However, if you left Canada to take courses at the post-secondary level as a full-time student at an educational institution in another country, and you received a Canadian scholarship, bursary, fellowship, or research grant to attend that educational institution, you may be eligible to deduct your moving expenses. For more information, get Form T1-M, MOVING EXPENSES DEDUCTION.

Federal tax and credits

Use Schedule 1, FEDERAL TAX, to calculate your federal tax and any federal credits that apply to you.

Federal non-refundable tax credits

As an emigrant, 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 2005 that you were a resident of Canada (as outlined on page 31 [below]); and
- the amount for each federal non-refundable tax credit that applies to the part of 2005 that you were not a resident of Canada (as outlined on page 33 [9]).

Keep in mind that the total you can claim for each federal non-refundable tax credit cannot be more than what you could have claimed if you had been a resident of Canada for the whole year.

For the part of 2005 you were a resident of Canada

You can claim the following federal non-refundable tax credits that apply to the part of 2005 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 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 federal non-refundable tax credits based on the number of days you were a resident of Canada in

2005. See your tax guide for the remaining federal non-refundable tax credits.

Use the date of emigration you entered in the "Identification" area of your return to calculate the number of days you were a resident of Canada.

Example 1 (see line 300 in your tax guide)

Shirley left Canada on January 26, 2005, to live in another country. She claims a basic personal amount of \$616.02, calculated as follows:

$$\frac{26 \text{ days in Canada}}{365 \text{ days in 2005}} \times \$8,648 = \$616.02$$

Example 2 (see line 301 in your tax guide)

Jennifer is 70 years old. She left Canada on September 30, 2005. Her net income between January 1 and September 30, 2005, was \$30,000. Jennifer can claim an age amount of \$1,799.08, calculated using line 301 on the federal worksheet as follows:

$$\frac{273 \text{ days in Canada}}{365 \text{ days in 2005}} \times \$3,979 = \$2,976.07$$

365 days in 2005

Jennifer's net income = \$ 30,000.00

minus

$$\frac{273}{365} \times \$29,619 = \$ 22,153.39$$

$$\frac{273}{365} \times \$29,619 = \$ 22,153.39$$
$$\$ 7,846.61 \times 15\% = \underline{\$1,176.99}$$

The age amount that Jennifer can claim is:

$$\$2,976.07 - \$1,176.99 = \$1,799.08$$

For the part of 2005 you were not a resident of Canada

You can claim the following federal non-refundable tax credits that apply to the part of 2005 that you were not a resident of Canada if you are reporting Canadian-source income (as listed under "Income" on page 28 [8]):

- Canada Pension Plan or Quebec Pension Plan contributions;

- Employment Insurance premiums;
- the 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;
- the tuition amount (for yourself); and
- donations and gifts.

In addition, if the Canadian-source income you are reporting for the part of 2005 that 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 federal non-refundable tax credits in full. See your tax guide for the remaining federal non-refundable tax credits.

Note

To claim full federal non-refundable tax credits, **attach a note to your return** stating your net world income (in Canadian dollars) for the part of 2005 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.

Provincial or territorial tax

The year you emigrate, you usually have to pay tax for the province or territory where you lived before you left Canada.

If you lived in Quebec before you left Canada, you can get information on how to calculate your Quebec provincial tax by contacting Revenu Québec.

If you lived in another province or territory before you left Canada, 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 the amount of federal non-refundable tax credits, as an emigrant, 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 as those used to calculate your corresponding federal non-refundable tax credits. For details, see page 30 [8].

Refund or balance owing

Provincial or territorial tax credits

Generally, you are **not** entitled to claim provincial or territorial credits since you were not resident in Canada on December 31, 2005. For more information about these credits and how to claim them, see the forms book for the province or territory where you lived before you left Canada in 2005.

Election under section 217 of the Income Tax Act

When you receive certain types of income from Canada after you emigrate, the Canadian payer has to withhold non-resident tax on the income and send it to us. This tax withheld is usually your final tax obligation to Canada on the income.

However, under section 217 of the INCOME TAX ACT, you can choose to file a Canadian return to report the types of Canadian-source income listed on this page [10]. By doing this, you may be able to pay tax on this income using an alternative taxing method and receive a refund of some or all of the non-resident tax withheld. Choosing to report these types of income on a Canadian return is called "electing under section 217 of the INCOME TAX ACT."

What income is eligible for this election?

This election applies to certain types of Canadian-source income which you receive after you leave Canada, including:

- Old Age Security pension;
- Canada Pension Plan or Quebec Pension Plan benefits;

- most superannuation and pension benefits;
- registered retirement savings plan payments;
- registered retirement income fund payments;
- death benefits;
- Employment Insurance benefits;
- certain retiring allowances;
- registered supplementary unemployment benefit plan payments;
- deferred profit-sharing plan payments;
- amounts received from a retirement compensation arrangement, or the purchase price of an interest in a retirement compensation arrangement;
- prescribed benefits under a government assistance program; and
- Auto Pact benefits.

What date is your section 217 return due?

If you elect under section 217 for 2005, you have to file your 2005 return on or before **June 30, 2006**.

If you are late in sending us your section 217 return, your election will not be valid.

You may also be reporting Canadian-source income, other than eligible section 217 income, on your return. If you have a taxable capital gain from disposing of taxable Canadian property, or if you have to pay tax on employment income you are reporting, you have to file your return by **April 30, 2006**.

If you are reporting business income and you have to pay tax on that income, you have to file the return on or before **June 15, 2006**.

Note

If you owe tax for 2005 and do not file your return for 2005 within the dates we specified above, we will charge you a late-filing penalty. We will also charge compound daily interest starting May 1, 2006, on any **unpaid amounts** owing for 2005.

Completing your section 217 return

Do not file a separate return to elect under section 217. Instead, complete one return for 2005. Follow the instructions in the section called "Completing your 2005 return" on page 27 [8], and the following special rules.

Identification

Write "section 217" at the top of page 1 of your return and enter your date of emigration from Canada.

Income

On your return, include:

- the income you are reporting as an emigrant (see the section called "Income" on page 28 [8]); and
- all amounts eligible for the section 217 election (see the list on page 37 [this page]) that were paid or credited to you in the part of 2005 that you were a non-resident of Canada.

Federal and provincial or territorial tax

Special rules apply for calculating federal and provincial or territorial tax on your section 217 return in the year that you emigrate.

Generally, you have to pay federal tax, as well as provincial or territorial tax for the province or territory where you lived before you left Canada.

Federal and provincial or territorial non-refundable tax credits

If you include on your return at least 90% of your net world income for the part of 2005 that you were not a resident of Canada, you can claim all of the federal and provincial or territorial non-refundable tax credits that apply to you. This represents your allowable amount of federal and provincial or territorial non-refundable tax credits.

If you do not meet this 90% rule, your allowable amount of federal non-refundable tax credits cannot be more than 15% of the section 217 income (see the list on page 37 [this page]) that was paid or credited to you in the part of 2005 that you were not a resident of Canada.

The allowable amount of provincial or territorial non-refundable tax credits cannot be more than the section 217 income multiplied by the lowest rate of provincial or territorial tax for the province or territory where you were resident of prior to leaving Canada in 2005.

Notes

Attach a note to your return giving a breakdown of your 2005 net world income (in Canadian dollars) for the part of 2005 that you were not a resident of Canada. Show separately the income you received from sources inside and outside Canada for that part of 2005. We cannot allow any non-refundable tax credits without this information.

For the other rules that may apply, contact the International Tax Services Office.

Can you reduce the non-resident tax withheld at source?

If you intend to elect under section 217 on eligible income you have not yet received, you can apply to reduce the tax that the payer would otherwise have to withhold at source.

To apply for this, complete and send us Form NR5, APPLICATION BY A NON-RESIDENT OF CANADA FOR A REDUCTION IN THE AMOUNT OF NON-RESIDENT TAX REQUIRED TO BE WITHHELD.

Tax treaties

Canada has income tax conventions or agreements (commonly referred to as tax treaties) with many countries. 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 income such as wages, salaries, pensions, and interest.

If you receive Canadian-source employment income that is exempt from tax in Canada because of a tax treaty, you can ask your employer not to withhold tax. However, before your employer can stop withholding tax from your income, you need a waiver letter from us. Send your request for a waiver letter to your Canadian employer's tax services office. If the officials at the tax services office agree that you qualify, they will send you a waiver letter to give to your employer.

Canada has tax treaties with the following countries:

Algeria	Estonia	Kyrgyzstan
Argentina	Finland	Latvia
Australia	France	Lithuania
Austria	Germany	Luxembourg
Bangladesh	Guyana	Malaysia
Barbados	Hungary	Malta
Belgium	Iceland	Mexico
Brazil	India	Moldova
Bulgaria	Indonesia	Mongolia
Cameroon	Ireland	Morocco
Chile	Israel	Netherlands
China, People's Republic	Italy	New Zealand
Croatia	Ivory Coast	Nigeria
Cyprus	Jamaica	Norway
Czech Republic	Japan	Pakistan
Denmark	Jordan	Papua New Guinea
Dominican Republic	Kazakhstan	Peru
Ecuador	Kenya	Philippines
Egypt	Korea, Republic of	Poland
	Kuwait	Portugal

Romania
Russia
Senegal
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka

Sweden
Switzerland
Tanzania
Thailand
Trinidad and Tobago
Tunisia
Ukraine
United Arab
Emirates

United Kingdom
United States
Uzbekistan
Venezuela
Vietnam
Zambia
Zimbabwe

International Tax Services Office

International Tax Services Office
Canada Revenue Agency
2204 Walkley Road
Ottawa ON K1A 1A8
CANADA

Regular hours of service

Monday to Friday (holidays excluded)
8:15 a.m. to 5:00 p.m. (Eastern Time)

Extended hours of telephone service

From mid-February through the end of April
Monday to Thursday (holidays excluded) 8:15 a.m. to 9:00 p.m.
(Eastern Time)

Calls from Canada and the U.S. 1-800-267-5177

Calls from outside Canada and the U.S. (613) 952-3741

Problem Resolution Program (613) 952-3502/1-800-661-4985

Fax number (613) 941-2505

We accept collect calls.