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# Canadian Residents Abroad

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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

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# Before you start

## Is this pamphlet for you?

This pamphlet is for you if you left Canada in the year to travel or live abroad.

This pamphlet will help you determine your residency status for income tax purposes. It also explains the income tax rules that apply to you while outside Canada.

## Residency status

While you are outside Canada, it is important that you know your residency status. Before you complete your Canadian income tax return, you need to determine if you are a **factual resident**, a **deemed resident**, a **non-resident**, or a **deemed non-resident** of Canada.

Your residency status depends on the purpose and permanence of your stay abroad, the ties you establish in your new country, the length and regularity of your visits to Canada, and your residential ties in Canada.

## What are residential ties?

Residential ties include:

- a home in Canada;
- a spouse or common-law partner and dependants who stay here while you are living abroad;
- personal property in Canada, such as a car or furniture; and
- social ties in Canada.

Other ties that may be relevant include a Canadian driver's licence, bank accounts or credit cards issued in Canada, and health insurance with a Canadian province or territory.

## Do you need help determining your residency status?

If, after reading this pamphlet, you are still not sure of your residency status, complete Form NR73, *Determination of Residency Status (Leaving Canada)*, and send it to the International Tax Services Office as soon as possible. We will give you our opinion of your residency status based on the information you provide.

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

## Are you a factual resident?

You are a factual resident of Canada if you keep significant residential ties in Canada while living or travelling outside the country. The term **factual resident** means that, although you left Canada, you are considered to be a resident of Canada for income tax purposes.

### Note

If you **also** establish residential ties in a country with which Canada has signed a tax treaty, and you are considered to be a resident of that country for the purposes of the tax treaty, you may be considered a deemed non-resident of Canada for tax purposes. See page 18 for the list of countries with which Canada has tax treaties. For more information, see "Are you a deemed non-resident?" on page 15.

## Types of factual residents

You may be a factual resident if you are:

- working temporarily outside Canada;
- teaching or attending school in another country;
- commuting (going back and forth daily or weekly) from Canada to your place of work in the United States; or
- vacationing outside Canada.

## **Missionaries**

If you are a missionary conducting work in another country and you meet certain requirements, you can choose to be considered a factual resident even if you do not keep residential ties in Canada. To exercise your choice, you must:

- file a return and report all income you receive from sources inside and outside Canada for each year you are absent from Canada;
- be a Canadian citizen or a permanent resident of Canada;
- be in the service of a religious organization that has its national ministry office in Canada; and
- be sent out of Canada for five years or less.

## **Factual residents and income tax**

As a factual resident, we tax your income as if you never left Canada. You will continue to:

- report all income you receive from sources inside and outside Canada for the year, and claim all deductions that apply to you;
- claim all federal and provincial or territorial non-refundable tax credits that apply to you;
- pay federal tax and provincial or territorial tax where you keep residential ties in Canada;
- claim any federal, provincial, or territorial refundable tax credits that apply to you; and
- be eligible to apply for the goods and services tax/harmonized sales tax (GST/HST) credit.

This applies for the year you leave and for each year you are a factual resident while living outside Canada.

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## **Example**

Tim is an industrial designer. His employer has sent him to work in Hong Kong for 18 months. His spouse and children stay at the family home in Saskatchewan during his absence.

We consider Tim to be a factual resident of Canada for income tax purposes because he keeps residential ties in Canada. When he files his Canadian return, he will report his world income and can claim all deductions that apply to him. Tim will pay federal tax and Saskatchewan provincial tax. He can reduce both federal and provincial taxes by claiming all federal and provincial non-refundable tax credits that apply to him.

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## **Which tax and benefit package should you use?**

Use the tax and benefit package for the province or territory where you maintained your residential ties. Generally, this is the province or territory where you lived before you left Canada. If you do not receive your package in the mail, you can get a copy on our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by contacting us (see the back cover).

## **What about the Canada Child Tax Benefit?**

If you are eligible to receive the Canada Child Tax Benefit (CCTB), you will continue to receive the CCTB and any benefits and credits from related provincial or territorial programs to which you are eligible during your absence from Canada. However, you and your spouse or common-law partner will have to file returns each year so we can calculate your CCTB.

## **What about the Universal Child Care Benefit?**

If you are eligible to receive the Universal Child Care Benefit (UCCB), you will continue to receive the UCCB during your absence from Canada.

## **What if your circumstances change?**

If your circumstances change, you may no longer be a factual resident.

For example, you may decide to stay permanently in the country where you are working, sell your house in Canada, and move your spouse or common-law partner and dependent children with you (severing all residential ties with Canada).

In this case, we will usually consider you to be an emigrant in the year that you sever your ties. If this is your situation, see Guide T4056, *Emigrants and Income Tax*, for the rules that apply for that year.

For all following years, you will be a non-resident of Canada. For information on non-residents, see “Are you a non-resident?” on page 11.

## Are you a deemed resident?

We consider certain people who live outside Canada and who sever their residential ties with Canada to be deemed residents of Canada for income tax purposes.

### Types of deemed residents

You may be a deemed resident of Canada if you are:

- a member of the Canadian Forces;
- a member of the Canadian Forces overseas school staff who chooses to file a return as a resident of Canada;
- a federal or provincial government employee who was resident of Canada just before being posted abroad or who received a representation allowance for the year;
- a person working under a Canadian International Development Agency (CIDA) assistance program who was a resident of Canada at any time during the three-month period just before starting duties abroad;
- a dependent child of one of the first four persons described above and your net income for the year was not more than the



basic personal amount (line 300 on the *General Income Tax and Benefit Guide*); or

- a person who, under an agreement or convention (including a tax treaty) between Canada and another country, is exempt from tax on at least 90% of your world income in that other country because of your relationship to a resident (including a deemed resident) of Canada.

## **Deemed residents and income tax**

As a deemed resident, you will continue to:

- report all income you receive from sources both inside and outside Canada for the year;
- claim all deductions, federal non-refundable tax credits, and federal refundable tax credits that apply to you as if you resided in Canada for the year; and
- be eligible to apply for the goods and services tax/harmonized sales tax (GST/HST) credit.

You are subject to federal tax just like other residents of Canada. Instead of paying provincial or territorial tax, you have to pay a surtax for non-residents and deemed residents of Canada. You cannot claim provincial or territorial tax credits.

However, if you have business income from a permanent establishment in a province or territory in Canada, you have to pay provincial or territorial tax on that income, and you may be entitled to certain provincial/territorial credits related to that income. If this is the case, to calculate your tax payable, you will need Form T2203, *Provincial and Territorial Taxes – Multiple Jurisdictions*.

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### **Example**

Sean is a member of the Canadian Forces. During the year, he was posted to the U.S. for three years. He sold his house in Canada, cancelled his memberships in various organizations, and severed all residential ties with Canada.

We consider Sean to be a deemed resident of Canada for tax purposes. When he files his return for the year, he will report his world income and claim all deductions, federal non-refundable tax credits, and federal refundable tax credits that apply to him.

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### **Did you live in Quebec just before you left Canada?**

Even though we may consider you to be a deemed resident of Canada, under Quebec law you may also be considered a deemed resident of that province. If this is the case, you may have to pay Quebec income tax while you are serving abroad.

For example, if you are a deemed resident of Canada and you were at any time in the year an agent-general, officer, or servant of the province of Quebec and you were resident in that province immediately prior to appointment or employment by that province, you have to pay Quebec income tax. To avoid double taxation (surtax for non-residents and deemed residents of Canada **plus** Quebec income tax), attach a note to your federal return telling us that you are subject to Quebec provincial income tax, you are filing a Quebec provincial return, and that you are asking for relief from the non-resident and deemed resident surtax. For more information, contact the International Tax Services Office.

The province of Quebec also grants relief to certain taxpayers who were deemed residents of Canada and Quebec. For example, deemed residents of Canada who are members of the Canadian Forces or at any time in the year an ambassador, minister, high commissioner, officer, or servant of Canada, and who were also deemed residents of Quebec. For more information contact Revenu Quebec.

## **Which tax and benefit package should you use?**

Use the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada* for the year you leave Canada and for all following years that you are outside Canada as a deemed resident. You can get this guide on our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms), by contacting us, or from any Canadian embassy, consulate, or high commission.

## **What about the Canada Child Tax Benefit?**

If you are eligible to receive the Canada Child Tax Benefit (CCTB), you will continue to receive it but you are not eligible for any benefits and credits from any of the related provincial or territorial programs during your absence from Canada.

You (and your spouse or common-law partner if he or she is a deemed or factual resident) have to file returns each year so we can calculate your CCTB.

If your spouse or common-law partner is a non-resident, he or she will have to file Form CTB9, *Canada Child Tax Benefit - Statement of Income*.

If you have a child while outside Canada, you can apply for the CCTB by sending us a completed Form RC66, *Canada Child Benefits Application*. You can get Form RC66 and the related Pamphlet T4114, *Canada Child Benefits*, on our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by contacting us.

## **What about the Universal Child Care Benefit?**

If you are eligible to receive the Universal Child Care Benefit (UCCB), you will continue to receive the UCCB during your absence from Canada.

## **Are you a non-resident?**

**F**or you to be considered a non-resident, there must be some permanence to your stay abroad. If you leave Canada to settle in another country and you sever significant residential ties with

Canada, we consider you to be a non-resident for income tax purposes, unless you are a deemed resident as defined on page 8.

**Note**

In certain situations, you may be considered a deemed non-resident. For more information, see “Are you a deemed non-resident?” on page 15.

## **Non-residents and income tax**

In the year you leave Canada, you are considered to be an emigrant for income tax purposes. See Guide T4056, *Emigrants and Income Tax*, for the tax rules that apply for that year.

For all following years, if your situation does not change, you will be considered a non-resident. As a non-resident, you have to report certain types of Canadian-source income on your return. The most common types include:

- income from employment in Canada;
- income from a business carried on in Canada;
- taxable Canadian scholarships, fellowships, bursaries, and research grants; and
- taxable capital gains resulting from dispositions of taxable Canadian property.

If you have to file a return, special rules apply to you. For more information, see Guide T4058, *Non-Residents and Income Tax*.

**Do you have Canadian-source investment income?** If so, the payer will usually withhold non-resident tax on amounts such as interest and dividends paid or credited to you. Do not include these types of income on a Canadian income tax return, since the non-resident tax withheld is usually considered to be your final tax liability to Canada on the income.

If a payer is not withholding non-resident tax from your investment income, you should let the payer know that you are a non-resident of Canada.

For more information on non-resident withholding tax, see Information Circular 77-16, *Non-Resident Income Tax*.

**Do you have Canadian-source pensions, annuities, and similar payments?** If so, the payer will generally withhold non-resident tax on the amounts paid or credited to you. This tax is usually considered to be your final tax liability. However, you can choose to pay tax on these types of income under an alternative taxing method and may be able to claim a refund for part or all of the non-resident tax withheld.

For more information, see Pamphlet T4145, *Electing Under Section 217 of the Income Tax Act*.

**Do you receive Old Age Security pension?** If so, you may have to file the *Old Age Security Return of Income* each year. For more information, see Guide T4155, *Old Age Security Return of Income Guide for Non-Residents*.

**Do you have rental income from real property or timber royalties on a timber resource property or a timber limit in Canada?** If so, the payer will withhold non-resident tax on payments made to you. An alternative taxing method is also available on this type of income.

For more information, see Guide T4144, *Income Tax Guide for Electing Under Section 216*.

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### **Example**

Allison lives permanently in England. During the year, she received interest income from her bank account in England and business income from a coloured pencil business carried on through a permanent establishment in Canada.

As a non-resident of Canada, Allison will file a Canadian return for the year to report only her business income from Canada. She will not report the interest income from her bank account in England on her Canadian return.

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## **Which tax and benefit package should you use?**

If you are reporting **only** income from employment in Canada or from a business carried on through a permanent establishment in Canada, use the *General Income Tax and Benefit Guide* and forms book for the province or territory where you earned the income along with Guide T4058, *Non-Residents and Income Tax*.

However, if you are **also** reporting other types of taxable Canadian-source income (such as scholarships, fellowships, bursaries, research grants, or capital gains), you will need Form T2203, *Provincial and Territorial Taxes – Multiple Jurisdictions*, to calculate your tax payable.

If you are reporting **only** other types of taxable Canadian-source income (such as scholarships, fellowships, bursaries, research grants, or capital gains), use the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

You can get the package you need by visiting our Web site at **[www.cra.gc.ca/forms](http://www.cra.gc.ca/forms)** or by contacting us. In addition, you can get the package for non-residents and deemed residents of Canada from any Canadian embassy, consulate, or high commission.

## **What about the Canada Child Tax Benefit?**

As a non-resident, you are not eligible to receive the Canada Child Tax Benefit (CCTB) unless you are the spouse or common-law partner of a deemed resident and you meet the CCTB eligibility requirements.

## **What about the Universal Child Care Benefit?**

As a non-resident, you are not eligible to receive the Universal Child Care Benefit (UCCB) unless you are the spouse or common-law partner of a deemed resident and you meet the eligibility requirements. The UCCB payments are usually taxable in the hands of the spouse or common law partner with the lower net income.

## Are you a deemed non-resident?

**E**ffective after February 24, 1998, if you are a factual resident (see the definition on page 5) of Canada and a resident of another country, according to a tax treaty Canada has signed with another country, you may be considered a deemed non-resident of Canada. See page 18 for the list of countries with which Canada has tax treaties.

You become a deemed non-resident of Canada when your ties with the other country become such that, under the tax treaty, you would be considered a resident of that other country.

If on February 24, 1998, you were already a resident of a country with which Canada has a tax treaty, you are not a deemed non-resident of Canada. You will only be considered a deemed non-resident of Canada if after February 24, 1998:

- you ceased to be a resident of that treaty country and then became a resident of that country again; or
- you moved from that treaty country and became a resident of another country with which Canada has a tax treaty.

The ordinary effects of ceasing to be a resident of Canada will apply. For more information on the implications of ceasing to be a resident of Canada, see Guide T4056, *Emigrants and Income Tax*.

### Deemed non-residents and income tax

As a deemed non-resident, the same rules apply to you as a non-resident of Canada, see “Non-residents and income tax” on page 12.

## Special credits that may apply

If you are a factual resident (see page 5) or a deemed resident (see page 8) of Canada, the following tax credits may apply to you. These credits will reduce your federal and provincial or territorial taxes payable, if applicable.

### Foreign tax credit

You can claim this credit if you paid tax on income or profits to a foreign country on income from that country that you reported on your Canadian return.

In most cases, the foreign tax credit you can claim for each foreign country is the lower of the following two amounts:

- the foreign income tax you paid; or
- the tax due to Canada on your net income from that country.

You generally cannot claim a foreign tax credit for taxes you paid to a foreign country on income you earned in Canada.

For more information on how to calculate your claim, see Interpretation Bulletin IT-270, *Foreign Tax Credit*.

### Overseas employment tax credit

You may be able to claim this credit on your return if you worked outside Canada for a period of more than six consecutive months. The period must start in the current year or a previous year and must include at least one day in the year you are claiming the credit.

In addition, you must have been employed throughout that period by:

- a person who is a resident of Canada;
- a partnership in which Canadian residents or Canadian-controlled corporations own more than 10% of the fair market value of all the interests in the partnership; or



- a corporation that is a foreign affiliate of a person who is a resident of Canada.

You must have worked throughout all or most of that period to get a contract for your employer or in connection with a contract your employer entered into. The contract has to be to explore for or exploit petroleum, natural gas, minerals, or other similar resources; to perform a construction, installation, agricultural, or engineering activity; or to perform an activity under contract with the United Nations.

**Note**

If you are employed under an assistance program sponsored by the Canadian International Development Agency (CIDA), you do not qualify for this credit.

For more information, see Interpretation Bulletin IT-497, *Overseas Employment Tax Credit*. To claim this credit, complete Form T626, *Overseas Employment Tax Credit*, and attach it to your return.

# Tax treaties

Canada has tax conventions or agreements (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 the income.

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

## 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](http://www.cra.gc.ca), or you can write or call any of our tax services offices at **1-800-959-8281**. If you need to call the International Tax Services Office (ITSO), the telephone numbers are on the back cover of this pamphlet.

You can also get most forms you may need on our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by calling **1-800-959-2221** (calls from Canada and the United States).

For personal and general tax information, use our automated services **T.I.P.S.** by calling **1-800-267-6999** (calls from Canada and the United States).

### 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 (GST/HST) credit, Universal Child Care Benefit, or Canada Child Tax Benefit payments (including any related provincial or territorial benefit payments) to which you are eligible. Otherwise, your payments may be interrupted.

You can change your address over the Internet. For more information, visit our Web site at [www.cra.gc.ca/myaccount](http://www.cra.gc.ca/myaccount).

You can also notify us by calling or writing. If you are writing, make sure to sign your letter, 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  
2204 Walkley Road  
Ottawa ON K1A 1A8  
CANADA

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