

Old Age Security Return of Income Guide for Non-Residents

2003

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Your opinion counts!

We review this guide 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 guide to:

Client Services Directorate
Canada Customs and Revenue Agency
Lancaster Road
Ottawa ON K1A 0L5
CANADA

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Is this guide for you?

This guide is for you if you are a non-resident of Canada and you are receiving Old Age Security (OAS) payments. This guide will help you complete your 2003 *Old Age Security Return of Income*.

What is the purpose of the Old Age Security Return of Income?

We will use the information you provide on the return to determine the amount of recovery tax you are subject to on your OAS payments. The recovery tax is calculated using the net world income that you report on this return.

If your net world income for 2003 was more than CAN\$57,879, we will calculate the final amount of recovery tax that applies to you for 2003. We will also determine the amount of recovery tax to be withheld from your July 2004 to June 2005 monthly OAS payments.

If recovery tax was withheld from your OAS payments in 2003, and the amount withheld was **more** than the recovery tax you owe, or you are not subject to recovery tax, we will refund the difference or apply it to any other Canadian tax liability you may have. If the recovery tax withheld was **less** than recovery tax you owe, you will have to pay the difference.

What is recovery tax, and does it apply to you?

Recovery tax is **an additional tax** that is used to repay all or part of the OAS payments received by higher-income pensioners.

This tax is 15% of the amount by which a pensioner's net world income is more than CAN\$57,879.

Recovery tax is in addition to non-resident tax. However, if non-resident tax is withheld from OAS payments, the rate of recovery tax will be reduced accordingly. The two taxes cannot add up to more than the total Old Age Security pension received.

What is net world income?

Net world income is all the income you earn or receive in a year from sources both inside and outside Canada, **minus** allowable deductions. It includes income from employment, business, pensions, social security, capital gains, rental property, interest, and dividends.

Note

When calculating your net world income, do not take into consideration tax withheld on the income.

Do you have to file the *Old Age Security Return of Income*?

To ensure that your OAS payments are not interrupted, you have to complete and send us this return.

However, you do **not** have to file the return if you were a resident of one of the following tax-treaty countries in 2003, **and** you have no plans to move to a non-listed country before July 1, 2005.

Argentina	Italy	Poland
Australia	Ivory Coast	Portugal
Barbados	Kenya	Spain
Ecuador	Malaysia	Sri Lanka
Finland	Malta	United Kingdom
Germany	Mexico	United States
Hungary	New Zealand	Zambia
Ireland	Norway	
Israel	Papua New Guinea	

If you were a resident of **Brazil** in 2003 and you are a Brazilian national, you do not have to file the return.

If you were a resident of the **Philippines** in 2003 and your 2003 Canadian pensions totalled \$5,000 or less, you do not have to file the return.

If you were a resident of **Romania** in 2003 and your OAS payments are taxed in Romania, you do not have to file the return.

Notes

If you were a resident of a non-listed country at any time in 2003, and you received OAS payments during that period, you have to file the return.

If the income tax treaty that your country of residence has with Canada is amended, you may have to file the return.

What date is your return due?

Your 2003 *Old Age Security Return of Income* has to be filed **on or before April 30, 2004**.

If you have a balance owing of recovery tax (on line 485 of your return), and you file the return after this date, we will charge a late-filing penalty. The penalty is 5% of your balance owing for 2003, plus 1% of your balance owing for each full month that your return is late, to a maximum of 12 months. Your late-filing penalty may be higher if we charged you a late-filing penalty on a return for any of the three previous years.

Do you have to file any other 2003 Canadian return?

The *Old Age Security Return of Income* only determines the recovery tax on your OAS payments. You may have to file another 2003 Canadian return.

For example, if you filed Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld*, for 2003 and we approved it, you have to file a return under section 217 of the *Income Tax Act*. Also, if you received employment or business income from Canada, you may have to file a General return.

Completing your Old Age Security Return of Income

We have included two copies of the *Old Age Security Return of Income* in this package. Complete both copies. Mail one to us in the envelope provided, and keep the other for your records.

The return has to be filed on an individual basis. Therefore, if both you and your spouse or common-law partner receive Old Age Security pension, each of you has to complete a return.

Identification

It is important that you complete the entire Identification area by following the instructions on the return. If you provide incomplete or incorrect information, the processing of your return may be delayed.

Social insurance number

Provide both your and your spouse or common-law partner's (see definitions on next page) Canadian social insurance numbers (SIN) or temporary taxation numbers (TTN). If you do not have a SIN or a TTN, attach a note to your return to let us know, and we will assign you a TTN. Use this number on all correspondence or any other return that you send us.

Date of death

If you are filing a return for an individual who died during the year, provide his or her date of death. OAS payments are not paid to deceased persons or their estates.

Marital status

Check the box that applied to your status on December 31, 2003.

Spouse – This applies only to a person to whom you are legally married.

Common-law partner – This applies to a person of the same or opposite sex who is **not your spouse** (see above) when you live and have a relationship with that person. In addition, at least **one** of the following has to apply. He or she:

- is the natural or adoptive parent (legal or in fact) of your child; or
- has been living and having a relationship with you for at least 12 continuous months.

The above includes any period that you were separated for less than 90 days because of a breakdown in the relationship.

Income

Report all income in **Canadian dollars**. To calculate how much to report, multiply your income by the exchange rate in effect on the day you received the income. If the income was paid regularly at various times throughout the year, you can use the sheet called *Average Exchange Rates for 2003*, which is included with this package.

Line 113 – Old Age Security (OAS) pension

On line 113, enter your OAS pension income. This amount is shown in:

- box 16 of your NR4-OAS slip;
- box 16 or 26 of your NR4 slip, if this slip has income code 44 in box 14 or 24; or
- box 18 of your T4A(OAS) slip.

You may have received net federal supplements (shown either in box 21 of your T4A(OAS) slip, or in box 16 or 26 of your NR4 slip, if this slip has income code 45 in box 14 or 24). If so, add the amount of the supplement to your OAS pension. Then enter the total on line 113.

Line 114 – Canada Pension Plan or Quebec Pension Plan benefits

On line 114, enter your Canada Pension Plan or Quebec Pension Plan benefits shown in box 16 or 26 of your NR4 slip (if the slip has income code 46 in box 14 or 24).

The amount may also be shown in box 20 of your T4A(P) slip.

Line 115 – Other pensions or superannuation

On line 115, enter any other pensions or superannuation you received from Canadian or foreign sources, and any foreign-source social security payments. These payments include:

- general annuities or income-averaging annuity contracts;
- deferred profit-sharing plans; or
- registered retirement income funds.

Line 121 – Interest and other investment income

Use the Worksheet on the back of the return to calculate your interest income, taxable dividend income, and capital gains or losses. If you need more space, attach a note to your return.

Interest and dividend income

Report all Canadian and foreign-source interest that was paid or credited to you in 2003. This includes interest income from bank accounts, term deposits, guaranteed investment certificates (GICs), and other similar investments.

You also have to report interest on any tax refund you received in 2003, which is shown on your *Notice of Assessment* or *Notice of Reassessment*.

Include all taxable dividend income from taxable Canadian corporations. To calculate your taxable dividend income, multiply the Canadian dividend you received by 125%. In addition, include all dividends from foreign sources.

Even if you did not receive an information slip, include any interest or dividend income that was paid or credited to you in the year.

Capital gains

A capital gain or loss usually occurs when you sell or dispose of property, such as real estate or shares. Capital losses can reduce capital gains. However, to determine your net world income, you cannot use capital losses to reduce other sources of income, including interest and other investment income.

If you sold or disposed of property in 2003 and your capital gains for the year exceeded your capital losses, you have to include a percentage of the difference at line 121 of your return. For 2003, the inclusion rate for capital gains realized is generally 50%.

Note

Do not include capital gains resulting from mortgage foreclosures and conditional sales repossession. Also, do not include a capital gain or loss resulting from the disposition of your home if it was your principal residence for every year that you owned it.

If you disposed of property in 2003, you will need to know the following three amounts to calculate any capital gain or loss:

- the proceeds of disposition;
- the adjusted cost base; and

- the outlays and expenses you incurred when disposing of your property.

The **proceeds of disposition** is usually the amount you received or will receive for your property. In most cases, it refers to the sale price of the property. It could also include compensation you received for property that was destroyed, expropriated, or stolen.

The **adjusted cost base** is usually the cost of your property, plus any expenses you incurred to acquire it. These expenses can include commissions and legal fees. You have to adjust the cost of your property to include capital expenditures, such as the cost of additions and improvements to the property.

Outlays and expenses are amounts that you incurred to sell a capital property. You can deduct outlays and expenses from your proceeds of disposition when you calculate your capital gain or loss. These types of expenses include fixing-up expenses, finders' fees, commissions, brokers' fees, surveyors' fees, legal fees, transfer taxes, and advertising costs. You cannot reduce your other income by claiming a deduction for these outlays and expenses.

For more information on capital gains and losses, or to get a copy of guide T4037, *Capital Gains*, contact the International Tax Services Office.

Line 126 – Net rental income

On line 126, report your Canadian and foreign-source net rental income or loss for the 2003 calendar year. You should also include any amount that a partnership allocated to you in its financial statements. If you have a loss, show the amount in brackets.

Line 129 – Registered retirement savings plan income

On line 129, enter the total amount of income you received from your registered retirement savings plans (RRSPs) in 2003 shown on your T4RSP or NR4 information slips.

Line 130 – Other income

On line 130, report other Canadian and foreign-source income that is not listed on the return. Identify the type of income you are reporting in the space to the left of line 130 on your return. If you need more space, attach a note giving the details.

Other types of income might include:

- employment income;
- lump-sum payments from pensions and deferred profit-sharing plans;
- Employment Insurance benefits;
- social assistance payments;
- workers' compensation payments;
- support payments received;
- retiring allowances, including severance pay;
- death benefits;
- amounts from a trust;
- tips or gratuities;
- amounts distributed from a retirement compensation arrangement;
- net partnership income or loss from a Canadian or foreign partnership (limited or non-active partners); or
- any other type of taxable income that you have not reported elsewhere on the return.

Note

Do not include a disability or survivor pension resulting from war service if the country that paid you the pension was an ally of Canada, and if the country grants similar tax relief to a person receiving a similar pension from Canada.

Line 135 – Net business income

On line 135, enter your Canadian and foreign-source net income or loss from a business or profession. If you have a loss, show the amount in brackets.

Deductions

Line 221 – Carrying charges

On line 221, enter the total amount of carrying charges you paid to earn income from investments. Carrying charges include the following:

- fees for the management or safe custody of investments;
- safety deposit box charges; and
- fees for certain investment advice or for recording investment income.

You cannot deduct any brokerage fees or commissions you paid when you bought or sold securities. Instead, use these costs when you calculate your capital gain or loss.

Line 232 – Other deductions

On line 232, claim other deductible amounts that apply to you. Identify the deductions you are claiming in the space to the left of line 232. If you need more space, attach a note to your return.

You can deduct certain amounts from your total world income including the following:

- contributions to a registered pension plan (RPP) or a registered retirement savings plan (RRSP);
- annual Canadian union, professional, or like dues;
- the deductible amount of support payments made;
- Canadian exploration and development expenses; and
- certain expenses you paid to earn employment or commission income.

If you paid back amounts in 2003 that you already reported as income, you can deduct them on this return. Attach receipts or other documents showing the amounts you paid back. For example, you can claim repayments of:

- Employment Insurance benefits you paid directly to Human Resources Development Canada;
- OAS pension you paid directly to Human Resources Development Canada (see note below);
- Canada Pension Plan benefits or Quebec Pension Plan benefits; and
- retiring allowances, including severance pay.

Note

OAS pension paid back as recovery tax does not qualify for a deduction from world income.

You can deduct legal fees you paid:

- for advice or assistance in responding to us when we reviewed your income or tax for a year, or in objecting to or appealing an assessment or decision under the *Income Tax Act*, *Unemployment Insurance Act*, *Employment Insurance Act*, *Canada Pension Plan*, or *Quebec Pension Plan*, plus any related accounting fees;

- for advice or assistance to appeal or object to an assessment of income tax, interest, or penalties levied by a foreign government, if the tax is eligible for a foreign tax credit on a Canadian income tax return; and
- to collect late support payments that you will include in your income (for details, get guide P102, *Support Payments*, from us).

You have to reduce your claim by any award or reimbursements you received for these expenses.

If you are not certain whether a deduction is allowable, contact us for assistance.

Refund or Balance owing

Line 235 – Old Age Security recovery tax

This line applies to you only if your net world income on line 242 of your return is more than CAN\$57,879. If this is the case, complete the calculation in the chart on the next page.

However, if either of the following situations apply to you, contact the International Tax Services Office for the special rules that apply in calculating the recovery tax:

- you **immigrated** to Canada or **emigrated** from Canada in 2003 and you received OAS payments during the part of the year that you were a non-resident; or
- you received OAS payments throughout 2003, and you were resident of one of the countries listed on page 5 for part of 2003 **and** for the other part of 2003 you were resident in a non-listed country.

Calculating OAS recovery tax

Net world income from line 242 of your return	\$_____	1
Base amount	- <u>57,879.00</u>	2
Line 1 minus line 2 (if negative, enter "0")	\$_____	3
	_____ × 15%	4
Multiply line 3 by 15% and enter the result on this line	\$_____	5
OAS pension and net federal supplements from line 113	\$_____	6
OAS pension you paid back in 2003 (see line 232)	- _____	7
Line 6 minus line 7 (if negative, enter "0")	\$_____	8
Enter the amount from line 5 or line 8, whichever is less	\$_____	9
	_____ × 75%	10

Old Age Security recovery tax

Multiply line 9 by 75% and enter
the result on this line. \$_____ **11**

Enter the amount from line 11 on line 235 of your return.

If you were a resident of the Philippines in 2003, your recovery tax is limited to 5% of the amount of your 2003 Old Age Security pension.

Line 437 – Recovery tax withheld

On line 437, enter **only** the amount of recovery tax from box 27 of your NR4-OAS slip. Attach a copy of the information slip to your return.

Line 484 – Refund

If you are expecting a refund of recovery tax for 2003, but our records show that you owe an amount, or are about to owe an amount for another year, we may keep some or all of your refund and apply it against the amount you owe.

Line 485 – Balance owing

If you have a balance owing of more than \$2, and you or your representative has a bank account at a financial institution in Canada, attach to the **front** of your return a cheque or money order made out to the Receiver General.

If you or your representative do not have a bank account at a financial institution in Canada, you or your representative can make your payment using:

- an international money order drawn in Canadian dollars;
- a bank draft in Canadian funds drawn on a Canadian bank (available at most foreign financial institutions); or
- a cheque drawn in the currency of the country in which the financial institution is located. We will use the exchange rate in effect at the time of cashing your cheque.

Do **not** send cash with your return or separately. To help us process your payment correctly, please write your social insurance number or temporary taxation number on the **back** of your cheque or money order. Enter the amount of your payment on line 486. If you attach a post-dated cheque, your payment will appear on your *Notice of Assessment*, but it will not reduce your balance owing.

We will credit your account on the date of the payment, and then send you a revised statement of your account.

If you make a payment with a cheque that your financial institution does not honour (including a cheque on which you put a “stop payment”), we will charge you a fee. Generally, this fee is \$15 for each returned cheque.

Making a payment arrangement – If you cannot pay your balance owing on or before April 30, 2004, you can make a mutually acceptable payment arrangement by contacting your tax services office. If you do not know your tax services office, call the International Tax Services Office. We will still charge daily compound interest on any outstanding balance starting May 1, 2004, until you pay it in full.

Note

Even if you cannot pay all of your balance owing right away, file your *Old Age Security Return of Income* on time to avoid late-filing penalties and to ensure your Old Age Security payments are not interrupted by Human Resources Development Canada.

What happens to your return after we receive it?

When we receive your return, we will review it based on the information you provided and send you a *Notice of Assessment* based on that review. The notice will tell you if you have any refund or balance owing of recovery tax for 2003. The notice will also tell you if recovery tax will be withheld from your OAS monthly payments for the period from July 2004 to June 2005.

How do you change your return?

After you have mailed your *Old Age Security Return of Income*, you only need to notify us of a change if:

- your 2003 net world income is already more than CAN\$57,879;
- the change will increase your 2003 net world income to more than CAN\$57,879; or
- the change applies to the amount of recovery tax withheld you entered at line 437.

To notify us of a change to your return you sent us, send a signed letter to the International Tax Services Office explaining what changes you want to make. Include the years of the returns you want us to change, your social insurance number or temporary taxation number, your address, and a telephone number where we can reach you during the day. **Do not send** another *Old Age Security Return of Income* for the tax year.

If you move, what should you do?

If you move, let us know your new address as soon as possible so that we can send any income tax information to the right address.

You can change your address by calling or writing us. If you are writing, send your letter to the International Tax Services Office. Sign it, and include your social insurance number or temporary taxation number, your new address, and the date of your move. You will find the address and telephone numbers of the International Tax Services Office on the back cover of this guide.

If you are writing for another person, including your spouse or common-law partner, include the person's social insurance number or temporary taxation number, and have the person sign the letter authorizing the change to his or her records.

Note

You should also inform officials at **Human Resources Development Canada** of your new address so that they will send your Old Age Security payments and any correspondence to the correct address. You will find the address and telephone numbers on the next page.

Do you need more information?

If you need help with your **income tax matters** after reading this guide, or if you need publications, visit our Web site at **www.ccra.gc.ca** or contact the **International Tax Services Office**. You will find the address and telephone numbers for the International Tax Services Office on the back cover of this guide.

If you have any questions about your **Old Age Security pension** (for example, the calculation of your payment or to report a lost cheque), contact **Human Resources Development Canada (HRDC)** at:

Income Security
Human Resources Development Canada
355 River Road
Vanier ON K1A 0L1
CANADA

You can also contact HRDC by phone at the following numbers:

Calls from Canada and the U.S..... 1-800-277-9914
Calls from outside Canada and the U.S..... (613) 990-2244
Teletypewriter users..... 1-800-255-4786

International Tax Services Office

International Tax Services Office
Canada Customs and 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 April 30, 2004
Monday to Thursday (holidays excluded):
8:15 a.m. to 9:00 p.m. (Eastern Time)

- Calls from the Ottawa area 952-3741
- 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

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