

IMPLICATIONS OF EMIGRATING FROM CANADA | LEAVING CANADA

This situation occurs when a Canadian resident is no longer considered a Canadian Resident for tax purposes. For example, suppose a person retires and decides to sever ties with Canada by moving himself and his spouse to settle in Florida.

When do you become a non-resident?

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

1. the date you leave Canada;
2. the date your spouse or common-law partner and dependents leave Canada; or
3. The date you become a resident of the country to which you are immigrating.

Implication #1: This affects everyone!

- **There will be a Deemed disposition** of almost all assets at fair market value
- Some assets are excluded from deemed disposal, these include:
 1. **Canadian real property**, Canadian resource property, and timber resource property
 - Real property also includes land that they had in Canada
 - If you have a home in Florida CRA will tax you for that
 - There are no number limit - so if you have 5 houses in Canada, all are exempt
 - The principle resident exception is not available (it gets grind down) for the years you left Canada, so it makes sense to sell it when you leave Canada to avoid capital gains.
 2. **Canadian business property** (including **inventory**) if the business is carried on through a permanent establishment in Canada
 3. pensions and similar rights including
 - registered retirement savings plans (RRSP),
 - **You may be able to deduct contributions to an RRSP in Canada while you are a non-resident. However, remember, that in order to contribute you must have RRSP contribution room; which is based on earned income in Canada. See our RRSP notes for more details on what "earned income" is.**
 - registered retirement income funds (RRIF),
 - registered education savings plans (RESP),
 - registered disability savings plans (RDSP),
 - tax-free savings accounts (TFSA), and
 - deferred profit-sharing plans (DPSP);
 - **withholding tax applies on withdrawals after departure on these above rights**

4. rights to certain benefits under **employee profit-sharing plans**, employee benefit plans, employee life and health trusts, and salary deferral arrangements;
5. **property you owned when you last became a resident of Canada**
6. **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
7. **Interests in life insurance policies** in Canada (other than segregated fund policies).

Side note – Forms to File with CRA when emigrating

- **T1243** - Deemed Disposition of Property by an Emigrant of Canada.
- **Schedule 3**, Capital Gains (or Losses)
- **T1161**- List of Properties by an Emigrant of Canada

Implication #2 – Shareholders of Canadian Controlled Private Corporations

- Your companies lose the **CCPC status (because corporation will no longer be controlled by a Canadian resident)** and the implications are as follows:
 1. Your QSBC deduction is gone after you become a non-resident because the corporation will no longer meet the “small business corporation test” (i.e. a CCPC that used >90% of its assets to generate active business in Canada)
 - **Tax planning tip** - Use up QSBC exceptions by selling shares in qualified SBC's or crystalizing it (using s85 rollover to a holding corporation)
 2. No more Small Business Deduction – Since small business deductions are only available to CCPC's

Implication # 3 – What happens after you are a Non-Resident?

Withholding (Part XIII) tax on the following Canadian source income (**usually 25%** per ITA 212(1)):

- dividends;
- rental and royalty payments;
- pension payments;
- old age security pension;
- Canada Pension Plan and Quebec Pension Plan benefits;
- retiring allowances;

- registered retirement savings plan payments;
- registered retirement income fund payments;
- annuity payments; and
- management fees.

Part I taxes payable on the following income sources:

1. **Employment income** earned in Canada
2. **Business income** earned in Canada
3. **Capital Gains** on Disposed taxable Canadian Property ([note 1](#))