payments and pension plans. As of January 1, 1996, this tax applies to CPP/QPP and OAS benefits. The amount varies depending on the type of income, but it is 25 per cent for pension payments. This tax may be reduced according to the terms of tax treaties between Canada and other countries. For example, the withholding rate on pensions is 15 per cent for residents of the United States and Mexico.

Tax Treaties

The tax situation of Canadians living abroad is complicated to some extent by the fact that each country bases its income-tax system on different principles. Canada and the United States both tax factual residents on their worldwide income, and also tax non-residents on some types of domestic income. Many other countries tax only income from local sources, partly because they lack the resources to assess worldwide income. A few countries do not tax income at all, relying instead on consumption taxes and import duties.

Fortunately, the situation is simplified if you move to a country with which Canada has a tax agreement. Canada has tax conventions or agreements (commonly referred to as tax treaties) with more than 60 countries. These tax treaties often eliminate double taxation for those who would otherwise have to pay tax on the same income in two countries. Generally, tax treaties determine how much each country can tax income such as salaries, wages, pensions and accrued interest.

If you move to a country that does not have a tax treaty with Canada, you may be subject to double taxation. You should carefully research the tax laws of your intended country of destination. If you will be taxed on your Canadian-source income, find out if the withholding taxes you pay in Canada will be credited against your tax liability in your country of destination.

Estate Tax

Canada does not levy an estate tax, but many other countries, including the United States, do. In the United States, this tax can reach 55 per cent for large estates. If you are going to become a resident of a country with an estate tax and you have substantial assets, you should consult a tax advisor in your country of destination. You may need to draw up a new will or make other arrangements.