Taxation Issues

Severing Canadian Residency

You cannot terminate your Canadian citizenship or residency simply by living in another country. Moreover, becoming a legal resident of another country does not establish non-residence in Canada for tax purposes. You must demonstrate your intention to leave the country permanently. Revenue Canada determines non-resident status on a case-by-case basis, so you should consult a tax advisor about the necessary steps you should take. Retaining Canadian residency does not necessarily put you at a disadvantage. Depending on your situation, your actual tax liability could be lower than the non-resident withholding taxes imposed on your Canadian pensions and investment income.

Plan Your Finances

Have you allowed for Canadian withholding taxes on your pension income? Will you be subject to double taxation in your country of destination? Have you arranged to file required tax returns in Canada? Have you made allowances for additional communications and travel costs, and import duties?

In general, absence from Canada for two years or longer is considered evidence of non-residence provided that you relinquish or terminate other key connections, such as:

- residences;
- bank accounts;
- credit cards;
- driver's licences;
- health-plan memberships; and
- club or professional memberships.

If you return to Canada within two years, you will probably be taxed on the income you earned while you were gone. A regular pattern of visits to Canada can be regarded as evidence of continued residency, especially if you have family connections in the country. If you retain ownership of your home, you should lease it on a non-revocable basis; if you have ongoing access to it, it may still be regarded as your residence.

Although you are not obliged to do so, as a taxpayer you may elect to submit an NR73 Residency Determination Form to Revenue Canada to see if you are regarded