

A TAX CHECKLIST FOR IMMIGRANTS TO CANADA

Today, Canada is a cultural mosaic, with people from all over the world now calling this country home. Here is a tax checklist of things to consider when immigrating to Canada.

Start making Canadian tax filings. Canada taxes people if they are residents here. You'll face tax on all of your income, including income from outside Canada. If you earn passive (investment) income inside a foreign corporation that you control, you may have to report that income on your Canadian personal tax return, and you'll have to file Form T1134 in addition to your Canadian tax return. The penalties can be steep if you fail to report this income, called FAPI (Foreign Accrual Property Income).

You'll also need to report, using Form T1135, the existence of your foreign assets (except personal use property) if your total cost exceeds \$100,000 at any time during a year. Property received from foreign trusts and the ownership of foreign subsidiaries must also be reported each year to the Canada Revenue Agency (CRA).

Obtain a social insurance number. You'll need to request this key document. It will be your account number for any personal tax filings you'll have to make. You'll also need a SIN to receive government benefits, arrange for certain banking services and work for an employer in Canada. If you carry on a business in Canada, you'll need a business number and may need a GST/HST number as well. Contact the CRA to obtain these numbers.

Track your Canadian cost base. When coming to Canada you'll be deemed to have acquired any of your capital property – that is, assets – at fair market value immediately before becoming a resident here. The result? Your adjusted cost base for Canadian tax purposes will equal the fair market value of those assets at the time of your arrival. So, you'll only face tax on gains (and you can only claim losses) accruing and realized after taking up residency in Canada.

Check the status of your non-Canadian trusts. If you're the settlor of (that is, you transferred property to) a non-Canadian trust, or you're the beneficiary of one, be sure to visit a tax pro to determine whether the trust will now be considered resident, and therefore taxable, in Canada. You might even be liable for the tax of the trust personally. Sorry about that.

Consider the status of your non-Canadian corporations. If you control one or more foreign corporations, it's possible that they may now be resident in Canada for tax purposes because the "mind and management" of the companies may now be here. If this is the case, the corporations may be required to file Canadian tax returns and pay tax here. There may be relief available under a tax treaty with Canada to avoid double-taxation in this case.

Be aware of withholding tax requirements. If you move to Canada and continue to make payments of passive income such as rent, royalties or certain interest to non-residents of Canada, there may be a requirement to withhold tax from these payments and remit the tax to the CRA. This requirement can exist even if the payments are made from a foreign bank account.

Understand that immigration trusts have changed. It used to be that, before arriving in Canada, you should have considered creating an offshore “immigration trust” to own certain of your assets for the first five years of Canadian residence. The trust would have avoided Canadian tax on any foreign income earned on those assets for that five-year period. Think of this as a tax holiday, if you will. Well, I hate to be the bearer of bad news, but the 2014 Canadian federal budget did away with this tax holiday.

Apply for other important cards. Finally, you’ll want to obtain a permanent resident card as official proof of your residence status in Canada and a provincial health card to obtain health benefit.

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