Piligrim Accounting Inc.

PROFICENCY IN ACCOUNTING

NEWSLETTER

IF YOU ARE GLOBE-HOPPING FOR WORK, DO YOU STILL PAY TAXES IN CANADA?

When it comes to finding work, the world is getting smaller and smaller.

It is not unusual for companies to ask valued employees to go work for a term in a foreign country. Sometimes a six-month assignment turns into a two-year absence.

If you do a good job under such circumstances, you are marked as the employee who can function well in different cultures and environment, and after that, they request you to do another term somewhere else.

Somewhere as the years mount up and your time back in Canada grows shorter and shorter, you start to wonder about the whole issue of residency and taxes.

Your obligation to pay taxes in Canada is linked to residency in the country. Every case is unique and decisions are still made on a case by case basis.

There are a number of things that determine residency status in Canada, and it is a good idea to be aware of what they are before you leave on your work program.

What kind of ties are you keeping here?

What exactly is it that determines if a country is our place of residency over and above where we were born?

In the eyes of the Canada Revenue Agency, an indicator is how you remain tied to this country even as your body leaves it.

These ties include such things as leaving your spouse and children here, or leaving your house here. Did you leave a car or your furniture in storage here? All of these things indicate that you consider Canada your home and that you are planning to return?

Is your Canadian bank account active, are your credit cards issued from Canadian banks?

Do you have a Canadian driver's license, a Canadian passport, and Canadian health insurance with your province or territory? (For example, did you apply for an extension on your Medicare coverage so it would be waiting for you upon your return?)

The clue here is that these are all indicators that you plan to return.

CRA also looks at such things as whether the work you took in another nation is permanent, or whether you signed a term contract.

So the first determining factor of whether or not you are a resident of Canada are the clues you leave about whether or not you plan to come back.

Cutting the ties for tax purposes

So even if you work for a few months outside of Canada, or you leave to attend university in another country, or even if you commute across the border to the United States weekly, you are still a factual resident of Canada. You have not technically cut your ties and left.

On the other hand, if you accepted a full-time job in another country and sold your home in Canada and bought a new home there, you are then an emigrant from Canada and your tax status changes.

However, even if you bought a new home in another country but you maintained your home in Canada as well, you would still be a factual resident of Canada. This happens in the case of government employees working outside of their home country, including members of Canada's Forces posted abroad.

You may have moved to Florida and bought a house there, on the other hand, but you come home to your summer cottage in Canada for 183 or more days each year. That means that you remain a resident of Canada.

Quick check

If you cut your ties with Canada and did not stay here for 183 days or more in a taxation year, you may be considered a non-resident. For taxation issues, this is important to be sure.

If you want to verify if you qualify as a non-resident for tax return purposes, ask for form NR73 if you recently left Canada, or NR74 if you recently came back to Canada to clarify where you stand.

Contact us for advice!

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