

Canadian Forces employees
posted abroad and income tax

Welcome

This presentation is intended to provide information on key income tax topics for Canadian Forces and their spouses who are posted abroad as well as information on finance management.



Topics

Introduction

Residency for tax purposes

Tax obligation

Principal residence (change of use)

Rental income

Foreign income

Investments and accounts in Canadian financial institutions

Credits and benefits

Accounting services

How your financial institution can support you



Martine Boulé, MBA Pl.fin.

MBA Specialized in Financial services

Over 25 years of financial industry and training experience

Bachelor of Business Administration (Finance)

Financial planner (Pl.fin.)

Dedicated solely to Canadian Forces Members financial services with Desjardins Caisse des militaires serving Canadian Forces coast to coast and outcan




Legal Disclaimer

Today's session is an information session and doesn't represent an advice on an investment or a specific title or strategy.

The material is provided as general information only and is not intended to provide specific investment or legal advice for any individual.

CRA, an accountant (CPA) or a tax specialist is the person who has the knowledge and studies to help with specific questions.

The background of the slide is a blurred image of a map with several pushpins. A blue pushpin is visible on the left side, and a red pushpin is on the right side. The map shows various geographical features and place names, though they are out of focus.

Residency for tax purposes

Canada's tax system



Based on residency not
citizenship

Self-assessment system

Residency factors

- Residential ties with Canada
- Intention or purpose of stay abroad
- Regularity and length of visits to Canada
- Residential ties abroad

Residential ties

Primary (significant) residential ties

- A home
- A spouse of common-law;
- Dependents

Secondary residential ties

- Personal property
- Social ties
- Economic ties
- A driver's licence and passport
- Health insurance



Residency status

- Factual resident
- Deemed resident
- Deemed non-resident (will not be discussed)
- Non-resident (will not be discussed)

Factual resident

- Generally, maintains significant residential ties with Canada while abroad
- Generally, has the intention to return to Canada to live and
- Generally, has established a return date to Canada prior to leaving Canada



Factual resident-

Province or territory of residence



- Factual residents have a province or territory of residence
- It is generally the province or territory where the significant ties are maintained
- Generally, this is the province or territory where you ordinarily resided before you left Canada

Residency-spouse of the member

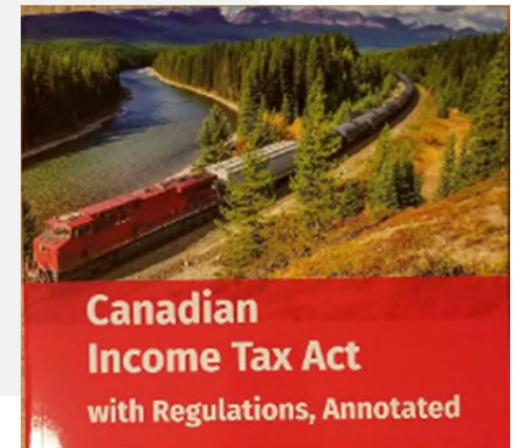
- Determined based on the facts of each case
- Generally, factual resident or non-resident
- Deemed resident under certain conditions:
Paragraph 250(1)(g) of the Income Tax Act

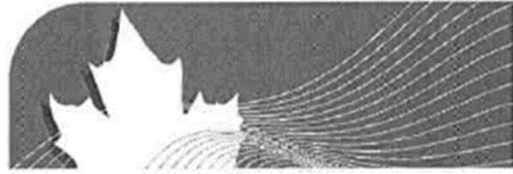
Deemed resident

Generally, **severs** significant residential ties with Canada and

Situation is defined under subsection 250(1) of the *Income Tax Act* such as:

- A member of the Canadian Forces
- An officer or servant of Canada or a province





Information Sheet

Spouses of Canadian Government Employees on Foreign Assignment – Residency Status for Tax Purposes

The purpose of this document is to provide **general residency information** for the spouses of employees of the Department of National Defence ("DND")/members of the Canadian Armed Forces ("CAF") and Department of Foreign Affairs, Trade and Development ("DFATD") Canada that are sent on foreign assignments. This document does not address all possible situations that may require more analysis when determining the tax implications.

Please note that our reference to a spouse in this document includes a common-law partner.

Spouses that Intend to Return to Canada and expect to Maintain their Canadian Residency

Where you are the spouse of a Canadian Government employee and are moving with your spouse and family to another country for your spouse to carry out a foreign assignment for the Government of Canada and it is your intention to return to Canada following the assignment, then you will be considered a factual resident of Canada. This factual residency is based on your intention to return to Canada as well as your secondary residential ties maintained with Canada, as described in paragraph 1.14 of Folio S5-F1-C1.

Please do not complete a Form NR73, Determination of Residency Status (Leaving Canada).

As a factual resident, you will have to complete and file your Canadian Personal Income Tax Return and you will meet the residency requirement for Canadian benefits administered by the CRA.

Tax obligations

Filing Requirements

Taxable on income from all sources, both Canadian and foreign-sourced
Eligible for all **federal** deductions and credits that apply
Factual residents include a T1248, *Schedule D*

Factual residents	Deemed residents
Pays federal taxes	Pays federal taxes
Pays provincial taxes	Pays a federal surtax (48% of basic federal tax)
Tax package for the province or territory residents where residential ties are maintained	Tax package for non and deemed residents of Canada

Quebec resident before leaving?

- Non-residents or deemed residents of Canada may still be liable to tax to the province of Quebec.
- May result in double taxation – federal non-resident surtax AND Quebec provincial tax
- Québec provincial Remission Order (96R1) granted by Quebec to deemed residents of Canada who are members of the Canadian Forces
- Federal Quebec Remission Order granted federally for cases in which income is taxable to Quebec





Filing due dates

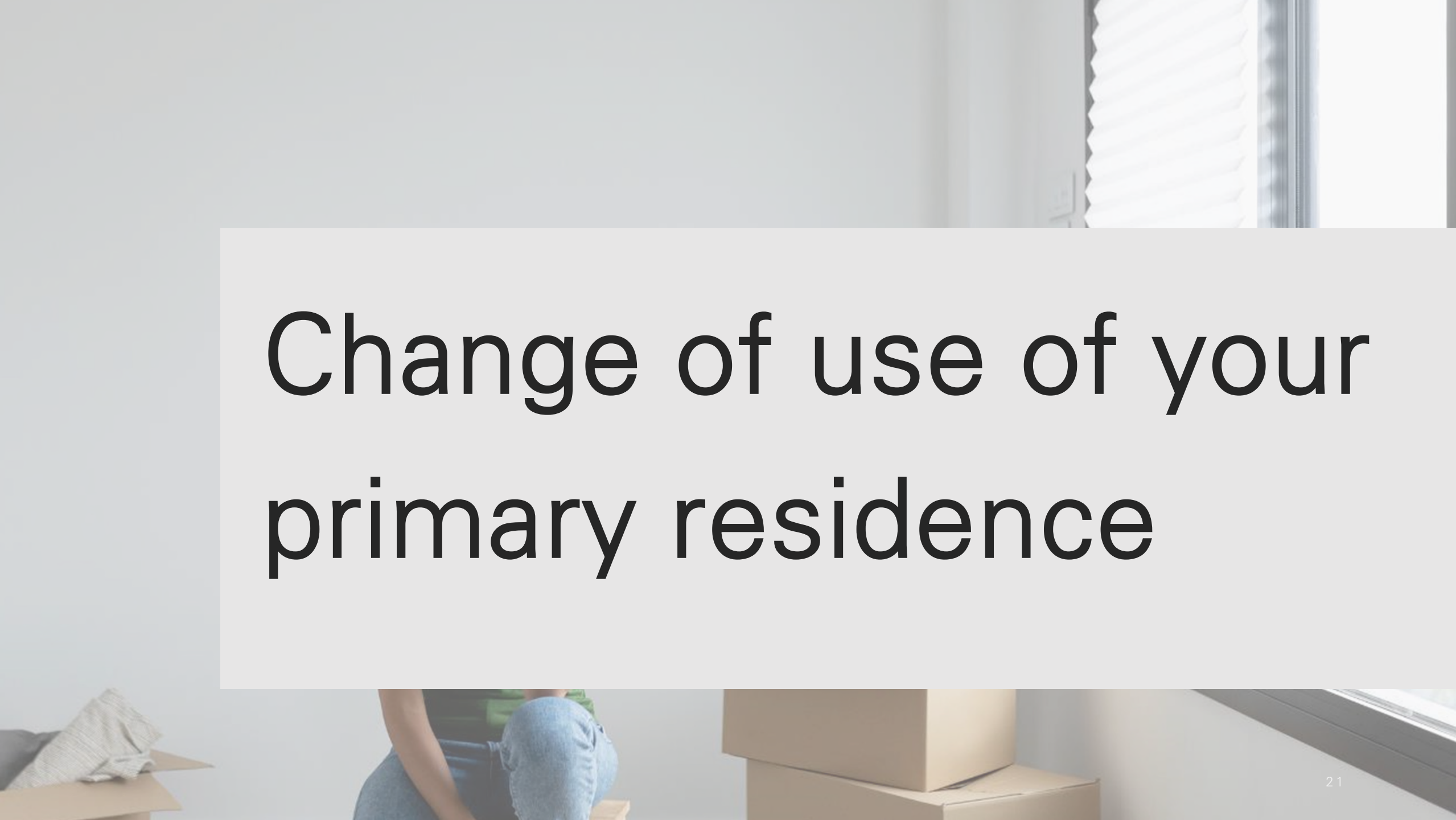
- April 30th in most cases
- June 15th for self-employed individuals or their spouses
- Due dates for non-resident elective returns vary
- In all cases, payment is due on April 30th

NETFILE restrictions

If you are in one of the following situations, you must send your return by mail:

- You are considered a deemed resident of Canada
- You are a non-resident of Canada
- Your address is outside of Canada.



A person wearing blue jeans is sitting on a cardboard box in a room. There are several other cardboard boxes stacked around them. In the background, there is a window with white blinds. The scene suggests a moving or packing process.

Change of use of your primary residence



Renting your principal residence

- Deemed disposition and immediate reacquisition at the fair market value on the day the change of use occurs.
- Report the capital gain or loss (if applicable)
- Principal residence exemption

Form T2091(IND), Designation of a Property as a Principal residence by an Individual (Other than a Personal Trust)

Election under subsection 45(2)

- Deemed not to have made the change in use of the property
- Made by means of letter and filed with the return for the year in which the change of use occurred
- Cannot claim capital cost allowance
- Designate up to four years



A person wearing a light blue long-sleeved shirt and dark pants is standing in a kitchen, looking down at a smartphone held in their right hand. The kitchen features white cabinetry, a grey countertop, and a backsplash made of grey and white mosaic tiles. Various kitchen items like a glass, a bowl, and a cup are visible on the counter. A large, semi-transparent white rectangular box is overlaid on the center of the image, containing the text "Rental Income".

Rental Income

Income and expenses

Factual or deemed residents:

- Income is included in the General Income tax and Benefit Return
- Form T776, *Statement of Real Estate Rentals*
- Eligible for all **federal** deductions and credits that apply
- May claim **capital cost allowance** on depreciable property



Current expenses	Capital expenses
Restores to original	Improves the property's original condition
Deductible when incurred	Depreciates over a number of years



Foreign income

Foreign income is



- Taxable on income from all sources both Canadian and foreign-source
- Subject to the provisions of the tax treaty between Canada and the other country (if applicable)
- Federal and Provincial or Territorial foreign tax credit



The background of the slide features a hand holding a pen, positioned as if about to write on a document. The document has a grid pattern and contains a line graph with a teal-colored area under the line. The overall scene is softly blurred, creating a professional and focused atmosphere.

Investments

Tax-free savings account

Factual and **deemed** residents may contribute and withdraw under the same rules as a resident.

Careful contributing is not the same as investing

Non-residents may not contribute during the non-resident period

- 1% tax per month on non-resident contributions
- Will not accumulate contribution room if non-resident for the entire year
- Contribution room is **not** pro-rated in the newcomer or emigrant year



RRSP

- All persons residing outside of Canada can purchase RRSPs (contribute), as long as they have the deduction limit available.
- Deduction limit is calculated based on earned income for RRSP purposes that is reported on a return
- Withdrawn funds from an RRSP is taxed based on residency status.



Investing



- Contributing follows tax rules
- Amount you can put in a TFSA “box” or RRSP “box” and tax implications.
- Investing follows securities regulation which is the responsibility of the provincial and territorial governments and Canadian Investment Regulatory Organization (CIRO formerly IIROC)

Non- resident

Responsible for informing all payers of non-resident status

Subject to a 25% non-resident withholding tax at source (unless reduced by a tax treaty) on passive forms of income such as:

- Pension income
- Dividends
- RRSP income
- Employment insurance

Non-resident withholding tax represents final obligation to Canada on that income (Election under section 217)

The background of the slide features a soft-focus photograph of a wooden floor. In the upper portion, there are two paper cutouts of human figures, a man and a woman, holding hands. The man is on the left, and the woman is on the right. The cutouts are made of a light-colored material, possibly wood or paper, and are positioned as if they are standing on the floor. The overall lighting is warm and natural, suggesting an indoor setting with light coming from a window.

Credit and benefits

Factual resident



- Subject to the same rules as a resident for all federal credits & benefits such as, GST/HST credit, as well as credits and benefits for families with children or dependants.
- General eligibility for provincial credits & benefits as if resident.
- Must file a return each year

Deemed resident

- Subject to the same rules as a resident for all federal credits & benefits such as, GST/HST credit, as well as credits and benefits for families with children or dependants.
- NOT eligible for credits & benefits from any related provincial or territorial program.
- Must file a return each year

Spouse or common-law partner of the member is non-resident?

- Generally, a non-resident is ineligible for federal benefits and any related provincial or territorial program.

Exception:

Child tax benefits (CTB) if:

- Female spouse is the non-member of CF
- Female presumption rule: primary caregiver of child
- Cohabiting spouse or common-law partner of a deemed resident and Resident in Canada in any preceding taxation year

Non-resident spouse or common-law partner and CTB

Must file:

- Form **CTB9**, *Canada Child Tax Benefit -Statement of Income*, for each year or part of a year he or she is a non-resident of Canada

If you have a child within two years of returning to Canada, complete:

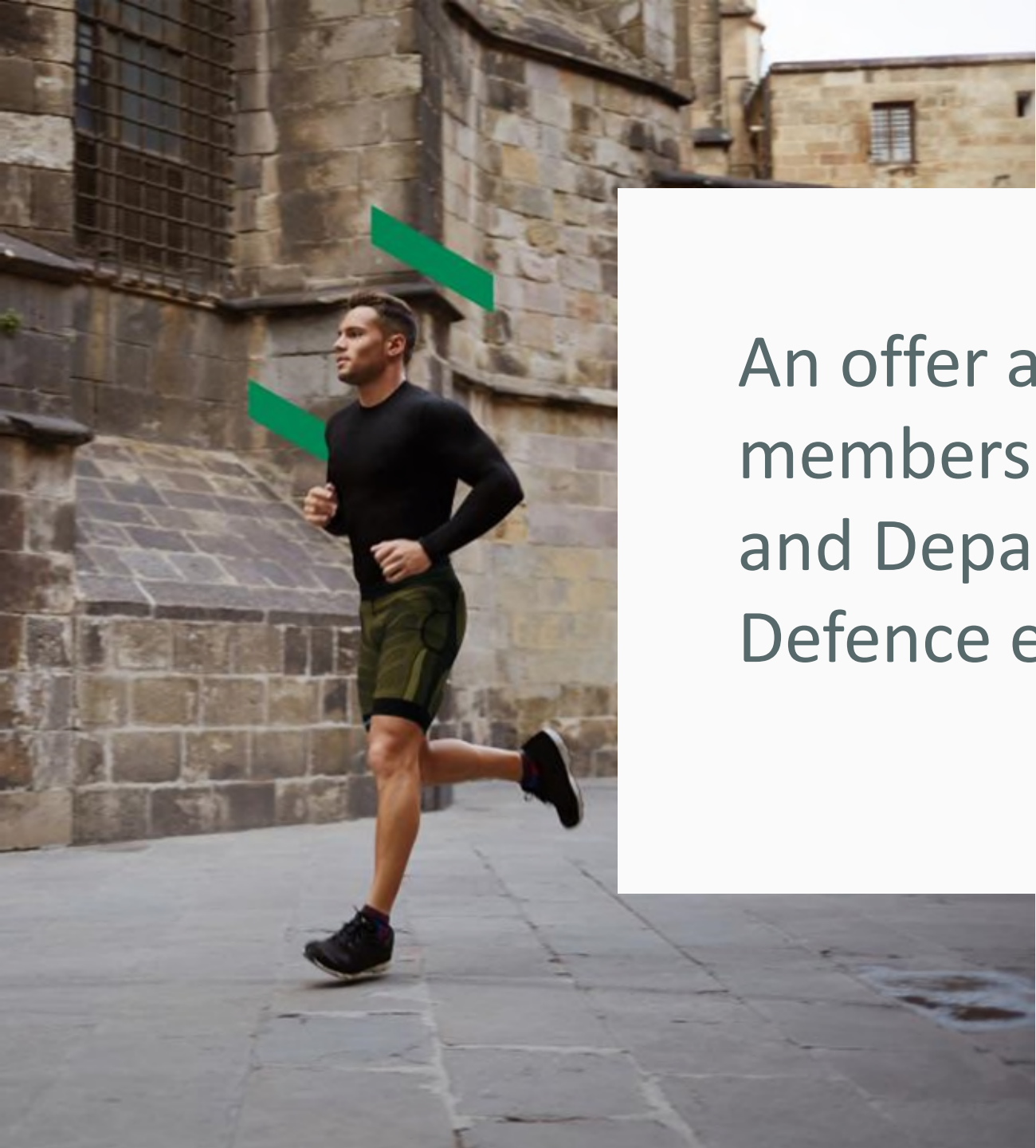
- Form **RC66**, *Canada Child Benefits Application*
- Schedule **RC66SCH-Status in Canada/Statement of Income**.



A hand is raised in the air, palm facing forward, against a blurred green background. The hand is positioned in the upper left quadrant of the frame. A semi-transparent white rectangular box is overlaid on the right side of the image, containing text.

Who can help you

- For your income Tax:
- CRA
 - An accountant CPA
 - A tax specialist (fiscalist)



An offer aligned with the needs of members of the Canadian Forces and Department of National Defence employees

A muscular man with short brown hair, wearing a green tank top and dark pants, is looking off to the side. He is standing in front of a stone building with a balcony. The background is slightly blurred, showing a clear sky and some architectural details.

Who we are

- A branch created for and by the military
- Active in the community for over 55 years ; our board members are active, released or retired CF members
- 4 points of service
(Saguenay, Québec, St-Jean / Montréal, Gatineau / Ottawa)
- Over 7 129 members and over 600 M\$ in volume
- A training team recognized by CF
- Supporting our community with over \$50,000 yearly in funding, support and sponsorship

- Transferable mortgage without penalty (relocation)
- Assistance with BGRS package
- Expedited approval service when on HHT
- Simplified employment confirmation
- Flexibility in payments schedule
- Mortgage available QC, ON, Maritimes
- Land purchase options for future builds
- Bridge financing available



Our offer
adapted
to CF
reality

Our support service is the winning strategy

A background image showing a man and a young boy sitting on the floor, smiling and playing with toys. The man is on the left, leaning forward, and the boy is on the right, also leaning forward. They are in a bright room with a window in the background.

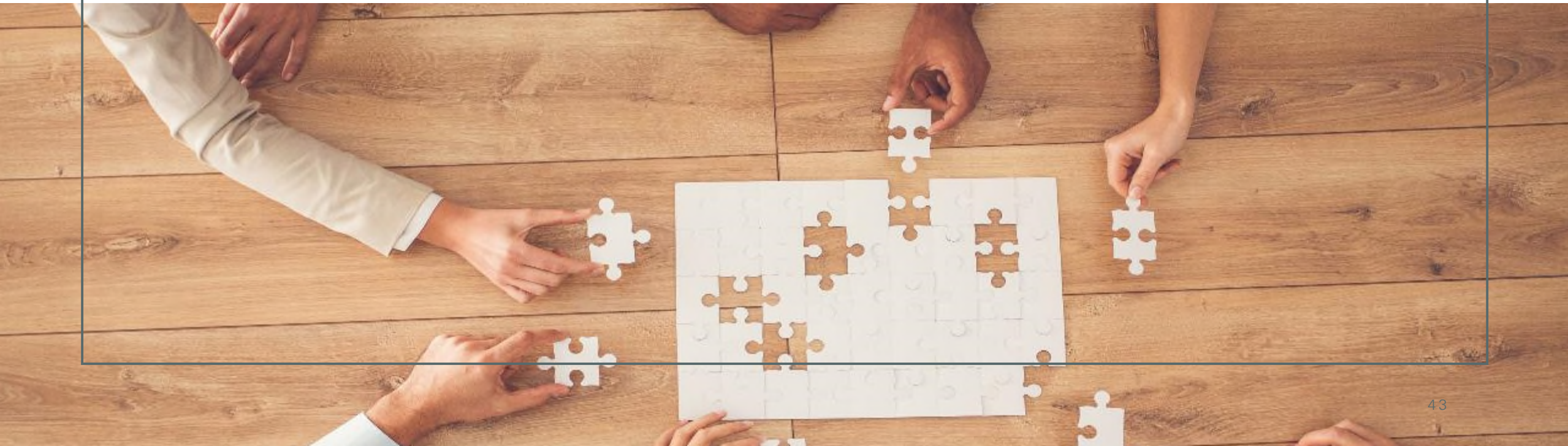
- In-depth knowledge of programs and services related to CF, DND, VAC, SISIP and more
- Strategic financial planning growing with you throughout your career
- Complete support in preparation and transition of release/retirement
- Tax analysis for specific investment recommendations
- Investment services from guaranteed investment to mutual funds to brokerage services (full or online)
- The Personal group insurance
- Several key advantages in additional services: CF savings account, high interest, credit cards, CF line of credit rate

Contact

Martine Boulé, MBA pl. fin.

Martine.e.boule@desjardins.com

1-866-307-3787 ext. 7155351





Thank you for
joining us today!