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Financial Insights

from Quinn+Cardy Wealth Management
of BMO Nesbitt Burns

Moving Abroad? Spending Extended Periods Outside of Canada? There May Be Financial Implications

Are you contemplating a move abroad? Do you spend extended periods outside of Canada? If you leave Canada for longer time frames, there may be financial implications. Here are some considerations.

If you spend extended periods outside of Canada, consider that there may be associated tax consequences — both in Canada and your chosen destination. Canadian income tax obligations are based on your residency status, which is determined on a case-by-case basis. This can be affected by such things as the amount of time spent in Canada, the residential ties to Canada (i.e., property owned), the purpose for your time abroad and your ties abroad. If you are determined to be a Canadian non-resident for tax purposes, you may still be required to file a Canadian income tax return and pay taxes. A non-resident withholding tax may also be applied to certain income received, such as dividends or pension payments. If you are deemed to be a resident of a foreign country, you may be subject to that country's tax rules.

Here are other areas that may be affected:

Health Coverage — Although the rules vary by province, provincial medical coverage may become invalid as a result of extended periods spent out of province. Even if health care coverage remains valid, health care services received abroad are usually not covered by provincial health care plans, so having adequate private coverage should be considered.

Government Benefits — Your government benefits may be affected by your residency status. For example, Old Age Security (OAS) and Canada/Quebec Pension Plan (CPP/QPP) benefits may be subject to a non-resident tax (unless reduced/exempted by a tax treaty between Canada and the country of residence). The value of OAS payments is affected by how long you have lived in Canada after the age of 18, so a non-residency status may reduce payment amounts.

Tax-Free Savings Account (TFSA) — You will not be able to accumulate TFSA contribution room for any year that you are a non-resident of Canada throughout the entire year. Contributions made as a non-resident will be subject to a penalty tax of one percent per month.

Estate Planning — The laws of the jurisdiction of residence at the time of death govern how an estate plan will be taxed. If you are a Canadian resident but have appointed a non-resident trustee/executor/liquidator (the title varies by province) to administer your estate, this may affect your estate, including that it may be considered as a non-resident estate and may not receive preferential tax-treatment (i.e., on Canadian dividends/capital gains) or it may be subject to the tax laws of the country where the trustee resides. Power of Attorney (POA) documents may also become complicated by a non-residency status. For example, if you are appointed as POA for property but are no longer a Canadian resident, you may be limited in what you can do, such as potentially not being permitted to give trading instructions on a security account.

There are other potential financial implications associated with a change in residency status — this is not meant to be a comprehensive list. However, these are some of the many things to consider before spending extended periods abroad.

As always, it is recommended to consult with legal and tax advisors who are familiar with living abroad to understand how your particular situation may be affected.

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