

NEW TO CANADA? PART YEAR RESIDENTS NEED TO FILE TAXES TOO

People entering Canada can be classified as: non-residents, deemed residents or part-year residents. Although the tax treatment and deductions differ for each classification, part-year residents are the most common type. Here are some important tax tips that will help part-year residents:

- In Canada, **residents are taxed based on their world income**. Part-year residents must report all income from anywhere in the world after their arrival in Canada.
- New Canadians are **entitled to the GST credit after their arrival**. If they qualify, the amount received is based on their world income for the preceding year.
- If the new resident has investment income abroad, they may be required to notify the payers of their Canadian residency status. Certain tax treaties provide for a reduced rate of withholding in the originating country.
- **Moving expenses to Canada are not deductible with one exception**. If the immigrant is a student studying at a post secondary level, moving expenses may be deducted against the taxable portion of any scholarships, bursaries fellowships, prizes or research grants he or she received.
- **Personal amounts and dependant claims may have to be pro-rated** depending on the period of residence in Canada.
- Immigrants with children **may qualify to begin receiving Child Tax Benefits shortly after they arrive** if they meet certain conditions. Form RC66 (Canada Child Benefits Application) should be completed shortly after arrival.
- New Canadians who own capital property such as buildings, art, gold and stocks **should determine their Fair Market Value (FMV) on the day they established residence**. This constitutes the deemed cost for calculating any future capital gains and will ensure that when the property is sold they will only be taxed on the difference between the sale price and the value when they arrived in Canada. However, this does not apply to taxable Canadian property owned at the time of entry.