

# CANADIAN INCOME TAX BACKGROUND INFORMATION FOR INTERNATIONAL STUDENTS

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Dwyer Tax Law ([www.dwyertaxlaw.com](http://www.dwyertaxlaw.com))

Presented for general information purposes only. Not to be relied upon  
when preparing your personal taxes.

This presentation provides only a general overview of the Canadian income tax system.

Taxation of international students can be a complex area that depends on each individual's own circumstances.

Please consult a tax adviser if further assistance is required for your own situation.

# Objectives

- Provide an overview of the income tax system in Canada.
- Provide general tips for preparing and filing your Canadian income tax return.
- Provide information about tools and resources available to help you prepare and file your Canadian income tax return.

# Possible multiple country tax obligations

Research your tax obligations regarding the following:

- Citizenship(s) (USA taxes based on citizenship)
- Home(s) in year 2018 “residency”
- source(s) of income/wealth
- example: Eritrea and USA (citizenship basis), almost all other countries (residence), UK (domicile for estate taxes)

# Residency based taxation in Canada

- The Canada Revenue Agency (**CRA**) administers and enforces the Income Tax Act on behalf of the federal and provincial governments.
- Not to be confused with citizenship, which is administered by the federal government department entitled Immigration, Refugees and Citizenship Canada (IRCC).

# Residency status determines your tax obligations.

- Residency status determines your Canadian income tax obligations.
- **T-4055 Newcomers to Canada \*\* read this \*\***
- Resident or deemed resident: taxed on **worldwide** income (183 or more partial or full days in Canada)
- Province of ordinary residence on December 31st
- Non-resident or Treaty Non-Resident: taxed on only Canadian source income
- If in doubt, ask CRA to determine your residency with the NR74 “Determination of residency status”?

# Residency Status Definitions

- Resident: moved to Canada and intend to stay for the foreseeable future. i.e. established significant residential ties with Canada.

- Deemed resident: been in Canada for a **total of 183 days or more** in the calendar year. **Does not have to be continuous and includes partial days.**

Example: arrive at 11:45pm in the evening on day one , + 108 days study + leave on day 110 at 12:30am + return to Canada on day 111 at 11:30pm + reside for a further 72 days

- Non-resident: A resident of another country who has not established significant residential ties with Canada. T4058 “Non-residents and income tax”
- Treaty Non-Resident: An individual who would be considered a resident or a deemed resident but who, under a tax treaty between Canada and another country, is considered a resident of that other country (under that tax treaty).

# Timeline – example - Brazilian

Jan 1: Move from Brazil to study in London England and worked in a restaurant part-time

August 25: moved to Halifax to study, tutored occasionally

December 18: return to Brazil to visit family and friends

December 31: moved to Victoria, to study at UVic.



# Two Types of Residency

- Are you a resident of Canada under Canadian tax law?
- If so, are you also subject to the general tax laws of another country under that country's laws?
- If the answer to both questions is yes, does a tax treaty apply? If so, look at the tax treaty to see how the treaty applies.
- Does the tax treaty make you a Treaty Non-Resident?

# Tax Treaties

- Bilateral agreement between Canada and another country to prevent double taxation
- List of Tax Treaties:
- [https://www.fin.gc.ca/treaties-conventions/in\\_force--eng.asp](https://www.fin.gc.ca/treaties-conventions/in_force--eng.asp)
- Tax Treaties are negotiated by the federal Department of Finance (not the Canada Revenue Agency)

# Treaty Non-Resident

- You would be a resident of Canada but you are able to take advantage of a tax treaty between Canada and your home country and the treaty classifies you as a resident of your home country for treaty purposes
- Special rules if you were resident in Canada and treaty resident in the other country on Feb 24 1998

# Treaty Non-Resident Status

- Does the Treaty apply?
- Tie-breaker rules if dual resident
- OECD model rules (but look at the treaty)
  - Permanent home available
  - Personal and economic relations closer
  - Habitual abode
  - Citizenship
- If still tied, the tax authorities negotiate about you

# Two Tax Systems in Canada

- Non-Resident (including Treaty Non-Resident)
  - Part XIII withholding tax: interest, dividends
  - Part I tax on Canadian-source employment and business income and capital gains on taxable Canadian property
- Resident and not Treaty Non-Resident
  - Part I tax on worldwide income
  - Have to claim specific treaty exemptions (ITA 110(1)(f)(i) and line 232 of return)

# Federal and Provincial Taxes

- The Canada Revenue Agency collects personal income taxes for the federal government and for all provinces other than Quebec
- So if you have to file a Canadian income tax return and do not reside in or do business in Quebec, generally only one income tax return to file

# **Taxable on Canadian income**

**Now what do you do?**

# Step 1: apply for a Social Insurance Number (i.e. a SIN#)

- Apply for a SIN# in person at a Service Canada Centre:
  - The Service Canada Centre in Victoria is located at 1401 Douglas Street.
  - There is no fee to apply for a SIN.
  - If you have the correct documents, you will get a SIN during your visit to the Service Canada Centre.
- Your SIN# will be issued on a confirmation of Social Insurance Number letter.
- You can use an expired SIN# to file an income tax return.



# Step 1 cont: if you are **NOT** eligible for a **SIN#**, apply for an **Individual Tax Number**

- Under the new IROC regulations, most international students are eligible for a SIN.
- T1261 Application for a Canada Revenue Agency Individual Tax Number (ITN)
- Continue to use your ITN until you are eligible for a SIN.

# Individual Tax Number cont.

- You must include certified copies of your passport and study permit with the T1261 form.
- Take your original documents to the Victoria Service Centre at 1401 Douglas Street to be certified.

## **Two ways to submit your application for an ITN:**

1. Mail to the address on the back of the T1261 form. Processing time is approximately 4 - 6 weeks.
2. Include in the same envelope with your income tax return. Processing time is approximately 20 - 22 weeks.

# What is taxable in Canada?

Tax based on consideration received in exchange for something.

**Not gifts or inferences.**

income, even trading.

i.e. trading a cow for firewood (I've seen it in practice).

# Do not work for “cash” or “under the table”

- Tax evasion is not acceptable in Canada
- “Underground economy”
- Report your income whenever working for money or trading your time for something.
- Such as tips/gratuities, odd jobs, tutoring.

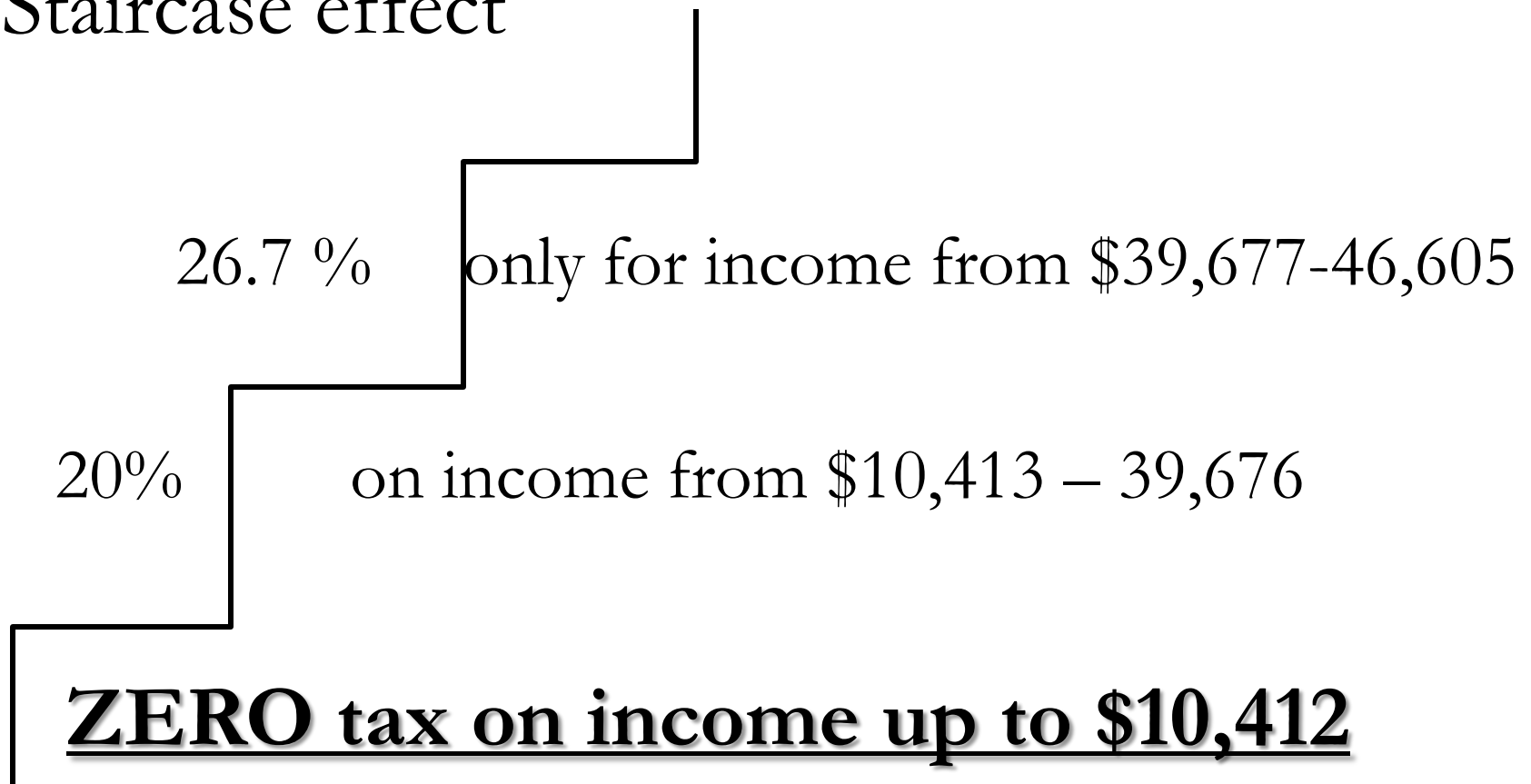
Note: If employer collects tips, CPP and EI might apply (i.e. credit card purchases)

# Progressive taxation

Increasing income causes the percentage of tax to increase, through “marginal tax rates”

# Combined marginal tax rates in B.C. for employment income (residents)

Staircase effect



# Should I file an income tax return?

- To file an income tax return means to submit income tax forms and related documents to CRA.
- You **MUST** file:
  - if you have taxes payable
  - if CRA sends you a request to file
  - to claim a refund of income tax
  - to claim tax credits and social benefits
  - to establish a history of filing income tax returns in Canada (RRSP and Education purposes)
- Only residents of Canada are eligible for certain tax credits and social benefits.

# What income tax forms do I need?

- Residents: T-1 General for BC

<https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years/general-income-tax-benefit-package/british-columbia.html>

- CRA information if you are a newcomer to Canada (immigrant):

<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/individuals-leaving-entering-canada-non-residents/newcomers-canada-immigrants.html>

- Deemed residents: T1 General for Non-Residents and Deemed Residents

<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/individuals-leaving-entering-canada-non-residents/deemed-residents.html>

- Non-residents and Treaty Non-Residents follow the instructions at:

<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/individuals-leaving-entering-canada-non-residents/non-residents-canada.html>





Income Tax and Benefit Return

Complete all the sections that apply to you. For more information, see the guide.

BC 8

Identification

Print your name and address below.

First name and initial

Last name

Mailing address: Apt No - Street No Street name

PO Box

RR

City

Prov./Terr.

Postal code

Email address

I understand that by providing an email address, I am registering for online mail. I have read and I accept the terms and conditions on page 15 of the guide.

Enter an email address:

Information about your residence

Enter your province or territory of residence on December 31, 2015:

Enter the province or territory where you currently reside if it is not the same as your mailing address above:

If you were self-employed in 2015, enter the province or territory of self-employment:

If you became or ceased to be a resident of Canada for income tax purposes in 2015, enter the date of:

Information about you

Enter your social insurance number (SIN):

SIN input fields

Year Month Day

Enter your date of birth:

Date of birth input fields

Your language of correspondence: Votre langue de correspondance :

Language selection boxes for English and Français

Is this return for a deceased person?

If this return is for a deceased person, enter the date of death:

Date of death input fields (Year, Month, Day)

Marital status

Tick the box that applies to your marital status on December 31, 2015:

- 1 Married, 2 Living common-law, 3 Widowed, 4 Divorced, 5 Separated, 6 Single

Information about your spouse or common-law partner (if you ticked box 1 or 2 above)

Enter his or her SIN:

Spouse SIN input fields

Enter his or her first name:

Spouse first name input field

Enter his or her net income for 2015 to claim certain credits:

Spouse net income input fields

Enter the amount of universal child care benefit (UCCB) from line 117 of his or her return:

Spouse UCCB input fields

Enter the amount of UCCB repayment from line 213 of his or her return:

Spouse UCCB repayment input fields

# Filling in the Tax Return (1)

- Step 1: Identification Information
- Step 2: Calculate Total Income
- Step 3: Calculate Net Income
  - Deduct child care expenses, CPP contribution
- Step 4: Calculate Taxable Income
  - Deduct business losses of other years

# Filling in the Tax Return (2)

- Step 5: Calculate Federal Tax Payable (Schedule 1)
  - Deduct federal tax credits
  - Example: Basic Personal tax credit
- Step 6: Calculate Provincial Tax Payable
  - Separate schedule for each province
  - Claim provincial basic personal and other tax credits
- Step 7: Calculate your refund or your balance owing

# What related documents do I need?

- Social Insurance Number (SIN) or Individual Tax Number (ITN)
- Income tax slips (such as T2202A from UVic, T4 for employment income)
- Receipts for donations, medical expenses, child care expenses, etc.
- Information about spouse/partner and children
- Passports and immigration documents
- Notice of assessment or reassessment

<b>Money received</b>	<b>Document required</b>
Employment	“T-4 slip” from employer
Funds from RESP	“T-4A slip” from RESP plan
Funds from investments or a Trust (& sales of investments)	“T-3 and/or T-5 slips” (buys & sales T-5008)
Gifts from relatives	Not taxable
Scholarships, bursaries, grants, and research fellowships	“T-4A slip”, usually not taxable, must disclose on tax return. Check guidelines.

<b>Money paid out</b>	<b>Documentation required</b>
Childcare expenses	Receipt for each child, with provider's name and SIN or business number.
Donations to Canadian registered charities	Receipt with Canadian charity number
Living expenses (groceries, rent etc.)	Not tax deductible
Medical expenses (prescription glasses, medical prescriptions, physio, chiro etc.)	Receipts from medical practitioners
Tuition (not books anymore)	UVic T2202A form (download from the UVic web site)

# How to get your income tax slips

- T4 slips for employment income:
  - You should receive a slip from each employer you worked for during the tax year.
- T4A slips for other income:
  - You should receive a slip from each funding organization who gave you a scholarship, bursary, research grant, etc. during the tax year.
- T3, T5, T5013 & T-5008 slips for investment and trust income and sales:
  - You must report all income, with or without a slip, investment slips are not always issued for under \$50
- T2202A slips for tuition amounts:
  - You should receive a slip from each post-secondary institution you attended during the tax year. **Must claim in the tax year for which it relates.**

Clear Data

T4 Guide

Help



Employer's name – Nom de l'employeur



Canada Revenue Agency / Agence du revenu du Canada

Year / Année

T4

Statement of Remuneration Paid / État de la rémunération payée

Employment Income – line 101 / Revenus d'emploi – ligne 101

14

Income tax deducted – line 437 / Impôt sur le revenu retenu – ligne 437

22

54 Employer's account number / Numéro de compte de l'employeur

Province of employment / Province d'emploi

10

Employee's CPP contributions – line 308 / Cotisations de l'employé au RPC – ligne 308

16

EI insurable earnings / Gains assurables d'AE

24

Social Insurance number / Numéro d'assurance sociale

12

Exempt – Exemption

28

Employment code / Code d'emploi

29

Employee's QPP contributions – line 308 / Cotisations de l'employé au RRQ – ligne 308

17

CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ

26

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres majuscules) / First name – Prénom / Initial – Initiale

Employee's EI premiums – line 312 / Cotisations de l'employé à l'AE – ligne 312

18

Union dues – line 212 / Cotisations syndicales – ligne 212

44

RPP contributions – line 207 / Cotisations à un RPA – ligne 207

20

Charitable donations – line 349 / Dons de bienfaisance – ligne 349

46

Pension adjustment – line 206 / Facteur d'équivalence – ligne 206

52

RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPOB

50

Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso

55

PIIP insurable earnings / Gains assurables du RPAP

56

Other information (see over)

Box – Case

Amount – Montant

Box – Case

Amount – Montant

Box – Case

Amount – Montant

Autres renseignements (voir au verso)

Box – Case

Amount – Montant

Box – Case

Amount – Montant

Box – Case

Amount – Montant

T4 (14) Protected B when completed / Protégé B une fois rempli



# Deadline is on or before April 30

- Most tax slips should be ready by February 28 or March 31<sup>st</sup> for T-3 and T-5013 investment & trust income.
- If this is your first time filing an income tax return in Canada, you may need to send it by mail to the Winnipeg tax centre.
- Winnipeg Tax Centre  
Post Office Box 14001, Station Main  
Winnipeg MB R3C 3M3

# Where to send your First Tax Return

- <https://www.canada.ca/en/revenue-agency/corporate/contact-information/where-mail-your-paper-t1-return.html>
- **If Resident in BC (even if a Treaty Non-Resident)**

Winnipeg Tax Centre  
Post Office Box 14001,  
Station Main  
Winnipeg MB R3C 3M3

# Where to send your First Tax Return

- If you are a **non-resident** in fact and live in USA, United Kingdom, France, Netherlands, or Denmark –mail the return to the Winnipeg Tax Centre
- If you are a non-resident in fact and live in countries other than the USA, United Kingdom, France, Netherlands, or Denmark:

Sudbury Tax Centre  
1050 Notre Dame Avenue  
Sudbury ON P3A 5C2  
Canada

# Sending in the Tax Return

- Include all income tax forms and related documents together in one envelope.
- Multiple years can be sent together in one envelope, include a covering letter outlining the situation and years involved.

# What happens next?

- Keep copies of everything for 6 years after each Notice of Assessment date (basically 7 years).
- Processing time:
  - 16 weeks for your first income tax return
  - 4 to 6 weeks for all subsequent years
- Notice of assessment or reassessment received by mail.
- Refund payments are by mail or direct deposit.
- Submit applications for credits and social benefits.
- **Keep CRA informed every time your marital status or mailing address changes.**



Date Aug 21, 2006	Name	Social insurance no.	Tax year 2005	Tax centre
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Summary

9077213

Line	Description	\$ Amount
150	Total income .....	45,945
	Deductions from total income .....	1,444
236	Net income .....	44,501
	Deductions from net income .....	34,290
260	Taxable income .....	10,211
350	Total federal non-refundable tax credits .....	2,611
6150	Total Manitoba non-refundable tax credits .....	1,693
420	Net federal tax .....	0.00
421	CPP contributions payable .....	2,840.48
435	Total payable .....	2,840.48
437	Total income tax deducted .....	1,193.85
482	Total credits .....	1,193.85
	(Total payable minus Total credits) .....	1,646.63
	Penalties .....DR	98.80
	Arrears interest .....DR	42.74
	Balance from this assessment .....DR	1,788.17
	Balance due .....DR	1,788.17
	(Please see the explanation page)	



Michel Dorais  
Commissioner of Revenue

Date Aug 21, 2006	Name	Social insurance no.	Tax year 2005	Tax centre Winnipeg MB R3C 3M2
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2006 RRSP Deduction Limit Statement

The back of this notice contains important information. Amounts marked with an asterisk(\*) cannot be less than zero.

RRSP deduction limit for 2005 .....		\$49,916
Minus: Allowable RRSP contributions deducted in 2005 .....		\$0
Unused RRSP deduction limit at the end of 2005 .....		\$49,916
Plus: 18% of 2005 earned income of \$32,191 = (max. \$18,000) .....	\$5,794	
Minus: 2005 pension adjustment .....	\$0	\$5,794 *
		\$55,710
Minus: 2006 net past service pension adjustment .....		\$0
Plus: 2006 pension adjustment reversal .....		\$0
Your RRSP deduction limit for 2006 .....		\$55,710 *(A)

You have \$0 (B) of unused RRSP contributions available for 2006. If this amount is more than amount (A) above, you may have to pay a tax on the excess contributions.

# Fraud/phishing

If you receive a call or email from CRA asking for personal information such as your social insurance number, credit card, bank account number, or even your accountants name, be suspicious.

THESE COMMUNICATIONS CAN SOUND AND LOOK AUTHENTIC. CRA will *never* ask you to go to a link and disclose personal information. They do NOT accept gift cards.

**CRA never uses email.**

# Tax free cash

- Goods and Services Tax Credit – income tested
  - BC Low Income Climate Action Tax Credit (BCLICATC)
- Canada Child Tax Benefit (CTB) – income tested
  - BC Family Bonus (BCFB)
  - BC Early Childhood Tax Benefit (BCECTB)



# Applications for Credits and Social Benefits

- RC151 GST/HST Credit Application
- RC66 All Canada Child Benefits Application
- RC66SCH Status in Canada / Statement of Income for CTB purposes
- Send the completed application form(s) by mail to the Local Tax Centre.
- Response received by mail.
- Only submit once to establish your residency.

# CRA Resources

- Video series: International Students and Income Tax

- Certified software:

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/netfile-overview/certified-software-2017-netfile-program.html>

- My Account, for individuals

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>

- 1-800-959-8281
  - Information about your income tax return
- 1-800-959-1953
  - Information about credits
- 1-800-387-1193
  - Information about social benefits

# Other Resources

- Get help with preparing and filing your first income tax return so you don't miss out on refunds, credits and social benefits.
- **Gustavson Student Tax Clinics** run March 18 to April 29, 2019 (closed Easter long weekend).
  - Saturdays 10:30 AM to 3:30 PM
  - Mondays 6:15 PM to 8:30 PM
  - **Location:** Business & Economics Building, Room 165 (Computing Facility, basement)
  - For those with less than \$40,000 of income

# Complications?

- Professional Chartered Accountants are recommended for complicated situations (such as: funds from Trusts especially foreign trusts; foreign property over \$100,000 Canadian (watch foreign exchange); self-employment; USA tax returns; world income, etc.)

# Tax Filing Software

- Various tax filing softwares
- Great if you know how to use the software, but easy to make mistakes if you don't
- TurboTax software
  - \$20 cost per return for standard version
  - \$35 for up to 8 returns

This presentation is for a general overview only.

Taxation of international students can be a complex area depending on each individual's own circumstances.

Please consult a Chartered Professional Accountant (CPA) if further assistance is required for your own situation.

# Questions?



Please subscribe for our Global Community Newsletter at <https://lists.uvic.ca/mailman/listinfo/iss-newsletter>.

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