

Leaving Canada? Do you have Registered Accounts?

If you are planning on emigrating from Canada, you probably have a million things on your mind. Besides packing all your belongings, selling your home and saying goodbye to friends and family you will need to think about your registered assets.

What are my options for my Registered Retirement Savings Plan ("RRSP") when I leave Canada? What happens to my children's Registered Education Savings Plan ("RESP") when I emigrate? This article will help to explain some of the issues associated with registered accounts when emigrating from Canada.

RRSP Questions and Answers

What are my options for my RRSP when I leave Canada?

You do not need to unwind your RRSP upon emigration from Canada. Your RRSP can remain in Canada and the growth in your RRSP will not be subject to Canadian tax. However, the growth within your RRSP may be subject to tax from your new country of residence.

If your new country of residence is the United States, you may elect to defer U.S tax on income earned in the RRSP, until a distribution is made from the plan.

Please note that you will be subject to Canadian withholding tax when money is withdrawn from the RRSP. This Canadian withholding tax may be eligible for a Foreign Tax Credit in your new country of residence.

Should I maximize my RRSP contributions prior to emigrating from Canada?

Prior to emigrating from Canada, you should maximize your RRSP contributions. This contribution is an eligible deduction for the part year you were a resident in Canada. If the contribution is made within the first sixty days of the following year that you emigrated, the contribution can still be applied to the part year you were a resident in Canada.

For example, Mr. Hill emigrated from Canada on March 20, 2005. Based on Mr. Hill's 2004 Notice of Assessment, he has contribution room available of \$16,500. Mr. Hill has until March 1, 2006 to make his contribution. (Sixty days from the end of 2005 – the year Mr. Hill emigrated from Canada). This \$16,500 contribution will be a deduction for the income he earned between January 1, 2005 and March 20, 2005 (beginning of the year until the date of emigration).

If you do not make the maximum contribution prior to emigrating from Canada, you will be able to carryforward any unused contribution room, which can be used if you once again become a Canadian resident in the future.



Am I able to make RRSP contributions while I am a non-resident of Canada?

When you are a non-resident for tax purposes, you should not make contributions to your RRSP (taking into account the exception above) because, you will not be eligible for a tax deduction in Canada as you will not have any Canadian source income against which to claim the contribution. In addition, there may be adverse tax consequences in your new country of residence for making RRSP contributions.

What happens to my children's Registered Education Savings Plan ("RESP") when I emigrate?

Your children's RESP plan can remain in Canada while you are a non-resident. The RESP plan will continue to earn tax deferred income in Canada.

Please note that the growth within your children's RESP may be subject to tax from your new country of residence.

Am I able to make RESP contributions while I am a non-resident of Canada?

When you are a non-resident, you are able to make RESP contributions. However, as long as your children remain non-residents of Canada they will not be eligible for the Canada Education Savings Grant.

Note: The above article is for information purposes only and should not be construed as offering tax advice. Individuals should consult with their personal tax advisors before taking any action based upon the information in this article.

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