Benjamin Dyck

Chartered Professional Accountant

Non-Resident Taxes for Canadians in Panama

For Jackie Lange and Panama Relocation Tours

BENJAMIN DYCK CPA

- We are a full service accounting firm located in Cold Lake, Alberta
- We officially opened our doors on February 15, 2005
- We currently complete about 1200 personal tax returns each year

Basic Information about Residency

- Citizenship and Tax Residency are not the same thing
- You can be a Citizen and yet not be a Resident
- Residency is based on many factors, but mainly on where your primary residential and family ties are located.

Things to Consider before becoming a Non-Resident

- Is my move permanent (or at least for a few years?)
- Will I be severing my residential ties with Canada?
- What unrealized capital gains do I have? (departure tax)
- What income will I have from inside and outside Canada after I move?

Canadian Tax Resident

- What you have been all your life in Canada
- Tax rates for residents in Canada range from 0% for low income all the way to 50%, depending on level on income, depending on your province that you live in
- In retirement, generally your income goes down and your tax rate is lower

Canadian Tax Non-Resident

- Once a Canadian has moved out of Canada, and severed residential and family ties, you may be able declare yourself a non-resident for tax purposes
- Base tax rate of 25%, can be 15% if there is a tax treaty with that country. Bad news, no tax treaty with Panama
- But good news, there is a mechanism that allows you to pay “normal” Canadian tax rates on retirement income

Resident Pro's and Con's

Pro's

- The simplest
- Lowest tax rates on Canadian source income

Con's

- Have to pay Canadian tax on all worldwide income

Non-resident Pro’s and Con’s

Pro’s

- Only pay Canadian tax on Canadian Source income
- No Canadian taxes on any other income

Con’s

- It’s more complicated, although not bad once set up
- Departure Tax

What about rental property?

- Lots of Canadians have rental properties as part of retirement planning
- If you become a non-resident, you will have to pay the capital gain tax, if any on the value of the rental property (unless you are turning your principal residence into a rental)
- Once you are a non-resident, you have to send 25% of your gross rent to CRA each month as a withholding tax, but can file a tax return at the end of the year to record your expenses and lower your tax burden

What if I have a Corporation?

- Some people have funds left in a corporation that are to be used as part of retirement planning
- A corporation is considered part of your assets that will be subject to departure tax if you declare non-residency, so careful planning will be needed to minimize taxes paid

Should I Stay or Should I Go?

- Per CRA, if you are no longer a resident of Canada, you should file for non-residency
- Unfortunately, it is not always that simple
- You need to plan ahead to minimize overall tax burden
- Must consider departure tax

Working with Benjamin Dyck, CPA

The process for considering non-residency:

- We will set up an appointment via zoom to go over your specific situation
- We will make a list of all assets and liabilities, and any sources of income
- From there we can calculate potential departure tax (if any) and plan how to best minimize your overall tax burden

Working with Benjamin Dyck, CPA

The process for personal taxes:

- We have a new client intake form that gives us the basic information we need to understand your basic tax situation
- From there, we can set up a zoom meeting to go over the specifics of your taxes and answer any questions you have
- Once they are complete, we can get electronic signatures and meet again over zoom if needed to discuss the results

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