Expat Tax Planning

Le Défenseur

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Welcome!

The Expat Tax Planning team is pleased to launch the first issue of its newsletter Le Défenseur. This publication will address various topics of international taxation. Whether you arrive in Canada or leave the country, information and assistance of a guide are essential to minimize the amount of Canadian tax payable and to identify your tax responsibilities as provided by the law . The Bulletin will present various issues and opportunities that are available to you, given the evolution of federal and provincial legislation.

The opening of international markets, mobility of human capital, the increase in cross-border transactions as well as the complexity of the different tax regimes in the world of international taxation are an important issue! This bulletin is intended as a source of information to present you the information you need to lower your tax burden. Our experts will be available at all times to help you take advantage of your situation and to make the right decision.

Thank you for your cooperation and enjoy!

The Expat Tax Planning team

Cutbacks continue...

The overseas employment tax credit (hereinafter OETC) provides for a reduction of the tax burden to the individual who is resident in Canada, on behalf of a specified employer, under an employment contract, performs an eligible activity outside Canada. To do this, the individual must have accomplished 90% or more of its functions abroad for a period of at least 6 consecutive months. Essentially, a specified employer must be a Canadian resident (or a foreign affiliate), which provides a program of other international development assistance of the Government of Canada. Individual is employed in a contract (or to obtain such a contract) under which the employer carries on business related to resources

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to a construction project, installation, agricultural or engineering, or any other specified activities involved.

OETC can reduce its tax liability by 80% of employment income related to this function, up to an amount of $ 100,000. Thus, an individual may exempt employment income up to a maximum of $ 80,000.

The government's goal was to maintain the competitiveness of Canadian companies in certain sectors that were bidding abroad to obtain contracts. At the time, several countries offered the same kind of tax breaks. Since then, the international context changed considerably and the situation on the international scene has changed. It is the very least that the Government states!

In a legislative amendment under the federal budget of March 29, 2012, the Government proposes to gradually reduce this tax credit during the years 2013 to 2015. From 2016, it will be completely abolished.

During this transition period, the qualifying income will decrease from 60% of employment income earned abroad in 2013 to 40% in 2014, 20% in 2015 and 0 % for 2016. For companies who tendered or being engaged by contract, in respect of a project abroad before the date of the budget, the fraction of eligible income will be 80% for the years of transition. For cons, the OETC will still be eliminated from 2016.

Impacts

For some companies, this may represent a major impact on the cost of expatriate assignments abroad. For example, a company that pays its employees on a salary on a tax net basis could have a really big surprise starting this year !

A single individual with no children who earns employment income of $ 100,000 before tax for a job abroad could get a OETC in the amount of $ 11,706 in 2013 (if it meets the requirements, regardless of the budget amendment), which represents a substantial annual savings! Following the proposed amendments, the OETC will be $ 8,780 in 2013, representing a decrease of $ 2,926 and just in 2013. In 2016, it will no longer be entitled to this credit.

For an individual who was operating in a country where tax rates are high may see an increase in the foreign tax credit (hereinafter FTC) due to the decrease of OETC. This could lessen the impact of the reduction of OETC.

Someone who practiced in a country where tax rate are very low, this represents a significant reduction in tax savings because he cannot claim an increase in the FTC. In addition, the employer ensures that after-tax income to its employees could see the bill increase substantially.

In this context, an individual working abroad might be tempted to review the advantages and disadvantages of a Canadian resident status. Depending on his personal and professional situation, losing his Canadian residency status in favor of the home country in which he exercises his employment could enable him to reduce his tax burden.

What about Quebec ?

Currently the provincial government has not adopted a policy similar to the proposed amendment of March 29, 2012 last. Thus, the allowable deduction in Quebec is still available, if an individual met the necessary conditions.

By cons, if Quebec decides to keep Canada in the application of this tax measure, then the impact could be much more significant for expatriates.

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« If you do nothing, governments will establish your Tax status, at their advantage….. Not yours…»

In conclusion, an individual who is employed abroad could be significantly affected by this measure. It is very important for every expatriate to analyze the situation with a professional to optimize their situation. Companies will also have to pay attention to this measure and recognize the increased costs associated to it.

We will gladly provide support in your approach to take advantage of the opportunities available to you!

Pleasure to serve you!

« We solve tax problems…
… one satisfied client at a time»

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We serve all clientele in Quebec, Canada and the World.

About us :

Expat Tax Planning offers a complete service for expats or immigrants Canadians working abroad and living abroad. Our services are available to expatriates in the stages of their adventure before departure during the stay abroad and after return. If you are a Canadian who work, live or invest in another province of Canada, the United States, the United Kingdom, France, Italy, Australia, Belgium, Switzerland, Dubai, or any other country, and that you have tax problems with taxes or Canadian tax authorities, call Expat Tax Planning for a solution.