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Border patrol
Homeowners moving to a job out of Canada face new tax implications

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Today's global economy means more and more Canadians have the chance to work out of the country for a few months or even a few years.

Homeownersheadingabroad for an extended period can't just have a going-away party and fly off. There are some complex financialmatters to consider.

"The best thing to do is plan ahead. Sometimes people go for a month and end up staying for six months--then all of a sudden they find there could be tax implications when they get back," says Carol Bezaire, vice-president tax and estate planning for Mackenzie Financial. "What you choose to have as your residency while you are away is going to affect the principal residence exemption on your house."

The Canada Revenue Agency (CRA) has detailed information on the tax implications of leaving Canada (cra-arc. arc.gc.ca/tx/nnrsdnts/ndvdls/lvng-eng.html).Ifyou decide to rent out your home while you are away, your residency status will affect how that rental income is taxed. If you keep your residence status for tax purposes, you can elect to keep your home as a principal residence.

"You can do that for up to four years and after that it reverts to an income property and you can have a capital gain on it," says Ms. Bezaire.

As a non-resident, you can no longer designate your home as your principal residence, so this will affect what expenses are deductible, and, when it comes time to sell, whether there is liability for capital gains.

"If you rent out your house as a non-resident, you have to withhold tax off every month's rent and submit it to Revenue Canada," says Tannis Dawson, a tax and financial planning expert with Investors Group. "If you remain a resident, then you can just collect the rent and you file your tax return every year like normal and include the rental income."

In order to become a nonresident, you must not be in Canada for more than 183 days in a tax year and be a resident for tax purposes in another country.

"CRA will look at whether you have severed your substantial ties with us," says Ms. Bezaire. "Things like selling your personal property, including your house, cancelling club memberships, cancelling your Canadian driver's licence, closing Canadian bank accounts, not having a spouse and dependent children still here while you are away."

If you keep your home, Ms. Bezaire says, renting it out to a third party at market rates rather than to a family member at a reduced rent is more likely to signal to the CRA that you are a non-resident.

Other facets to consider when deciding on residence status, Ms. Dawson says, are the tax rate in your new country, how long you will be away and tax liabilities on investments.

One line of communication you will want to keep open is with your mortgage provider.

"It's good to give notification [of change of contact details] if the lender does need to get in touch," says Rob Regan-Pollock, senior consultant at Invis mortgage brokerage. The last thing you want is for your mortgage to fall into arrears and your credit history to be compromised simply because you missed some correspondence.

Mr. Regan-Pollock suggests checking with your municipality about changing property tax obligations when you rent out your home, as well as making sure that your insurance provider is aware there are now tenants in your home.

If you elect to take nonresidence status, Mr. Regan-Pollock says, check with your mortgage provider what this will mean when it comes time to renew your home loan.

"There's a possibility they could say that because you are a non-resident now they may not renew it, or if they do, they may change the offer," says Mr. Regan-Pollock. "It's going to vary from lender to lender ... probably they would [renew] if the payment history is OK and the client is known to them."