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The Departure Year

The one return that closes your Canadian tax residency, and the decisions that have to be made before you file it.

Leaving Canada: the departure year, start to finish

Expats & non-residents · Published by Legal Quotient Consultants

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Emigrating from Canada is not a form you tick. It is a date, a set of facts that support that date, one final return that reports the year in two halves, and a deemed sale of most of what you own on the way out.

Who this is for

- Anyone who has left Canada, or is leaving within the next twelve months, and still has Canadian income, property or registered accounts.
- Employees on an outbound assignment who have been told they are "still resident" and want to know what actually decides that.
- Founders and shareholders leaving with private company shares, options or a holding company attached.

Residency is a conclusion, not an election

Canada taxes residents on worldwide income and non-residents on Canadian-source income only, so the whole year turns on one question: on what date did you stop being resident? There is no box that decides it. The Canada Revenue Agency looks at the ties you kept and the ties you cut, and a treaty tie-breaker can override the domestic answer when the other country also claims you.

The ties that carry the most weight are the ones that are hardest to explain away: a home available for your use, a spouse or dependants who stayed, and where you actually live day to day. Secondary ties — a driving licence, a bank account, professional memberships, a car, health coverage — matter in the aggregate rather than one at a time. Our page onkeeping a home in Canada while abroadcovers the single tie that most often defeats a departure claim.

You can ask the CRA for its own view before or after the fact using the determination-of-residency route, and there are cases where that is worth doing. There are also cases where filing a well-supported return and keeping the evidence is the better course, because a determination request invites a review you may not need. TheNR73 determination on leavingpage sets out when each is appropriate.

The deemed disposition, and what escapes it

On the day you cease to be resident, Canada treats you as having sold most kinds of property at fair market value and reacquired them at the same price. The gain is reported on the departure return even though nothing was sold and no money arrived, which is why the departure year is so often the largest tax bill in a person's life for a year in which they earned nothing unusual.

Several categories are excluded from the deemed sale — Canadian real property is the one most people notice, because it stays inside the Canadian tax net and is dealt with when it is genuinely sold instead. Registered plans are treated on their own terms rather than swept into the deemed disposition. What is caught, in practice, is the portfolio: public shares, funds, private company shares, and units of things you may not think of as investments.

Where the tax on the deemed gain is more than you can pay from cash, an election exists to defer payment until the property is genuinely disposed of, usually with security posted. That election is a form filed with the return, not a phone call afterwards, which is the reason the departure year has to be planned before 31 December of the year you leave.

What stays taxable in Canada after you go

Leaving does not end your relationship with the CRA; it changes its shape. Canadian-source income continues to be taxable, usually by withholding at source rather than by assessment, and for some kinds of income you may elect into a return instead of accepting the withholding.

Rent from a Canadian property is the clearest example: withholding applies to the gross rent by default, and an election lets you file a return on the net instead, which almost always produces a better answer once mortgage interest, property tax and repairs are counted. Pensions and annuities follow a similar pattern. Employment income for work physically performed in Canada stays taxable in Canada regardless of where you now live.

Selling Canadian real property as a non-resident brings its own sequence — notification, withholding on the gross proceeds, a clearance certificate, then a return to recover the excess. It is a slow process with a fixed order, and starting it late is what turns a straightforward sale into a closing that cannot fund itself.

The other side of the border matters more than most people expect

A clean Canadian departure into a country that taxes you from day one is a good outcome. A clean Canadian departure into a country that treats you as resident from a date you did not choose, or that taxes the growth inside your Canadian accounts, is not. The arrival country's rules decide half the answer and they are rarely symmetrical with Canada's.

Where both countries claim you for part of the year, the applicable treaty's tie-breaker decides which claim yields, and it is applied in a set order rather than as a balancing exercise. Where the destination has no income tax at all, the question is not "do I pay tax there" but "has Canada actually let go", and that is a facts question about your ties, not a question about the destination.

The departure year in order

The sequence matters because three of these steps stop being available once the calendar year closes.

1. **Fix the date, and write down why** Record the day you left, the day your spouse and dependants left, when the home was sold or let on a long lease, and when local housing, work and health coverage began. This is the evidence file for the return, and it is far easier to assemble now than three years later under review.
2. **Inventory everything you own** Every account, holding, private company share, property, insurance policy and pension, with cost base and market value at the departure date. The deemed disposition is computed from this list, and a reporting form for property held on emigration is filed from it.

3. **Decide the deliberate transactions** Realise losses or gains where doing so improves the departure year, close or keep tax-preferred accounts, and settle whether any property should be sold as a resident rather than as a non-resident.
4. **Reorganise Canadian-source income** Tell payers you are now a non-resident so withholding is applied correctly, file the undertaking that opens the net-rent route for rental property, and put the treaty declaration in front of any payer who needs it.
5. **File the departure return** One Canadian return for the year, reporting worldwide income to the departure date and Canadian-source income afterwards, with the departure date, the deemed disposition schedule, the property inventory and any deferral election attached.
6. **Run the first non-resident year deliberately** The year after departure is where mistakes surface: a return that was elected into but not filed, withholding taken at the wrong rate, or a property sale started without a clearance certificate. Plan it once and it becomes routine.

Papers to gather

What to have in one folder before the departure return is prepared:

- Dates: departure, family departure, home sold or let, first day of local housing and employment.
- Immigration and residence documents for the new country, including the date local residence began.
- A holdings statement for every investment account as at the departure date, with book cost.
- Valuations for anything without a market price: private company shares, partnership interests, real property.
- Mortgage, property tax and insurance details for any Canadian property being kept.
- Registered plan statements and any foreign pension or plan you are joining.
- Details of Canadian payers who will keep paying you after departure.
- The prior two Canadian returns, which carry the cost base and carry-forward balances the departure return needs.

Where it goes wrong

- **Treating the move as a mid-year non-event** A single Canadian return covering the whole year at resident rates, with no departure date and no deemed disposition, is the most common departure-year filing error. It is also the one most likely to be found later, because the CRA sees the change in the information slips that follow.
- **Letting the deemed gain be a surprise** The tax is due with the return whether or not anything was sold. Discovering the number after the year has closed removes every option that could have reduced it and leaves only the deferral election, which requires security.
- **Selling Canadian property as a non-resident without starting the clearance process** Withholding is applied to gross proceeds, not to the gain, and the purchaser's lawyer will hold the money until the certificate arrives. Beginning the notification before closing is what keeps the funds moving.

Questions this raises

Can I choose the date I stop being a Canadian tax resident?

No. The date follows the facts — when your home, family and daily life actually moved — and a treaty tie-breaker can override it where the other country also claims you. You can influence the date by changing the facts before you leave, which is a different thing from choosing it afterwards.

Do I still file a Canadian return after I emigrate?

You file one final return for the year of departure. After that you file only if you have Canadian-source income that is reported by return rather than settled by withholding, or if you elect into a return for rent or pension income because it produces a better result than the withholding.

Is my Canadian home caught by the deemed disposition?

Canadian real property is outside the deemed disposition and stays within the Canadian tax net instead, so it is dealt with when it is genuinely sold. That sale, made as a non-resident, brings notification, withholding on the gross price and a clearance certificate with it.

What if I have already filed the departure year wrongly?

It is amendable, and doing so voluntarily is materially better than waiting for a review. Where returns are missing rather than wrong, a disclosure route usually exists. Both are routine engagements here, scoped and quoted before anything is prepared.

What to do next

If the departure has already happened, the useful first step is a residency and exposure review: establish the date, quantify the deemed disposition, and identify which returns are now late. If the departure is ahead of you, the same review is worth far more, because every deliberate transaction is still available.

We handle departure years as one fixed-fee engagement covering the final Canadian return, the property inventory, any deferral election and the first non-resident year, quoted in writing from your documents before any work begins. The departure and emigration return fee page shows what that includes.

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Cross-border and international tax. Fixed fees agreed in writing before work starts, quoted from your own documents.

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