# RETURNING TO IRELAND TAX GUIDE

[January 2021]

**This guide is to help individuals understand their personal tax implications of leaving Canada and returning to Ireland**

**Residency, Ordinary Resident, Domiciled**

Both Canadian and Irish tax systems tax individuals based on their resident, ordinary resident and domicile status. You can be resident, ordinarily resident, domiciled or any combination of the three.

Simply speaking, being resident of either Ireland or Canada will be mean you are chargeable to tax on your worldwide income in the country that you are deemed to be resident in. Worldwide income is the total income that you earn anywhere in the world in a tax year. Fortunately, Ireland and Canada have a Double Taxation Treaty, therefore they provide relief on the tax paid in the other country.

**How to know if you are resident in Ireland for tax purposes**

Your tax residence status depends on the number of days you are present in Ireland during a tax year.

You are resident in Ireland for tax purposes if you are in Ireland for a total of:

- 183 days or more in a tax year
- **or**
- 280 days or more in a tax year plus the previous tax year taken together, with a minimum of 30 days in each year.

However, if you do not have the required days in Ireland, you can also choose to be resident in Ireland. You must tell Revenue in writing if you choose to become a tax resident in Ireland. This will mean that in Ireland you will be taxed on your worldwide income, but you can also claim full tax credits.

To become non-resident in Canada, you must meet **all** the following conditions:

- you leave Canada to live in another country
- you sever your residential ties with Canada

Severing your residential ties with Canada means that you do not keep your main ties with Canada. This could be your case if:

- you dispose of or give up your home in Canada and establish a permanent home in another country
- your spouse or common-law partner or dependants leave Canada
- you dispose of personal property and break social ties in Canada, and acquire or establish them in another country

When you leave Canada to settle in Ireland, you usually become a **non-resident for income tax purposes** on the **latest** of:

- the date you leave Canada
- the date your spouse or common-law partner and/or dependants leave Canada
- the date you become a resident of the country you settle in

However, if you are resettling in Ireland, you usually become a non-resident on the date you leave Canada. This applies even if your spouse or common-law partner temporarily stays in Canada to dispose of your home.

Moving to Ireland during the tax year

Returning to Ireland after living abroad for a number of years, you can claim split-year treatment in your year of arrival.

Split-year treatment means that you are treated as resident in Ireland from the date you arrive. All your employment income from that date is taxed in the normal way. Generally, full tax credits are allowable on a cumulative basis.

Split-year treatment applies to employment income only.

Arriving in Ireland

If you have just moved to Ireland to start work, you will need to apply for a Personal Public Service Number (PPSN), but if you are returning to Ireland, and you have worked here before, you may already have a PPSN.

If you are an employee you pay tax through the Pay As You Earn (PAYE) system. You will normally pay Income Tax (IT) , Pay Related Social Insurance (PRSI) and Universal Social Charge (USC) on your employment income. See the tax rate band and tax credits sections for more information on what you pay tax on.

If you are self-employed you are taxed under the pay and file system. See A guide to self-assessment to learn how to register for tax and how to pay your tax.

See the Starting a business section for starting a business in Ireland.

You can manage most of you tax affairs online, via myAccount or Revenue Online Service (ROS)

Use myAccount to manage your personal taxes online. You can:

- claim tax credits
- declare income
- claim refunds
- submit a tax return
- tell us about a new job or private pension.

Use Revenue Online Service (ROS) if you are an employer or self-employed. You can:

- file tax returns
- make payments
- claim repayments
- carry out your business online.

**What you need to do when you leave Canada**

If you still have bank accounts in Canada or amounts being paid to you from Canada, you are required to notify any Canadian payers and your financial institutions that you are no longer a resident of Canada. This is because the Canadian payer must withhold non-resident tax on the income and send it to the Canada Revenue Agency.

If you hold a **TFSA** when you leave Canada, you can keep it and continue to benefit from the exemption from Canadian tax on investment income and withdrawals. However, you cannot contribute to your TFSA while you are a non-resident of Canada, and your contribution room will not increase. For more information, go to Tax-Free Savings Account (TFSA).

If you participate in the **HBP** or the **LLP** and leave Canada, go to Home Buyers' Plan (HBP) or to Lifelong Learning Plan (LLP), for the special rules that apply.

On leaving Canada it is **important that you tell the Canada Revenue Agency (CRA) the date you leave Canada** and you should file a final Canadian tax return if:

- you owe tax
- you want to receive a refund because you paid too much tax in the tax year

If you determine that you do not have to file a return, you should still let the CRA know the date because as a non-resident, you are not eligible to receive:

- the goods and services tax/harmonized sales tax (GST/HST) credit
- the Canada child benefit (CCB) payments (including those payments from certain related provincial or territorial programs)

**Filing your final Canadian Tax Return**

For the tax year that you leave Canada, use the income tax package for the **province or territory where you resided on the date you left Canada**.

If you **were a resident of Quebec before you left Canada** and you want information on filing a Quebec tax return, visit Revenu Québec.

When you leave Canada, you are considered to have sold certain types of property (even if you have not sold them) at their fair market value (FMV) and to have immediately reacquired them for the same amount. This is called a **deemed disposition** and you may have to report a capital gain (also known as departure tax).

Enter your **date of departure from Canada** on page 1 of your return in the area “Information about your residence”.

Report your world income for the part of the tax year that you WERE a resident of Canada. For the Part of the tax year that you WERE NOT a resident of Canada, you pay Canadian income tax only on your Canadian source income. However, only certain types of Canadian source income should be reported on your return while others are subject to non-resident withholding tax at source.

You can claim most deductions that apply to you for the time in Canada, but for federal non-refundable tax credits the amount that you can claim are limited to certain items for when you are resident and a shorter list for when you are non-resident. Please refer to the CRA website for details.

The amount of certain provincial or territorial non-refundable tax credits you can claim may also be limited, but generally, **the rules** to calculate your provincial or territorial non-refundable tax credits are the same as those used for the corresponding federal non-refundable tax credits. However, **the amounts** used are different from the corresponding federal credits.

If you were an eligible educator, you can claim the Federal refundable eligible educator school supply tax credit as long as it applies to the **part of the year that you were a resident of Canada**. However, the total amount you can claim **cannot be more than** the amount you could have claimed if you were a resident of Canada for the whole year.

Generally, you are **not entitled** to refundable Provincial or territorial tax credits unless you were a resident of Canada on December 31.

1) **What is the easiest way for people to file taxes for Canada if they have returned to Ireland?**

They can either prepare and submit/mail a paper tax return with receipts/T4's etc OR use a Canadian based tax preparer OR use a software package that is approved for filing Canadian tax returns online.

2) **Can they give a friend's address in Canada if they are already at home?**

One is supposed to provide one's current address even if it's outside Canada. Also a non-resident doesn't qualify for certain credits like the GST credit and Ontario Trillium credit.

3) **Can their tax refund be paid straight into their Irish bank account?**

No, direct deposit is only for Canadian financial institutions.

**T1132 - Alternative Address Authorization**

Attach a completed copy of Form T1132 to the return if the taxpayer wants their Notice of Assessment and any refund sent to an address other than that on the T1 Jacket. The authorization is valid for the current tax year only. If the use of an alternative address is required for subsequent years, a new authorization must be signed and filed. The CRA will not use the alternative address to mail the GST/HST credit payments, Universal Child Care Benefit payments, Canada Child Tax Benefit payments, correspondence, or Notice of Reassessment.

This form cannot be used if:

the taxpayer was bankrupt at any time in the taxation year;

a discounter is submitting the tax return;

the return is for a tax year other than the current one;

the taxpayer is a non-resident filing an Old Age Security Return of Income; or

the taxpayer is filing multiple returns representing more than one tax year.

**How to Complete this Form**

If the taxpayer wants to use an alternative address, enter the personal information along with the desired alternative address in the appropriate fields. The taxpayer has two options available on the form:

1. Check the first box on Form T1132 if both the Notice of Assessment and any refund resulting from that assessment are to be mailed to the alternative

address; or

2. Check the second box to have only the Notice of Assessment mailed to the alternative address.

Note: The CRA will deposit the refund (if applicable) directly into the taxpayer's account according to the direct deposit information on file. If they cannot deposit the refund into the taxpayer's account, they will mail a cheque to the alternative address on the completed Form T1132.

**Filing**

This form can be used only for a paper return and must be enclosed with the return to be processed.

**This guide is written with the intention of providing an overview of tax process, but cannot cover everyone's situation.  If your situation is more complex, please contact a local expert, (Chartered Accountant, CPA) to help with your unique circumstance**