

Tax Tip
Week of April 19, 2010

RRSPs and Foreign Tax Credits

If an individual owns a U.S. stock, there is a 15% U.S. tax withholding on dividends paid to the shareholder. In most cases, individuals will receive a full offset on their Canadian tax return by claiming a foreign tax credit. However, if the stock is owned by a Canadian RRSP, the foreign tax credit may not be claimed as there are no taxes to reduce.

It may be possible to have the tax withholding waived by advising the U.S. dividend remitter that the recipient is a Canadian RRSP, rather than an individual. This notification must be made the trustee who holds the RRSP assets. If an individual does not take the necessary steps to waive the withholding, these amounts will be lost forever.