

## **Tax Tip**

**Week of September 12, 2011**

### **Retiring outside of Canada**

If one is considering retiring outside of Canada, it may be possible to generate a net saving on RRSP income as compared to retiring in Canada. It will depend upon whether or not an individual has cut their residential ties with Canada. In very general terms, the rules related to RRSP's and retiring outside of Canada are:

- if the RRSP is collapsed in the year of departure, the amount of the RRSP is included in the individual's final Canadian tax return
- if it is collapsed after the individual has become a non-resident, Canada will require a 25% lump sum withholding as the final tax liability. This may be reduced if Canada has a tax treaty with the country of retirement and the treaty results in a reduction of the withholdings
- if the individual receives an annuity from the RRSP while a non-resident, there will be a withholding based upon the tax treaty Canada has with the new country of residence.

Collapsing a RRSP while outside of Canada requires professional assistance, as it must consider the tax consequences of receiving RRSP income in the new country of residence, plus the impact of any tax treaties on the RRSP income.