



Canadian Revenue Agency Residency Status for Tax Purposes

Spouses of Government Employees on Foreign Assignment

The purpose of this document is to provide general residency information for the spouses of employees of the Department of National Defence ("DND")/members of the Canadian Armed Forces ("CAF") and Department of Foreign Affairs, Trade and Development ("DFA TD") Canada that are sent on foreign assignments. This document does not address all possible situations that may require more analysis when determining the tax implications.

Please note that our reference to a spouse in this document includes a common-law partner.

Spouses that Intend to Return to Canada and expect to Maintain their Canadian Residency

Where you are the spouse of a Canadian Government employee and are moving with your spouse and family to another country for your spouse to carry out a foreign assignment for the Government of Canada and it is your intention to return to Canada following the assignment, then you will be considered a factual resident of Canada. This factual residency is based on your intention to return to Canada as well as your secondary residential ties maintained with Canada, as described in paragraph 1.14 of Folio S5-F1-C1.

** Please do not complete a Form NR73, Determination of Residency Status (Leaving Canada).

As a factual resident, you will have to complete and file your Canadian Personal Income Tax Return and you will meet the residency requirement for Canadian benefits administered by the CRA.

Spouses that do not expect to Maintain their Canadian Residency

If you believe that you will be a non-resident of Canada when you leave with your spouse and family for the foreign assignment because your intention, primary ties and secondary ties support your status as a non-resident of Canada, then you should complete Form NR73, Determination of Residency Status (Leaving Canada). The Canada Revenue Agency will review the information provided in your completed Form NR73 to determine whether or not you will be considered a non-resident of Canada.

If it is determined that you will be a non-resident of Canada, you should know the tax implications, which include:

1. You will be deemed to have disposed of certain properties that may give rise to capital gains (taxes on gains can be deferred by using Form T1244, Election, Under Subsection 220 4.5 of the Income Tax Act, to Defer the Payment of Tax on Income Relating to the Deemed Disposition of Property);
2. You will only be able to create additional RRSP room if you have earned income in Canada;
3. You will not be able to contribute to a Tax Free Savings Account; and
4. You will be subject to tax of up to 25% on certain payments from Canadian sources, such as investment income (Part XIII tax).

For further information with respect to the determination of an individual's residence status, please consult CRA's [Income Tax Folio S5-F1-C1, Determining an Individual's Residence Status](#).

Further information on how income tax rules apply to Canadian residents that leave the country can be found at [Individuals - Leaving or entering Canada and non-residents](#).

Should you have any further questions or require additional information regarding this, please do not hesitate to communicate with the International and Ottawa Tax Services Office.