

# Frequently Asked Questions for the Effective Tax Strategies Webinar

## Question 1

Relocating to a new province in the summer, what is my province of residency and how does this impact my taxes? Ex. ON to QC in Sept

**Answer:** Province of residence is determined on December 31. If you move to QC in September and reside there on December 31, that will be the province of residency for that tax year. Even though you may have been paying Ontario taxes up until the move. Careful planning needs to be considered when moving from a lower tax province to a higher tax province as it may create additional taxes that need to be paid when filing your personal tax return.

## Question 2

I'm on IR, my spouse/family is in another province, how does this impact my province of residence? Can we file involuntary separation (IS)?

**Answer:** Being on Imposed Restriction (IR) does not automatically change your province of residency.

Generally:

- Your province of residence remains where your spouse/dependents ordinarily reside, not where you are posted on IR.
- CRA looks at primary residential ties, especially:
  - Where your spouse/common-law partner lives
  - Where your dependents live
  - Where you maintain a family home

Involuntary Separation (IS) does not automatically apply to IR, it would only apply in situations when IR was not approved but the member still decided to move without the dependents.

### Question 3

I was posted to another base and my house sold at a loss and BGRS (Brookfield Global Relocation Services Services) gave me \$15k to offset my loss, is this taxable? If so, can I claim a deduction against this income?

**Answer:** The \$15k is considered income and will be included on your T4 as a taxable benefit, however the loss on a principal residence is not deductible as a capital loss.

How to mitigate this taxable benefit:

- Offsetting with moving expenses (usually limited due to BGRS reimbursing most moving expenses)
- RRSP contribution with the \$15k, if you have contribution room, reduces taxable income.

### Question 4

I pay Spousal and Child Support to my ex-partner, what is tax deductible? What do I need to obtain to ensure CRA will accept my claim if I'm asked to provide proof?

**Answer:** After May 1, 1997 Child support is not taxable nor can the payer deduct it from their taxable income

Spousal support is taxable and may be deducted from the payer's taxable income if the following is met:

- It is paid under a legal obligation
  - IE. Court order or Separation or divorce agreement
- It is paid as periodic payments (e.g. monthly)
  - Lump sums are not deductible, unless specifically ordered as arrears of a periodic support
- It is for the support of a former spouse
- You and your former spouse live apart)

Mixed child & spousal support – Child support is applied first and then only the excess is deductible as spousal support

Items to keep on hand for CRA:

- Court order or separation/divorce agreement
- Proof of periodic payments

- Recipient (former spouse) information:
  - Recipient’s full legal name
  - SIN
  - Address
- Proof of payment:
  - **Best evidence**
    - Bank statements showing:
      - E-transfers
      - Cheques cleared
      - Automatic withdrawals
      - Cancelled cheques
  - **Avoid**
    - Cash payments (hardest to prove)
    - Informal reimbursements without records

CRA typically wants to see:

- Dates
- Amounts
- Consistency with the agreement

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