

Arrive Finance Guide for International Students

At Arrive, our mission is to enable people from all walks of life to call Canada their home. We're dedicated to building and nurturing newcomer communities, so you feel supported as you transition to this country.

During your transition, income taxes aren't the first thing that comes to mind. But it's important you understand how taxes work early on in your newcomer journey.

The way taxes impact life in Canada, understanding the importance of paying your taxes on time every year to avoid penalties, and how to minimize the taxes you pay is all valuable information you need to know.

In this guide, we will take you through the key points that are essential during your first year in Canada.

We'll list some terms that will need to become familiar, guide you through the steps to prepare your income tax return, and suggest free services that can help you file your taxes.

Our goal with this guide is to make sure you're prepared to manage the expectations that come with paying taxes in Canada.

This guide is intended to provide you with general information about income taxes but it should not be viewed as providing tax, accounting or other professional advice.

Even with all the information in this guide, fully comprehending how taxes work in Canada is still complicated.

After reading this guide, we suggest you consult with a tax specialist through one of the free resources we provide near the conclusion.

Common questions about filing taxes as a newcomer to Canada

You probably have a lot of questions about filing taxes in Canada. We'll do our best to answer all of those throughout the guide. To get started, here are some frequently asked questions that are important for you to keep in mind.

When do I need to file my tax return?

If you are a [resident of Canada for tax purposes](#), you are required to file your tax return every year. For most individuals, your tax return needs to be filed by April 30. If you need more time to file, then a request must be submitted by April 15. If you own your own business in Canada, your return needs to be filed by June 15, but any taxes owing must be paid by April 30 to avoid interest or penalties. If you own your own business, you may have to pay your taxes quarterly (four times each year). If you are required to pay tax instalments, the deadlines to pay are January 15, April 15, June 15 and September 15.

What if I've only been in Canada for a couple of months? Or what if I haven't worked?

Tax returns are filed on a calendar year basis, which means that, you do not have to file a tax return in Canada until the year after you arrived in Canada. At the point in which you file your tax return, you are expected to report all income earned in Canada after you moved — regardless of whether you arrived at the beginning, middle or end of the year you are filing.

If you haven't worked or have no income from the year you are filing, you may still want to file a tax return so that the Canada Revenue Agency (CRA) can determine if you are eligible for certain credits and other benefits available to Canadian residents.

Who administers taxes in Canada?

Taxes in Canada are administered by the CRA (Canada Revenue Agency). They are also a source of information should you have any questions about the process.

How do I file my income tax return?

Your tax return can only be filed by mail during your first year in Canada. After that, you can file either by mail or electronically.

If I am an international student, do I need to file a tax return?

The short answer is maybe. Generally only residents of Canada need to file a tax return. To be considered a resident of Canada, the international student is required to have established significant residential ties to Canada. Significant ties may include a home (owned or rented), a Canadian bank account

or driver's license, or living with a spouse or dependents in Canada. International students who are considered residents of Canada may be eligible for a [GST credit](#), [tuition carry-forward credits](#), and other provincial credits or tuition rebates, so it may be in your interest to file a return if eligible. You can find more information regarding the details we've outlined on [the Government of Canada website](#).

Taxes contribute to Canada's culture and way of life

Paying taxes in Canada is important for a few reasons. It directly shapes how many of our systems function and determines what services our different levels of government can offer, along with impacting the cost of these services. Here are some things that taxes in Canada help fund:

- Our roads and some highways
- Our public and Catholic school systems
- Our health care system ([find out exactly what the government covers](#))
- Newcomer services to help get people like you acclimated

A benefit of filing your tax return is that you may be eligible for a refund. That means the government will give you a sum of money back if you overpaid your taxes for the year. If you receive a tax refund, you're able to use that money however you want.

It's also important to note that if you are a full-time employee working in Canada, your employer must withhold income tax from your paycheque and remit the amount directly to the CRA. The amount deducted for tax purposes will be outlined on pay stubs and summarized on your T4 slip provided by your employer.

Common tax terms you should know

You will need to understand the terminology in order to effectively file your taxes in Canada and take advantage of the benefits.

- **Income** — This refers to the total amount of money you earned over a year. Income for tax purposes does not only mean the money you earned from your job. If you receive spousal support, certain disability payments or earn money from an investment, these are all considered income under Canadian tax laws. We'll outline a more detailed list of potential income in the next section.

- Credits — Tax credits are applied to help minimize the amount of taxes you'll need to pay. Both the federal and provincial/territorial levels of government offer some tax credits.
- Deductions — Tax deductions are expenses you incur over the year that can be subtracted from your total income. It's a way to reduce the amount of taxes you pay.
- Dependents — Children under the age of 18, parents, or grandparents may qualify as dependents. In general, if a child, parent or grandparent who is living with you relies on you for financial and (in some cases) physical support, you may be able to claim them as a dependent. A number of specific circumstances determine qualifying dependents, so it is best to consult [the Government of Canada website](#) before claiming a dependent when filing your tax return.

Types of income in Canada

The term income as it refers to your taxes can mean a number of things. The Canadian tax laws consider many different sources of income, so it's important you are aware of what these income sources are. Some income sources include:

- Employment income
- Income from self-employment
- Investment income, such as interest, dividends and capital gains
- Scholarship and/or bursaries

[The Government of Canada website](#) has a full list of the types of income in Canada, along with their definition so you can gain a full understanding of what you are eligible to claim.

You may be eligible to claim certain non-refundable tax credits specifically for newcomers for the part of the year you were a resident in Canada. Some of these credits may include:

- Home accessibility expenses
- Home buyer's amount
- Tuition fees
- Medical expenses
- Donations and gifts

The Government of Canada website provides the extended list of eligible tax credits for newcomers, along with a detailed definitions to help you gain a full understanding.

Additional tax credits and benefits to consider

- [Canada Child Benefit \(CCB\)](#) — In order to claim this, you must live with a child under 18 and be the child's primary caregiver. The CRA uses information from your income tax and benefit return to calculate how much your CCB payments will be. You will need to file your return every year, even if you did not have income in that year, in addition to your spouse or common-law partner's individual tax return.
- [GST/HST Credit](#) — This is a common tax credit that applies to low-income Canadians. The amount varies according to your income and is paid out four times a year (quarterly). The CRA will determine if you are eligible for GST/HST credit when you file your tax return. You can file a tax return for the credit even if you did not receive income in that tax year.
- [Provincial and Territorial Benefits and Credits](#) — These benefits are unique to each province and your income is one of the main variables for eligibility. For example, the Ontario Energy and Property Tax Credit is for low to moderate-income residents of the province of Ontario.

Information and paperwork required to file your taxes

As a newcomer, you will need to prepare some information and paperwork in order to file your tax return. This information may include:

- Full name as stated on your government issued ID
- Address where you reside in Canada
- Social insurance number (SIN)
- Date of entry into Canada
- The date you established significant [residential ties](#) in Canada, which is determined by many factors, including your living arrangements, if you have a spouse, or if you own personal property such as a car or even furniture.
- Income from outside of Canada
- Prior to Canada employment information
- Dependent information

- Information about your spouse or common-law partner. Most importantly, you will have to include your spouse's net world income for the period you were resident in Canada. This is the amount of income they've earned or received inside or outside of Canada.
- Foreign assets over \$100,000 (if you have foreign assets with a cost amount over \$100,000, you will need to report them on form T1135 on your tax return)
- [T5 slip](#) (types of investment income such as interest and dividends)
- [T3 slip](#) (income received from investment in trusts such as mutual funds in non-registered accounts)

A full list of what you'll need to prepare can be found in the [Information Tax Package](#) available on the Government of Canada website. Be sure to select the province where you currently reside.

Understanding your T4 (Statement of Remuneration Paid) slip

A T4 is a record of how much money your employer paid you over one year. It also records other information relevant to your taxes, including any vacation pay, plus any deductions from your salary, such as withheld federal and provincial taxes, employment insurance and your Canada Pension Plan (CPP) contributions. For the amount of time that you worked as an employee in Canada during the tax year, your employer will send you a T4 slip. There is a section outlined in the Canadian tax return to apply the details from your T4.

Filing taxes for the part of the tax year you were not in Canada

You may have to report information regarding income before you resided in Canada. However, most income you made outside of Canada before your move does not have to be reported.

For the part of the tax year that you were not a resident of Canada, here are some examples of what you will have to report:

- Income from employment in Canada or from a business carried on in Canada
- Taxable capital gains from disposing of taxable
- Canadian property
- Taxable parts of scholarships, bursaries, fellowships, and research grants you received from Canadian sources.

Filing taxes for the part of the tax year you were in Canada

For the portion of the tax year that you were [a resident in Canada](#), you will be required to report your world income. Your world income consists of income from all sources both inside and outside of Canada. If Canada has a tax treaty with the country in which you earned the income, and there is a provision in the treaty that prevents Canada from taxing the type of income you received, part or all of your income could be exempt, but you still have to report the income on your return.

Please consult a tax professional before relying on any of these exemptions.

Filing taxes as a student in Canada

For students who are filing taxes, there are benefits you may be able to take advantage of such as tax deductions, credits or programs in the following areas:

- [Tuition](#) — If you paid for a course from a government certified post-secondary institution in Canada you may be eligible for a tax credit. You must be 16-years-old or older by the end of the year that you registered. You must also be taking a course to improve on skills for an occupation.

You will have to go through the same process of filing your taxes as a student. That involves gathering all of the information mentioned above.

Tax implications of owning property before coming to Canada

If you owned a home or other property outside of Canada, and you are selling it when you are a resident of Canada, then you will have to report the sale and pay tax on your profit when you file your tax return. There are special rules for calculating the amount that needs to be reported in your return. In this case, it is advised that you go to a tax expert for assistance.

How to file taxes

Seek a tax expert for assistance. Some companies offer specialized tax, accounting and other professional advice, as well as personal accountants who are licensed and qualified to assist with your taxes.

Most newcomers submit their first tax return by mail. Depending on your tax situation, you may be able to file it online. You'll have to include all the information listed in the Information Tax Package. It can take up to eight weeks until the CRA processes your return.

Ask a professional

Understanding all of the information included in a tax return can be complicated for most Canadians. We encourage you to [contact the CRA before filing your first return](#). They'll be able to answer your questions and ensure you don't miss any steps. There are also [free tax clinics](#) that the government hosts where you may be eligible to have someone do your taxes for you at no cost.

It's normal for many Canadians to hire a professional accountant to do their taxes for them. If you're able to do so, we encourage you to consider that option.

Filing taxes as a newcomer to Canada can seem daunting, but with the right knowledge and resources, you will be prepared. Read more about our [top financial tips for newcomers to Canada](#)

Arrive is powered by [RBC Ventures Inc](#), a subsidiary of [Royal Bank of Canada](#). In collaboration with RBC, Arrive is dedicated to helping newcomers achieve their life, career, and financial goals in Canada.

An important part of establishing your financial life in Canada is finding the right partner to invest in your financial success. RBC is the largest bank in Canada* and here to be your partner in all of your financial needs.

RBC supports Arrive, and with a 150-year commitment to newcomer success in Canada, RBC goes the extra mile in support and funding to ensure that the Arrive newcomer platform is FREE to all. Working with RBC, Arrive can help you get your financial life in Canada started – right now.

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