

2022 TAX PLANNING CHECKLIST

TAXPAYERS WITH INTERNATIONAL AND U.S. CONNECTIONS

The following checklist provides tactics you should consider as part of your year-end tax planning. If you need further explanation, please contact Chaplin & Co. LLP, Chartered Professional Accountants at 416 667 7060 or cpa@chaplinco.com.

- ☐ **Immigration and emigration** - Establish date on which you became or ceased to become a Canadian resident.
- ☐ **Non-residents** - Notify Canadian payees of interest and dividends to withhold and remit the appropriate amount of Canadian withholding tax.
- ☐ **Foreign reporting requirements** - Review your foreign holdings to determine if you have a reporting obligation. Individuals, corporations, trusts, and partnerships that own specified foreign property with a total cost exceeding C\$100,000 at any time in the year, are required to file form T1135.
- ☐ **Electronic commerce** - Ensure that your corporation is not subject to an unexpected tax bill from a foreign jurisdiction because it has an electronic presence in that jurisdiction.
- ☐ **Thin capitalization** - If your corporation has debt owing to a foreign lender that is a significant shareholder, consider whether the thin capitalization rules limit the deduction of interest on the debt. The rules limit the permitted debt/equity ratio to 2:1.
- ☐ **Transfer pricing** - If your corporation conducts business in a foreign country, ensure your documentation meets the requirements imposed by the Canadian transfer pricing rules for transactions with related parties.
- ☐ **Canadian RRSPs, RRIFs, RPPs and DPSPs** - If you are a U.S. citizen, green card holder or resident alien in 2022 and the beneficiary of one of the above retirement plans, determine what information needs to be provided to the Internal Revenue Service (IRS).
- ☐ **Investment holding company** - Consider establishing an investment holding company to hold U.S. assets to shelter such assets from U.S. estate tax.
- ☐ **Treaty-based tax return** - Determine whether you are conducting activities in the United States that require you to file treaty-based tax information disclosure returns.
- ☐ **State and municipal taxes** - Ensure you are complying with all state (and municipal) laws and taxes. Even if a Canadian business is exempt from U.S. federal income tax under the Canada-U.S. Tax Treaty, it may be subject to state income, franchise and other taxes. Further, some municipalities impose taxes in addition to property taxes.
- ☐ **Foreign source income** - If you received foreign source income that was subject to withholding tax, determine whether the income needs to be reported in the foreign country. Also, determine whether the tax can be claimed as a credit in your Canadian tax return.
- ☐ **U.S. estate tax** - Determine whether your property holdings will be exposed to U.S. estate tax, particularly if you own shares in U.S. corporations, U.S. real estate, interests in U.S. partnerships, debt obligations issued by U.S. residents or any personal property located in the U.S.
- ☐ **Single purpose corporation** - If you hold U.S. personal-use property through a single-purpose corporation, consider alternative ways to hold the property to avoid adverse tax consequences of a change in the CRA's policy.
- ☐ **Foreign affiliate reporting** - If you own shares in a foreign affiliate that meets the eligibility requirements, you will have to file T1134, Information Return Relating to Controlled and Non-Controlled Foreign Affiliates, no later than 10 months after the end of your taxation year or fiscal period.