

HERZLICH WILLKOMMEN!

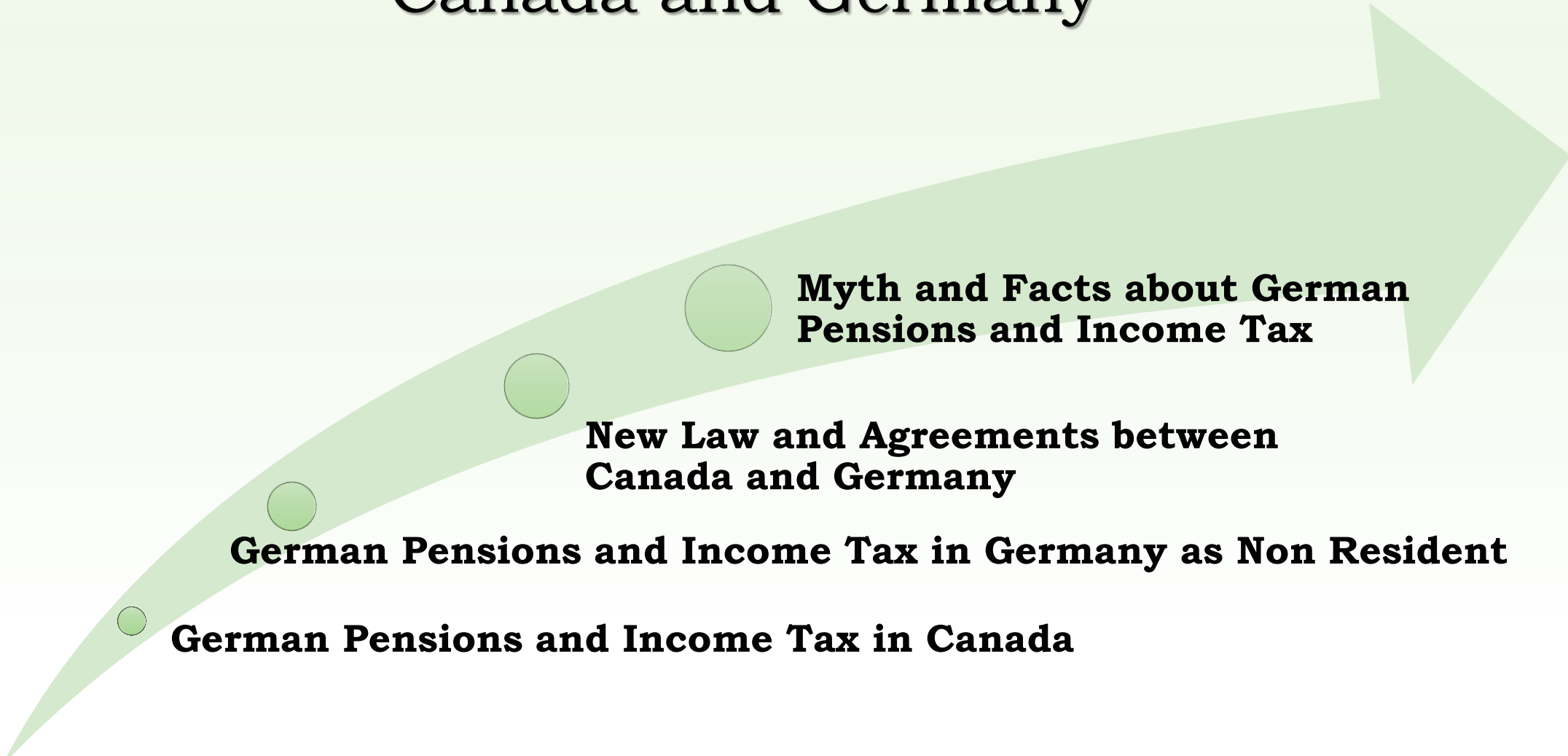


(AUSSER SIE SIND VOM FINANZAMT)

German Pensions and Income Tax in Canada and Germany



German Pensions and Income Tax in Canada and Germany

- 
- Myth and Facts about German Pensions and Income Tax**
 - New Law and Agreements between Canada and Germany**
 - German Pensions and Income Tax in Germany as Non Resident**
 - German Pensions and Income Tax in Canada**

German Pensions and Income Tax in Canada

- Canada levies personal income tax on the worldwide income of individuals resident in Canada including all items of income.
- Full amount of the German Pension without reduction must be entered on Line 115 as other Pension.
- Certain deductions are allowed
- The non-taxable amount of the German pension is a deduction in Line 256.
- German income tax paid can be claimed as a Foreign Tax Credit in Line 405



German Pensions and Income Tax in Germany as a Non Resident

- German Pension can be taxed limited or unlimited
- It should be checked whether the non-German income is below the basic amount. The world income is treated like German income. Example: Old Age Security Pension non taxable portion based on 2005 is \$2,853
- In the case of limited tax liability, the part of the pension is taxed without deductions.
- Unlimited taxation results in a small or zero amount of income tax because it takes account of taxable world income and various tax credits. Example: Interest below 801 Euro is non taxable; Tax paid on foreign income can be claimed also.



New Law and Agreements between Canada and Germany

1. Agreement between the Federal Republic of Germany and Canada on the avoidance of double taxation on income and certain other taxes (March 28, 2002; DBA Abkommen)
2. Agreement between the Federal Republic of Germany and Canada under article 27 (Assistance in Tax Collection) on the avoidance of double taxation on income and certain other taxes (October 22, 2013)
3. Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (October 29, 2014)
-> Canada begins with the data exchange September 30, 2018



Myth and Facts about German Pensions and Income Tax (1)



- I don't claim my German Pension on my Canadian income tax return because I pay income tax on my pension in Germany. Otherwise it would be double taxation!
- Wrong!
- ✓ The income tax paid to Germany is treated in Canada as foreign tax paid. A taxpayer claims a foreign tax credit on the Canadian tax return. Not indicating income on the Canadian tax return is tax evasion.

Myth and Facts about German Pensions and Income Tax (2)

- Canada Revenue Agency doesn't know that I receive a German Pension. There is no way they can find out.
- Wrong!
- ✓ Your pension is paid from the German Pension Department into your Canadian bank account. Regular payments from other countries can be requested in a case of suspected tax evasion by Canada Revenue Agency. Beginning September 2018 Canada and Germany will be sharing financial information like bank statements and SIN or Tax ID number.



Myth and Facts about German Pensions and Income Tax (3)

- I haven't paid the income tax I owe to Germany. After I pass away the German taxes will no longer be a problem.
- Truth - but only for you!
- ✓ Your estate becomes responsible to pay the tax debt to Germany and Canada.

Your Trustee handling the administration of your estate can be held personally responsible for the tax debt if it's not properly paid out of the estate. Canada Revenue Agency has access to the Will and will not issue a "Clearance Certificate" if there is an outstanding balance owing.

The German Tax Department can apply for help to claim to claim tax debt in Canada up to 30 years by law.



Myth and Facts about German Pensions and Income Tax (4)

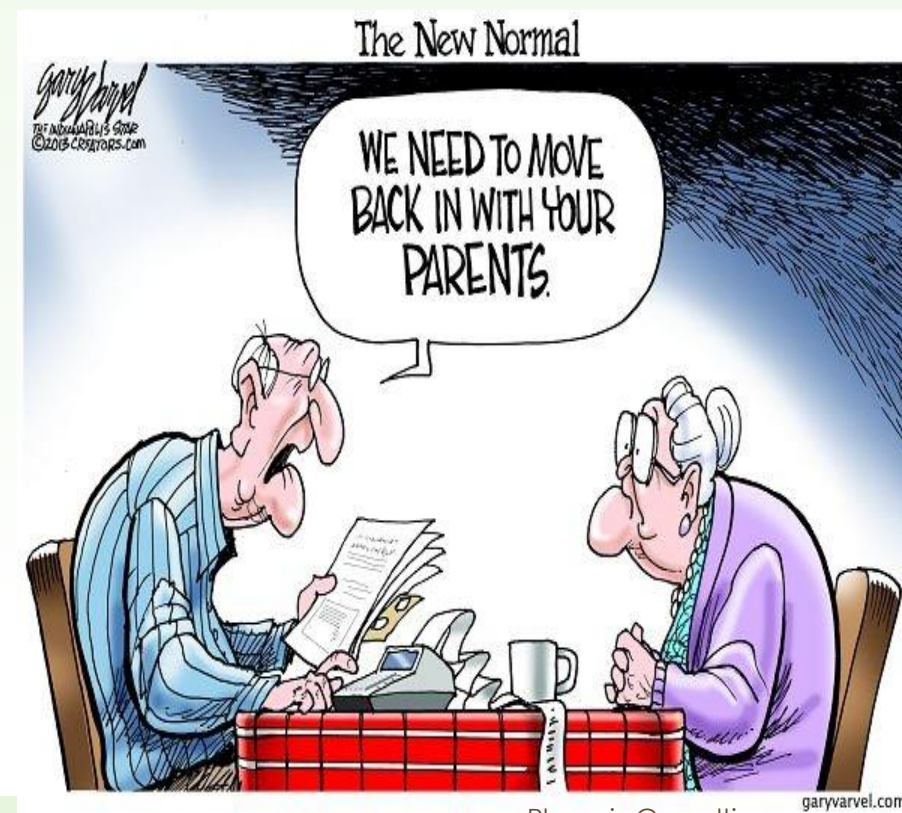
- I keep my German Pension in my German bank account. Canada Revenue Agency doesn't know this.



- Truth until September 2018
- ✓ Germany and Canada will exchange financial information under a new agreement. Now Canada Revenue Agency will know about the income and a request or reassessment of the income tax in Canada is highly possible. The Government will charge penalties and interest also.

Myth and Facts about German Pensions and Income Tax (5)

- The German Tax Department calculates my German Tax and sends me a Notice of Assessment for 2 or more years. I don't need to file a German income tax return.
 - True until tax year 2014
 - ✓ Beginning with the tax year 2015 filing a tax return is mandatory. The Tax Department will still file your German tax return but charge you penalties and interest and only a limited tax return. In order to obtain an unlimited tax return, it is necessary to prepare a complete German tax return.



YOU NEED HELP?

ASK THE PROFESSIONALS

- ✓ German Pension Consulting
- ✓ German Income Tax Returns (Efile License)
- ✓ Canadian Personal, Corporate & Trust Returns
- ✓ US Income Tax Returns
- ✓ Bookkeeping Service
- ✓ Home Pick Up and Delivery

OPEN YEAR AROUND



© Andrey Popov - Fotolia.com

#76600320



XBloxTaxes



Phoenix Consulting

(a division of XBlox Taxes)

Manuela Doolittle-Roehr

327 Queenston Road, Hamilton, ON L8K 1H7

3 blocks west of the Red Hill Pkwy.

All Personal, Corporate & Trust Returns

German & Canadian Tax Returns

(U.S. tax returns arranged)

German Pension Consulting

Home Pick-Up & Delivery

Phone 289-389-8777

Fax 289-389-7555

xbloxtaxes3@gmail.com

