

The Road to Canadian Citizenship ¹

In the last few years Canada has become more attractive as a destination for would-be immigrants. The country invariably scores near the top of various international life-style country rankings.

For starters, Canada has a very stable political and financial system, which stood up well during the 2008 Credit Crisis. Canada is also widely recognized for its health care system that is accessible to all its residents, yet it boasts the lowest corporate tax rate among the G-8 nations.

Moreover, Canada is the second largest country in the world (bigger than either the United States or China), but has a population that is roughly the same as just Pennsylvania, Michigan and Ohio combined. As a result, Canadians enjoy a high standard of living due to their abundant agriculture and natural resources (including water, timber, hydrocarbons and minerals), which is spread out over very few individuals.

Among those who have been increasingly looking at Canada as an option for residency and citizenship are high-net-worth Americans. As the U.S. debt grows to unmanageable heights and the government is increasingly applying new force and security measures, Americans are seeking refuge for safety and a chance at future prosperity. Canada is familiar to most Americans and it is geographically located for easy access from anywhere in the US.

Generally speaking, there are two options for Americans to become a citizen of Canada. The first is the Quebec Investor Program. This program entitles the applicant to immediate permanent resident status (the precursor to citizenship) upon approval of the application and the investment of \$800,000 CAD with the government of Quebec. Most banks in Canada will lend the investment amount to the applicant but there is a net worth threshold of \$1.6M. Canadian citizenship is obtained in three years from the date obtaining permanent residence.

The second option is to obtain a work permit in Canada first and then apply for permanent resident status. What is unique for Americans is the ability to obtain residency through employment or investor programs under the North American Free Trade Agreement (NAFTA).

The Treaty Investor classification allows an American to come to Canada to direct and develop the operations of an enterprise in which he or she has invested a substantial amount of capital. The subject investment must be lawfully acquired or created and involve capital at commercial risk.

The Professional or “TN” classification allows an American working in one of the professions listed in Appendix 1603.0.1 of NAFTA to petition for a work visa at any point of entry into Canada. There is no annual limit on the number of admissions under the Professional category from the United States but a job offer is needed.

Dependents (spouses and unmarried children under 21 years of age) are entitled to live in Canada and may attend school, but may not be employed except in the case of the spouse of a principal applicant under the Treaty Investor classification, who is entitled to a work permit.

Once permission to work is obtained, an application for permanent residency status can be started, which takes between 18-24 months for approval. After obtaining PR status, you can apply for citizenship in about two more years.

Dual citizenship is legal in both Canada and the United States. Moreover, Americans acquiring Canadian citizenship do not automatically lose their US citizenship.

Americans can voluntarily renounce their US citizenship by applying to the US government. Any applicant must be up to date on all tax and foreign bank account filings.

Anyone renouncing their American citizenship loses their rights in respect of the United States, including their US passport. Subsequent entry into the US requires a visa. However, under NAFTA Canadian entry into the US is granted on the spot at the port of entry without application to a Consulate for a visa.

Americans are taxed based on their citizenship. Canadians are taxed, not based on citizenship, but rather on residency. Generally speaking, Canadians who live outside of Canada do not pay taxes in Canada. Americans who live outside of the United States are entitled to exclude from their taxable income approximately \$90,000 of foreign earned employment income, plus housing costs.

Many Canadian residents avail themselves of planning that creates a third party entity that is legally a non-resident of Canada. Certain investment and business income can grow tax free under such planning. In short, there are a number of opportunities for tax mitigation for Canadians that are not available to Americans.

Finally, with the imposition of FATCA (Foreign Account Tax Compliance Act) by the US on financial institutions around the world, many banks and investment brokers will no longer accept Americans as account holders. In addition to all of the other benefits of obtaining Canadian citizenship, American immigrants can use their Canadian citizenship to open bank accounts and invest funds worldwide without restriction.

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