Roth Accounts for Canadian Residents – Maintaining Tax Benefits

Tax benefits of U.S. Roth accounts

As you know, U.S. Roth accounts have two primary tax benefits:

- Investment income earned in the accounts is not taxable as earned. Taxation is either deferred until the date of withdrawal (in limited circumstances) or never occurs (in most cases).
- If certain conditions are met, distributions from the accounts are not taxable in the year of withdrawal.

Canadian treatment of Roth accounts

Canadian tax law does not provide for the same benefits for Roth accounts. Without the special election described below, investment income in the Roth account would be taxable as it is earned.

One-Time Election under Article XVIII(7) of the Canada-U.S. Income Tax Convention

Article XVIII(7) of the Canada-U.S. Income Tax Convention allows new Canadian tax residents, in the first year in which they become tax residents of Canada, to file a one-time election to defer taxation of any income accruing in their Roth IRA/401(k) for all taxation years ending before or after the date of the election, **until such time as a Canadian contribution is made.**

This technical language simply means that the income earned in the Roth account each year isn't taxable **unless you make a Roth contribution after coming to Canada**. **It is very important that you don't make a contribution to a Roth account (including a rollover from a traditional IRA) while you live in Canada.**

To file this election for you (which is a standard part of our services), we need the following information for each Roth account:

- Please complete the information on the following page
- Copies of the Roth account investment statements from the month end before and after coming to Canada (i.e. if you arrived in Canada on August 12, you would provide the July 31 and August 31 statements)

If you have any questions about the information in this document, please reach out and we will help you.