



Northern Residents Deductions for 2016

The purpose of this information sheet is to provide you with general information about the northern residents deductions and answer some frequently asked questions.

What form is used to calculate the northern residents deductions?

Form T2222, Northern Residents Deductions, is used to calculate the northern residents deductions and contains instructions to help you complete the form. Once Form T2222 is completed, enter the amount from **line 19** of Form T2222 on to **line 255** of your personal income tax return.

Do you qualify for the northern residents deductions?

The northern residents deductions are generally available when an individual **lives in one or more prescribed zones throughout a period of at least six consecutive months beginning or ending in the tax year** for which a tax return is being filed. For more information about the places located in these zones, go to cra.gc.ca/northernresidents or call **1-800-959-8281**.

What are the northern residents deductions?

The northern residents deductions consist of a deduction for:

1. living costs (referred to as the residency deduction); and
2. travel benefits

These deductions provide relief to those who live in a prescribed zone for at least six consecutive months beginning or ending in the tax year and recognize that such individuals are often faced with a higher cost of living, environmental hardships, and limited access to services.

Do you qualify for the residency deduction?

The residency deduction is for living in a prescribed zone throughout a period of at least six months and is available to all members in your household. The amount you can claim will depend on whether you live in a **northern** zone or an **intermediate** zone. For more information about the places located in these zones, go to cra.gc.ca/northernresidents or call **1-800-959-8281**.

If you live in a **northern** zone, you can claim the basic amount of \$11 for each day that you lived in the northern zone. You can claim an additional residency amount of \$11 per day if you maintained and lived in a **dwelling** in the northern zone during that time and are the only person in your household claiming the basic residency amount.

If you live in an **intermediate** zone, you can claim the basic amount of \$5.50 for each day that you lived in the prescribed intermediate zone. You can claim an additional residency amount of \$5.50 per day if you maintained and lived in a **dwelling** in the intermediate zone during that time and are the only person in your household claiming the basic residency amount.

A **dwelling** is a self-contained domestic establishment. Generally, this is a complete and separate living unit with a kitchen, bathroom, sleeping facilities, and its own private access. To help you determine if you lived in a dwelling in the prescribed zone, refer to the instruction sheet of Form T2222.

The residency deduction is calculated on Step 2 of **Form T2222, Northern Residents Deductions**.

Example 1

Katie and her husband John moved from Vancouver, British Columbia to their new house in **Old Fort, Alberta** on March 15, 2016. Old Fort, Alberta is listed as a prescribed **northern** zone based on the list available at cra.gc.ca/northernresidents. Katie and John **lived in the prescribed zone for at least six consecutive months** (March 15, 2016 to December 31, 2016 = 8.5 months [292 days]). Therefore, Katie and John are each entitled to claim the basic residency amount for 292 days in 2016. However, John does not need to claim the northern residents deductions for 2016 as he did not have taxable income in 2016. Katie can claim \$11 for each day that she lived in Old Fort (292 days) and an additional residency amount of \$11 per day as she maintained and lived in a house (which is considered a dwelling) during the 8.5 months and is the only person in her household claiming the residency deduction. Katie will complete the **“Zone A”** section in Step 2 - Calculate your residency deduction of Form T2222, Northern Residents Deduction.

Example 2

Assume the same facts as in Example 1, however Katie and John move to **Vanrenna, Alberta** instead. Vanrenna, Alberta is listed as a prescribed **intermediate** zone based on the list available at cra.gc.ca/northernresidents. Therefore, Katie and John are each entitled to claim the basic residency amount for 292 days in 2016 as Katie and John **lived in a prescribed intermediate zone for at least six consecutive months**. Katie can claim \$5.50 for each day that she lived in Vanrenna (292 days) and an additional residency amount of \$5.50 per day as she maintained and lived in a house (which is considered a dwelling) during the 8.5 months and is the only person in her household claiming the residency deduction. Katie will complete the **“Zone B”** section in Step 2- Calculate your residency deduction of Form T2222, Northern Residents Deduction.”

Do you qualify for the deduction for travel benefits?

If you received travel assistance (such as airline tickets or a trip on the company owned plane) from your employer or a travel allowance or a lump-sum payment from your employer and you actually incurred expenses for travel for personal reasons, you can claim a travel benefits deduction for that travel. You can only claim this deduction for a trip that you or your household members (who lived with you at the time of the trip) actually took for vacation, family or medical reasons and that started from a prescribed zone. You cannot claim this deduction for travel required by your employer or related to your employment.

In addition to living in a prescribed northern or intermediate zone for at least six consecutive months, in order to claim the deduction for travel benefits, you and your employer cannot be related and you must have included the travel benefit amount received from your employment in the prescribed zone in your income. Usually your employer includes this amount in box 32 or 33 of your T4 slip or in box 028 or box 116 of your T4A slip.

The deduction for travel benefits amount is calculated as the **lowest of the following three amounts**:

1. The value of the travel benefit received from your employer;
2. The actual amount that you spent on your trip; and
3. The lowest return airfare available at the time of the trip between the airport closest to your residence and the **nearest designated city** (the **nearest designated cities** are: Vancouver, BC,

Calgary, AB, Edmonton, AB, Saskatoon, SK, Winnipeg, MB, North Bay, ON, Toronto, ON, Ottawa, ON, Montreal, QC, Quebec, QC, Moncton, NB, Halifax, NS, St. John, NL).

The deduction for travel benefits is calculated in Step 3 of Form T2222, Northern Residents Deductions. Please refer to the instruction sheet of Form T2222 for detailed instructions on claiming a travel benefits deduction for vacation, family or medical reasons.

Example 3

Katie and John moved from Vancouver, British Columbia to their new house in **Old Fort, Alberta** on March 15, 2016. Old Fort, Alberta is listed as a prescribed **northern** zone based on the list provided on cra.gc.ca/northernresidents.

Katie started working at Smith Co. in Old Fort, Alberta and received a travel allowance from Smith Co. of \$5,000 in 2016. The \$5,000 travel allowance is included in box 32 of Katie's 2016 T4 slip from Smith Co. On November 1, 2016, Katie flew back to Vancouver, British Columbia to visit her mother and spent \$2,805 on travel expenses. The lowest return airfare available at the time of the trip was \$3,000.

The **first step** is to determine whether Katie's travel expense qualifies for the deduction for travel benefits. It appears that all three conditions are met:

1. Katie lives in a prescribed northern zone for at least six consecutive months;
2. Katie and Smith Co. are not related; and
3. The \$5,000 allowance received from Smith Co. is included in Katie's income

The **second step** is to calculate the amount Katie can claim as a deduction for travel benefits. Katie will complete Step 3 of Form T2222, Northern Residents Deductions. She will include her name as the person who took the trip in "Column 1" and the purpose of her trip (family reasons) in "Column 2".

The deduction for travel benefits amount is calculated as the **lowest of the three amounts**:

1. The value of the allowance received from Smith Co : \$5,000 (Column 3)
2. **The actual amount of Katie's trip: \$2,805 (Column 4)**
3. The lowest return airfare available at the time of Katie's trip between the airport closest to Old Fort which is Edmonton and the nearest designated city which is Vancouver: \$3,000 (Column 5)

As Old Fort, Alberta is listed as a prescribed **northern** zone based on the list available at cra.gc.ca/northernresidents, Katie will enter \$2,805 under the "**Zone A**" Column in Step 3.

Frequently asked questions

Question 1

Can I claim the residency deduction even if I am not claiming the deduction for travel benefits?

Answer 1

Yes, you can claim a residency deduction even if you are not claiming a deduction for travel benefits. Each deduction is calculated separately in Step 2 (residency deduction) and Step 3 (deduction for travel benefits) of **Form T2222, Northern Residents Deductions**.

Question 2

Can I claim the residency deduction and travel benefit deduction if I lived in a prescribed zone from January 1, 2016 to April 15, 2016?

Answer 2

No. You must have lived in a prescribed zone for a period of time that was continuous and lasted at least six consecutive months beginning or ending in the tax year. This requirement applies to both the residency deduction and the travel deduction.

Question 3

I moved to Beaver Lake, Saskatchewan on November 30, 2016. Can I claim the residency deduction on my 2016 tax return?

Answer 3

The northern residents deductions are generally available when an individual lives in one or more prescribed zones throughout a period of at least six consecutive months **beginning or ending in the tax year** for which a tax return is being filed. At the end of the 2016 tax year you lived in a prescribed northern zone for one month. Therefore, at the time you file your 2016 tax return you do not yet qualify. File your 2016 tax return without claiming the residency deduction. When you qualify (May 31, 2017), you can ask us to adjust your 2016 tax return to include a residency deduction of \$352 [$\11×32 days - November 30, 2016 to December 31, 2016] for the time you lived in the prescribed zone in 2016. To adjust your 2016 tax return, follow the instructions in the General Income Tax and Benefit Guide under the heading "**How to change a return.**"

Question 4

Am I eligible to claim the northern resident deductions if I was absent from a prescribed zone for medical reasons?

Answer 4

Depending on the particular facts and circumstances, an extended absence from a prescribed zone may be considered **temporary**. You are required to determine if your absence from a prescribed zone is considered temporary. **Temporary** absences from a prescribed zone (e.g., vacations, medical leave or temporary work assignments) do not usually affect the continuity of your qualifying six month period. In such situations, you are still considered to live in a prescribed zone, even while you are not physically present in this zone.

Question 5

How do I know if my absence from a prescribed zone is **temporary**?

Answer 5

Whether your absence from a prescribed zone is considered temporary will depend on your specific facts. The longer the duration of an absence provides more of an indication that the absence is no longer temporary. Factors which may suggest that an absence is **temporary** could include:

- You intended to return to your residence when leaving the prescribed zone;
- You actually returned to your residence in the prescribed zone;
- Your family remained at the residence in the prescribed zone;
- You did not establish another residence outside the prescribed zone, change your mailing address, move household effects and belongings, etc.;
- Your residence in the prescribed zone was available for your use throughout the absence period (e.g., the residence was not sold, rented, or otherwise occupied, and was maintained for your use at all times during the absence period).

Question 6

Do I need to keep documents to support my claim for the northern residents deductions?

Answer 6

- If you are **filing electronically**, keep all your supporting documents in case we ask to see them at a later date.
- If you are **filing a paper return**, attach your completed Form T2222, but do not send your other supporting documents. Keep all of your documents in case we ask to see them at a later date.

For more information

- See the current version of **Form T2222, Northern Residents Deductions**;
- Go to cra.gc.ca/northernresidents or call 1-800-959-8281.