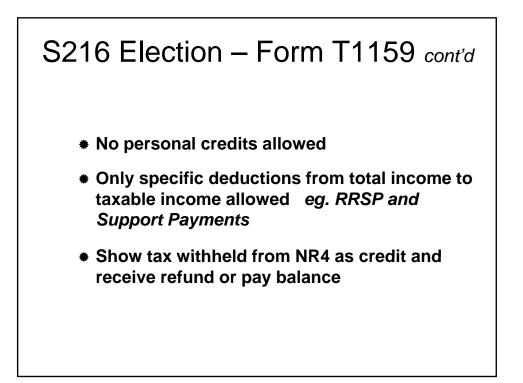


#### Non-Residents Owning Rental Property in Canada "The Regular System" \* 25% of gross rent to be withheld and remitted to CRA as paid \* Canadian resident agent must remit to CRA \* Need a non-resident account number set-up with CRA \* File an NR4 showing total tax withheld for year by

- File an NR4 showing total tax withheld for year by March 31<sup>th</sup>
- \* File an S216 Election if desired to get tax back

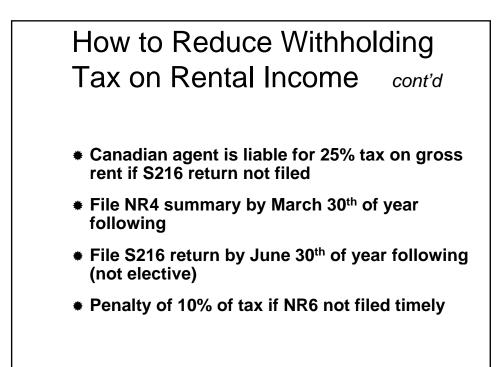
# S216 Election – Form T1159

- Due within 2 years from end of taxation year in which rents received
- Must file with actual rents received and actual expenses (including CCA)
- Can not carry forward losses
- Only rents and timber royalties and related expenditures allowed on return



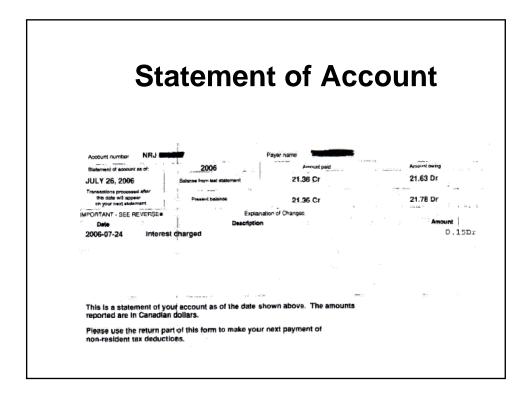
### How to Reduce Withholding Tax on Rental Income

- Complete NR-6 with expected gross income, expected expenses (without CCA) and expected net income
- File with CRA prior to first payment being received – file in Nov/Dec for following year
- Remit 25% tax on net amount monthly
- Must have a Canadian agent identified, sign form and remit tax



### Example Time Line For Rental Property in 2009

- \* November 2008 file NR6 for 2009 year
- Jan Dec 2009 file 25% withholding on estimated rental profit (not considering CCA) from NR6 calculation
- Mar 31, 2010 file NR4 detailing taxes withheld
- \* June 30, 2010 file S216 T1 return



### Sale of Taxable Canadian Property by a Non-Resident

- Purchaser is obliged to collect tax as a prepayment by non-resident
- \* Canadian T1 return is required to be filed
- 25% of purchase price
- Unless non-resident has filed form T2062 or T2062A
- Then, 25% of estimated capital gain must be remitted from T2062 calculation

#### Sale of Taxable Canadian Property by a Non-Resident

- CRA checks each one and verifies proceeds and cost
- T2062 must be filed prior to close of transaction or within 10 days after date of sale
- Issued a certificate to show taxes paid
- Still required to file a Canadian income tax return by April 30<sup>th</sup> of following year
- If claimed CCA then recapture may be applicable
- Overpayment is refunded to you and balance owing is due on April 30<sup>th</sup> of following year.

# Voluntary Disclosure Re: Non-Residents \* IC00-1R "Voluntary Disclosure Program"

- CRA provides non-residents opportunity to latefile S216 returns if following conditions are met:
  - Voluntary
  - Complete disclosure
  - · Involves a penalty
  - · Information must be at least one year past due
- One time only allowed
- Extension allowed to late-file a S216 return

