

This Guide is meant for Non-Residents of Canada that own rental properties in Canada.

Overview

A non-resident of Canada must file a section 216 return if any of the following conditions apply:

1. Received rental income from real or immovable property in Canada.
2. Received timber royalties from Canadian timber resource property.
3. Disposed of rental property and previously claimed capital cost allowance on a section 216 return. As a result of the sale, a recapture of the CCA occurred.

Expectations by Canada Revenue Agency (CRA)

The non-resident must **withhold and remit non-resident tax at a rate of 25%** of either the **gross rental income** amount (*if no NR6 is prepared*) or the net rental income amount (*if an NR6 is approved by CRA*).

The payer of the non-resident tax, which may be the tenant or property manager, must make the payment to CRA **on or before the 15th day of the month following the month the rental income was paid.**

- i.e. for rental income earned in January, the tax must be remitted to CRA no later than February 15th.

How to Remit the Non-Resident Tax to CRA

The non-resident must set up a **non-resident account number** by calling CRA.

- 1-855-284-5946 (*From anywhere in Canada & the United States*)
- 613-940-8499 (*From outside of Canada & the United States*)

CRA will provide the non-resident account number and instructions on how to make the deductions

Details on making the remittance can be found through the following link www.canada.ca/payments.

Failing to Remit the Non-Resident Tax

CRA may apply a penalty for a non-resident who fails to remit tax when:

1. The non-resident deducts the tax but fails to remit.
2. CRA receives the amount deducted past the due date.

Summary of penalty for remitting late:

Days Late	Penalty
1-3	3%
4-5	5%
6-7	7%
+7 or never remitted	10%

If you were assessed this penalty more than once, CRA may assess a 20% penalty for the second or later failures.

Filing Requirements for the Section 216 Return

An NR4 slip must be attached to the back of your section 216 return.

- Image of an NR4 slip:

The image shows a sample NR4 slip from the Canada Revenue Agency. The slip is titled "NR4 Statement of Amounts Paid or Credited to Non-Residents of Canada" and "État des sommes payées ou créditées à des non-résidents du Canada". It contains several sections for data entry:

- Header:** Canada Revenue Agency / Agence du revenu du Canada.
- Fields 10-13:** Year (10), Recipient code (11), Country code (12), Payer or agent identification number (13), and Foreign or Canadian tax identification number (19).
- Fields 14-18:** Income code (14), Currency code (15), Gross income (16), Non-resident tax withheld (17), and Exemption code (18).
- Fields 24-28:** Similar to 14-18, but for a second line (Ligne 2).
- Section 1:** Non-resident recipient's name and address (Nom et adresse du bénéficiaire non-résident). This section includes fields for individual's surname, first name and initial, and address.
- Section 2:** Name and address of payer or agent (Nom et adresse du payeur ou de l'agent).
- Section 3:** Non-resident account number (Numéro de compte non-résident), with a box for "NR" followed by several empty boxes for digits.

At the bottom, there is a privacy notice and the Canada logo.

The NR4 slip shows the gross rental income and non-resident tax withheld and remitted for the taxation year.

Note: If you are a co-owner (*i.e. you and your spouse each own 50% of the rental property*), an NR4 slip **must** be prepared for each co-owner and should reflect each co-owners share of the gross income and non-resident tax withheld.

The NR4 slip and summary **must be submitted to CRA by March 31st.**

If the NR4 slip and summary is **filed late or never filed**, CRA may assess a penalty of **\$100.**

Who Prepares the NR4 Slip & Summary?

If you have an agent (*i.e. a property manager*) they typically prepare the NR4 slip.

However, if your agent did not prepare the NR4 slip, Madan Chartered Accountant can prepare it.

What if you have no Agent?

If a non-resident does not have an agent, then an NR4 Pro Forma must be prepared.

An **NR4 Pro Forma** is a letter sent to CRA requesting that CRA prepare the non-resident's, NR4 slip.

The non-resident can prepare the NR4 Pro Forma or Madan Chartered Accountant can prepare it.

Information required for the NR4 Pro Forma:

- Non-resident's name
- Non-Resident Account Number
- Social Insurance Number
- Tax Year
- Rental Property Address
- Gross Rent for the tax year
- Non-Resident Tax withheld and remitted for the tax year.

Note: If the rental property is co-owned an NR4 Pro Forma must be prepared for each co-owner. The gross rent and non-resident tax withheld should represent each co-owners share.

The NR4 Pro Forma **must be submitted to CRA by March 31st.**

When filing the section 216 return, if we have not yet received the NR4 slip by CRA, we attach the NR4 Pro Forma to the section 216 return and request CRA to attach the slip to the return.

Optional Filing: NR6

An **NR6** allows the non-resident to **withhold and remit non-resident tax at 25%** of the **net rental income amount** instead of the gross rental income amount.

In order to file an NR6, the non-resident **must** appoint an individual to be their agent. The agent can be a property manager or another person such as a family member.

- The agent is expected to act on behalf of the non-resident(s)
- The agent must be a resident of Canada.

Important Note: The agent must continue to withhold and remit the non-resident tax at 25% of the gross rental income amount until they receive in writing from the CRA that their NR6 has been approved.

To prepare the NR6 form, the non-resident must provide an estimation of the expected gross rental income and expenses for the next tax year.

When submitting the NR6 form, a breakdown of the expected expenses must be attached.

When is the NR6 Due?

The NR6 should be filed on or before **January 1st of each year.**

When is Section 216 due?

If an NR6 was approved the section 216 return is due on or before **June 30th**

If no NR6 was prepared or approved the section 216 return is due **2 years from the end of the year the rental income was paid to you.**

If you **disposed of the rental property** and are including a recapture of the CCA you must file the section 216 return by **April 30th.**

Filing Requirement if you dispose of Rental Property

The non-resident must notify CRA of the disposition of the rental property within 10 days from the date the property was disposed.

The non-resident must fill form T2062 <http://www.cra-arc.gc.ca/E/pbg/tf/t2062/t2062-16e.pdf> .

- This form is a request for a certificate of compliance relating to the disposition and it gives notice to CRA.

If you claimed CCA in prior section 216 returns and you disposed of the property, the section 216 return for the current period must include a recapture of the CCA.

- The recapture is inputted on line 126.

If a terminal loss occurred as a result of the disposition, the loss must also be reported on line 126.

Non-Resident Account Authorization

• If a Madan Chartered Accountant is preparing the NR4 Slip, NR4 Pro Forma, NR6 or if you need a Madan Chartered Accountant to contact the CRA Non-Resident Withholding Department on your behalf. You must first authorize us by mailing an **ORIGINAL** signed **NR 95** Form to following address as per CRA policy:

Non-Resident Withholding Section
Sudbury Tax Centre
Sudbury ON P3A 5C1
Canada

Our Accountant will provide you instruction on how to fill out the NR95 Form.

Penalty for Failing to fill T2062

Failure to fill form T2062 within 10 days after the date of disposition will result in a penalty of \$25 a day.

- The minimum penalty is \$100
- The maximum penalty is \$2,500.

Note: If you co-own the rental property, each co-owner must fill form T2062. Failure to do so will result in each co-owner having to pay the penalty fee.

Balance Owing Due Date

If you have a balance owing you should pay it **on or before April 30th.**

Interest is charged for balance owing starting May 1st.

Madan CA Requirement to Prepare Section 216 Return

The non-resident must complete 2 documents:

1. Section 216 and/or 116 Checklist
2. Rental Income & Expense Spreadsheet for the current taxation year

If the non-resident would like to have an NR6 prepared they must fill an additional document:

- Estimated rental income & expense spreadsheet for the next taxation year

Madan CA Fees

Form	Fee	
	Individual	Joint Price
Section 216	\$350	\$450
NR4 Slip/NR4 Pro Forma	\$100	\$150
NR6	\$150	\$200

Summary of Electing Under Section 216

