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### Providing professional tax services for:

- **Business Owners/Managers/Contractors**
- **Employees with Expenses**
- **Executives and Professionals**
- **Investors and Rental Property Owners**

## NON-RESIDENT OF CANADA INCOME TAX CHECKLIST

NOTE: IF THIS CHECKLIST IS NOT APPROPRIATE FOR YOUR CIRCUMSTANCES, PLEASE CONTACT OUR OFFICE TO DISCUSS ALTERNATIVE ARRANGEMENTS.

Use this checklist if you are or became a Non-resident (deemed or otherwise) of Canada during the period the tax year. If you are unsure of your residency status, please contact us to further discuss your circumstances.

This checklist will assist you in assembling information necessary to prepare your income tax return(s). By completing this checklist and enclosing all supporting documentation, you will assist us in ensuring your return is prepared in an accurate and complete manner. Several of the following questions relate to the simultaneous preparation of tax returns if we are preparing returns for your spouse and other family members. Simultaneous tax return preparation ensures a higher degree of accuracy and possibly a **lower family tax bill**.

This checklist is only a guide so if you feel other pertinent information or remarks may be helpful, include these in the appropriate sections or on a separate note. Some items may not apply to your circumstances so strike out the section or mark NA, as required.

Included with this checklist are details concerning filing deadlines and instructions indicating what to do once you have completed this checklist.

## IMPORTANT FILING DEADLINES TO REMEMBER

### **Form NR6 Undertaking to File an Income Tax Return by a Non-Resident Receiving Rent from Real Property – Due January 1<sup>ST</sup> of each year.**

As a non-resident of Canada, please note the following as a reminder of the basic rules concerning your tax filing position.

The standard rate of tax withholding from rents received on the rental of immovable property is 25%. This rate of tax withholding can be reduced to as low as 0% by the filing of Form NR6 with the CRA. This form is prepared for each beneficial owner of the property by your property manager, and submitted to the CRA before the collection of any rents for the current year. If approval of Form NR6 by the CRA was not received before collection of current year rents, then your property manager should have withheld an amount equal to 25% of rents collected and forwarded the withholding amount to the CRA. Your property manager issues a NR4 slip as mentioned below showing the amount collected and withheld.

Alternatively, you do not have to file the NR6 form but can simply contact your property manager to withhold 25% of your monthly gross rents and remit these funds to CRA. Any excess tax paid may normally be recovered on the filing of a rental return, form T1159.

If your property manager has not requested that you (and perhaps your spouse/partner) co-sign a Form NR6 for the current year or following year, then you should contact your property manager and request

that NR6 be prepared, signed and submitted to CRA on an urgent basis. If your property manager requires help with the preparation of this form, simply have your property manager contact us.

### **Form NR4 Supplementary – Release date deadline - March 31**

Your property manager should prepare and submit a NR4 tax receipt advising CRA of the gross rent earned in the prior year from the property and it should also indicate the amount of non-resident withholding tax withheld, if any. Copies each receipt should be sent to you or to us as your tax advisors.

### **Income Tax Return for Electing Under Section 216 Form T1159 - Due June 30**

When a Form NR6 is approved by CRA, rental income earned and Rental expenses incurred by non-residents of Canada are reported in this special income tax return. If returns are not filed by the deadline, CRA may refuse to accept or may request an extensive submission of the Section 216 return. If a Form NR6 was not completed or approved and tax was withheld at 25% of gross rents, then the due date for filing a rental return is within two years of the end of the income tax year.

### **Sale of Canadian Real Estate**

If you are a non-resident and if you have or are considering selling your Canadian real estate, you should note there are strict tax reporting procedures to follow. In many situations, a CRA clearance certificate is usually required on the closing date.

If the clearance certificate is not obtained prior to the closing date, the purchaser is required to holdback from the sale proceeds a percentage of the selling price. The percentage amount varies and can be as high as 50% of the sale price, not the equity amount. This is an important point if there is financing on the property because you may need to obtain funds from other sources to clear and transfer title to the purchaser.

You should also note there may be penalties for not filing on time or in the proper manner.

The purchaser's lawyer will retain any holdback funds and will remit to CRA the amount withheld on closing based on the amount indicated on a clearance certificate or as required by the Income Tax Act. You, as the vendor, then have the option to file a tax return to report the sale and the actual amount of tax due. The amount of tax owing is usually less than the amount withheld so a refund is normally available.

We apply for a clearance certificate in advance of the closing date, but not until there is a completed contract of purchase and sale with all subjects removed. A clearance certificate is usually issued within 6 to 8 weeks, so there should be enough time allowed in the contract from when the subjects are removed and the completion date.

