

Non-Resident Taxation In Canada And How We Can Assist You!

Tax implications on non-resident owners who rent out their rental properties in Canada

Any person or company who collects rent on behalf of a non-resident (NR) owner is required by Canada Revenue Agency (CRA) to withhold and remit non-resident taxes of **25% of the gross income** on a monthly basis and to prepare and deliver to the NR owner two copies of a NR4 slip showing the gross amount of the rental income collected during the year, and the amount of NR tax withheld, by March 31 the following year.

What to do with the NR4 slips?

Generally, the NR tax withheld is considered the NR owner's final tax obligation to Canada on the rental income – it means there is no real action required by the owner. However, a NR owner may elect to file a tax return under section 216 of the Income Tax to claim expenses against the rental income of the property to get a full or partial tax refund with two (2) years of the end of the tax year.

Is it possible to withhold less tax? Some NR owners need the cash flow....

Yes, CRA also allows NR tax to be withheld on the net rental income instead of the gross amount. To do this, the NR owner must appoint a Canadian resident as agent and to complete Form NR6 before the first rental payment is due or before January 1st of each year for CRA's written approval. Once approved, the agent will be able to withhold 25% of the net income and to prepare and deliver to the NR owner two copies of a NR4 slip after end of the year. The NR owner must file a tax return under section 216 for that year no later than June 30 the following year, even there is no tax payable or a refund is not expected. Otherwise, CRA will assess a penalty of **25% of the gross income** which is the amount owes in the first place. **This penalty applies no matter there is no net income or tax payable. It is assessed once the tax return is not filed within the prescribed period, which is six (6) months after the tax year end. In addition, there is also interest.**

How can FirstService Residential assist us?

FirstService Residential offers a one-stop shop for our NR owners. We look after your rental needs from tenant placement, screening, rent collection as well as coordinating with your tax accountant to ensure you fulfill your Canadian tax filing obligation to avoid fines and penalties.

We can also act as the NR6 agent to assist NR owners to pay less tax up front, subject to the NR owner's agreement on the following:

- To file a tax return under section 216 no later than June 30 after the end of the tax year.
- To provide us the contact info of the owner's tax accountant. If there isn't one, we can recommend a local tax accountant to the owners.

What is the benefit of using your local tax accountant?

The tax accountant we appointed has in-depth expertise in all NR tax matters. Each year our office liaises with the tax accountant to ensure that they receive the NR owner's year-end financial statements and NR4 slips. The tax accountant will be in touch with the owners to seek additional information such as mortgage interest, etc. to maximize the tax refund as much as possible.

The tax accountant ensures that all tax returns are hand delivered to the CRA office so that a receipt is issued.

Due to our long-term relationship and the volume of businesses that we deal with our tax accountant, FirstService Residential's NR owners also enjoy a competitive price for their tax return fee.

Contact Us today!