

## **Non-Resident Tax**

Under Canada's tax system, tax obligations to Canada are based on residency status. In the past it was common for non-residents to ignore the 25% withholding requirements and simply file a Canadian T1 return, reporting the rental income on a net basis after the end of the calendar year. CRA no longer permits this practice.

In almost all cases a home owner who works outside of the country and owns a revenue home in Canada is considered a non-resident. Under the Revenue Canada policy, **a non-resident is required to pay 25% of the gross revenue income as a withholding tax on a monthly basis.**

This is classified as a **NR4**. This is the practice Macdonald Commercial RES adheres to. Each month once the rent is paid, we submit **25% of the gross rent** on behalf of the Owner to Revenue Canada. At the conclusion of the year, we will prepare the NR4 on behalf of the client, which they can then pass onto their accountant for filing.

Regarding the **NR6** whereas **25% of the NET rent is remitted monthly** – this can be applied if the resident has a relative in Canada or a friend who is willing to act as a Canadian Agent, however, there are several implications to this as well.

The Canadian Agent must be the person collecting the rent and is liable to ensure the tax is remitted and acts as guarantor. This means the Canadian agent guarantees the non-resident(s) will file a return for their Canadian rental income and also the non-residents will file a return should they dispose of the property and pay taxes which are eligible in the disposal year.

It is quite an undertaking and therefore, as an agency due to liability, we are not willing to act as a Canadian Agent for any of our clients.

Unfortunately, there is no compromise on this matter as it would be a contravention of our professional ethics and CRA tax law. Anyone who has registered to act as an NR6 agent for non-resident owners must be prepared to assume complete management and accounting responsibility for the property.

**Macdonald Commercial R.E.S Ltd**

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