

Tax Tidbits – March 2015

Non-Resident Taxation in Canada – Regulation 102/105

In general, payers of non-resident rendering services in Canada are required to withhold taxes and remit them to the CRA. For payments to contractors or businesses, the standard withholding is 15% of the pay for services being provided in Canada. For payments to employees, the standard withholding is based on the payroll source deductions, i.e. taxes, CPP and EI that would apply to a Canadian resident employee.

Often where the non-resident is from a country with which Canada has a [Tax Treaty](#), the taxpayer will not be ultimately liable for tax in Canada due to a treaty exemption. Where this is the case, it is possible to apply for a waiver from withholding taxes from the payments to the non-resident. This process is referred to as a [Regulation 102](#) or [105 Waiver](#) and has traditionally been administratively cumbersome.

The CRA has acknowledged taxpayers' frustrations and has made these recent changes in an effort to improve the process:

Reducing Red Tape

- The CRA is suggesting that amendments be made to the current legislation in order to help streamline the current waiver process.
- Centres of expertise have been established specifically for processing the waivers to ensure consistency among waiver requests.
- To shorten processing times, it is best to apply for Business Numbers (BN) or Individual Tax Numbers (ITN) in advance of any waiver applications.
- The CRA is in the process of setting up an online portal for submitting waivers, which is expected to be launched in 2016.

Periods Covered by Waivers

The CRA acknowledged concerns that waivers were being issued for short time periods, i.e. 6 months, requiring taxpayers to reapply for waivers for the remainder of the year. If the applicant provides the approximate number of days he or she will be in Canada and approximate earning amounts, the CRA will now issue waivers that apply for the full calendar year.



Should you require assistance with Regulation 102 or 105 waivers, please contact [Dario Bon](#) of the [Manning Elliott Tax Team](#).

