



Canada Provides Administrative Relief for Non-Resident Employees

Executive summary

The 2015 Canadian Federal Budget introduced administrative relief for certain non-resident employees working in Canada. Qualifying Employers can complete form RC473 to be certified to participate in the new program. Qualifying employees can then work in Canada for a short time without having to file a request for a waiver from Canadian payroll withholdings.

The amendments received royal assent on June 22, 2016 and will be effective for payments made after 2015 or as of the dates applied for.

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Introduction

The following is a summary of the amendments to the Canadian rules for non-resident employees.

Canadian Withholding Rules

Under Canadian tax law, every resident and non-resident employer is required to withhold and remit payroll taxes on salary, wages and other remuneration paid to employees. For non-resident employers, this requirement is limited to work done in Canada. Note that withholdings are required, even if the employee is not required to pay Canadian income tax.

Non-resident employees working in Canada can file a Regulation 102 form to apply to have their payroll withholdings reduced to \$Nil if they qualify. The form has to be filed 30 days before the employee enters Canada to work which can be cumbersome to manage. Under the new rules, qualifying employees working for qualifying employers will not have to go through this process to have withholdings reduced to \$Nil.

T4 Information Slips are required to be filed by a non-resident employer, for non-resident employees unless they are exempt under the new rules.

Qualifying Non-Resident Employee

A Qualifying Non-Resident employee:

- is resident in a country with which Canada has a tax treaty at the time of the payment;

Update on Regulatory changes

