

NO.: 76-12R5

DATE: November 26, 2001

SUBJECT: **INFORMATION CIRCULAR**  
**APPLICABLE RATE OF PART XIII TAX ON AMOUNTS PAID OR CREDITED TO PERSONS IN COUNTRIES WITH WHICH CANADA HAS A TAX CONVENTION**

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## **Application**

This circular replaces Information Circular 76-12R4 dated February 19, 1988 and the Special Release dated December 29, 1989. The information in this circular applies to conventions that are in force and to those that are signed but not yet in force, as of December 31, 2000.

*Note: Since December 31, 2000 and up to the time of publication of this circular, the 1999 Protocol to the Canada-Austria Income Tax Convention and the conventions with Bulgaria and Portugal have entered into force, and the conventions with the following countries have been signed but are not yet in force: Czech Republic, Ecuador, Germany, Peru, Senegal, Slovak Republic and Venezuela.*

## **General Information**

### **Introduction**

¶ 1. This circular is for the information and guidance of persons who pay or credit amounts subject to Part XIII tax to persons in countries with which Canada has a tax convention who are either the beneficial owners of such amounts or are the non-resident agents or nominees of those beneficial owners. It is also intended for Canadian residents who pay amounts subject to Part XIII tax to a Canadian resident agent or nominee of non-resident beneficial owners if the payer knows that the beneficial owners are non-residents in countries with which Canada has a tax convention.

Taxable amounts paid or credited to payees in countries with which Canada does not have a tax convention will be subject to the withholding tax rates provided for in Part XIII of the *Income Tax Act*.

It is the payer's responsibility to withhold and remit Part XIII tax at the appropriate rate and the payer is liable to the Crown for any deficiency.

For remitting, reporting, reduced withholding and refund instructions, see Part II of the current version of Information Circular 77-16, *Non-Resident Income Tax*. (See also footnotes 39 to 41 for pension and annuity payments.)

### **Rate of Tax to Be Withheld**

¶ 2. Appendix A indicates the applicable withholding rates for amounts (other than pensions and annuities) paid or credited to persons who reside in countries with which Canada has a tax convention in force. Appendix B indicates

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the applicable withholding rates for amounts (other than pensions and annuities) paid or credited to persons who reside in countries with which Canada has negotiated or renegotiated a tax convention that has been signed but has not entered into force. Appendix C indicates the applicable withholding rates for a variety of pension and annuity payments paid or credited to persons who reside in countries with which Canada has tax conventions in force, and Appendix D gives such rates for negotiated or renegotiated tax conventions that have been signed but have not entered into force. Appendix E lists countries whose tax conventions with Canada are under negotiation or renegotiation. Prior to the announcement by the Department of Finance that a convention between Canada and a country listed in Appendix B, D or E has entered into force, tax should generally be withheld at the rate of 25%, unless a tax convention between Canada and that country already exists, and the appropriate rate specified in Appendix A or C should be used. See also ¶ 3.

## Negotiation and Renegotiation of Tax Conventions

¶ 3. It should be noted that the negotiation of new tax conventions and renegotiation of existing conventions between Canada and other countries is an ongoing process. Therefore, the Appendices may not reflect the current status of every convention, particularly Appendix E which may not list all the conventions that are in the process of being negotiated or renegotiated. As indicated in Appendix E, the entry into force of new and renegotiated conventions and the application date for the new withholding rates are announced by news releases issued by the Department of Finance.

## Beneficial Ownership

¶ 4. The payer can accept the name and address of the payee as being that of the beneficial owner unless there is reasonable cause to suspect otherwise. While not exhaustive, the presence of any of the following criteria will be regarded as reasonable cause to question whether the payee is the beneficial owner:

- (a) the payee is known to act, even occasionally, as an agent or nominee (other than an agent or nominee described in ¶s 9 and 13);
- (b) the payee is reported as “in care of” another person, or “in trust”;
- (c) the mailing address for payment of interest or dividends is different from the registered address of the “owner”.

In any doubtful case, a certificate, as described in ¶ 5(b), is required to be completed and forwarded to the payer in order that a lower rate of withholding tax, in accordance with a tax convention, can be applied.

The Canada Customs and Revenue Agency (CCRA) will accept the payee as beneficial owner of amounts paid to non-residents if the payee is an insurance corporation or pension trust which invests solely on its own behalf and includes such amounts in computing its revenue.

## Certification

¶ 5. Certifications required by this circular should be forwarded to the payer to permit the withholding of tax at the lower convention rate. The suggested forms that follow illustrate the basic information that must be provided:

- (a) CERTIFICATION WITH RESPECT TO CANADIAN NON-RESIDENT WITHHOLDING TAX, BY A PERSON WHO IS AN AGENT OR NOMINEE PROVIDING FINANCIAL INTERMEDIARY SERVICE AS PART OF A BUSINESS

TO: \_\_\_\_\_ (payer)

RE: \_\_\_\_\_ (description of property)

I/We \_\_\_\_\_ (name of agent, nominee or registered holder) hereby certify that the income from all of the property described above, registered or to be registered in my/our name, is and will continue to be held solely for the beneficial ownership of persons resident of and (where required by the relevant convention) taxable in countries with which Canada has a convention that provides for a Canadian withholding tax rate of \_\_\_% on amounts paid or credited in respect of such property.

I/We undertake to replace this certificate should there be a change in the country of residence or holdings affecting the withholding requirements for a subsequent payment.

I/We also undertake to provide to the Canada Customs and Revenue Agency, upon request, such information as may be necessary to substantiate the accuracy of the information contained herein.

Dated, \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(Authorized signature of agent, nominee or registered holder)

- (b) CERTIFICATION WITH RESPECT TO CANADIAN NON-RESIDENT WITHHOLDING TAX, BY A PERSON WHO IS A BENEFICIAL OWNER

TO: \_\_\_\_\_ (payer)

RE: \_\_\_\_\_ (description of property)

I, \_\_\_\_\_ (name), hereby certify that I am a resident of and (where required by the relevant convention) taxable in \_\_\_\_\_ (country) and that I am the beneficial owner of the income from the property described above registered in my name. If my country of residence changes while I own any of the property or income described above, I hereby undertake to advise you immediately upon such change.

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(place and date)

## Conversion to Canadian Dollars

¶ 6. Tax conventions between Canada and certain countries contain pension articles which require a conversion of foreign currency into Canadian dollars in order to calculate the portion of the payment that is exempt from Canadian withholding tax. Since these calculations are often made burdensome by the daily fluctuation of currency conversion rates, the CCRA will accept the applicable average conversion rate for the immediately prior year as the conversion rate to be used in determining the exempt portion of a payment.

## Reduced Treaty Rate Application

¶ 7. Because Appendices A to D are only guides to facilitate the correct withholding of Part XIII tax from payments made to non-residents of Canada, they do not reflect all the possible rates or the several specific exemptions provided by some conventions. The *Income Tax Act* also provides an exemption from non-resident withholding tax on certain payments, as discussed in detail in the current version of Information Circular 77-16. Therefore, it is suggested that reference be made to Part XIII of the *Income Tax Act* and the appropriate tax convention articles where more than one rate is indicated or where the relevant schedule in the appendices refers to a footnote. For additional information on withholding tax rates, please contact the International Tax Services Office at the following address or telephone numbers:

International Tax Services Office  
Canada Customs and Revenue Agency  
2204 Walkley Road  
Ottawa ON K1A 1A8

Telephone numbers:

(613) 952-3741 from the Ottawa area  
1-800-267-5177 from anywhere in Canada and the United States  
1-613-952-3741 from outside Canada and the United States  
1-613-941-2505 fax

or visit our Web site at

<http://www.ccra.gc.ca/contact/tso/international-e.html>

## Limitation of Relief

¶ 8. Where a convention provides (with or without other conditions) that income from sources in a country shall be exempt from tax, or taxed at a reduced rate, in that country, and that under the laws in force in the other country the same income is subject to tax by reference to the amount which is remitted to or received in that other country and not by reference to the full amount, then the exemption or reduction of tax to be allowed under the convention in the first-mentioned country shall apply to so much of the income as is remitted to or received in the other country.

## Exception – Switzerland

¶ 9. The instructions and requirements of this circular do not apply to agents or nominees residing in Switzerland. Consequently, the lower rates under the convention with Switzerland (see Appendices A and C) may be withheld from all amounts subject to Part XIII tax paid or credited to Swiss addresses. The additional Canadian non-resident tax payable by beneficial owners residing outside Switzerland will be withheld and remitted by those agents or nominees to the Federal Tax Administration of Switzerland for forwarding to the Canadian tax authorities.

## Canada-Germany Income Tax Convention

¶ 10. The bilateral tax convention formerly existing between Canada and the Federal Republic of Germany (FRG) applies between Canada and the reunited Germany by virtue of a unification treaty signed on August 31, 1990, providing that the FRG conventions remain valid and their application extend over the territory of the former German Democratic Republic.

## *Amounts (Other Than Pensions and Annuities) Subject to Part XIII Tax*

*The following comments pertain to Appendices A and B.*

### **Interest or Dividends Payable to a Non-Resident Agent or Nominee**

¶ 11. When a taxable amount of interest or dividends is paid to a person in a country with which Canada has a tax convention who is an agent or nominee of the beneficial owner of the income and such agent or nominee provides financial intermediary service as part of a business, the information supplied to the payer by the agent or nominee, pursuant to the following criteria, will establish whether the rates indicated in Part XIII of the *Income Tax Act* or in the convention apply.

(a) Interest:

If the agent or nominee is in receipt of interest for more than one beneficial owner in respect of a particular debt issue of a resident of Canada, it will be acceptable in determining the rate of tax to be applied to determine that portion of the interest that is beneficially owned by residents of countries with which Canada has a tax convention providing a particular preferential rate of Canadian tax. The portion of the interest that is beneficially owned by residents of countries with which Canada does not have a tax convention will be subject to the statutory Part XIII withholding rates.

(b) Dividends:

Where the agent or nominee is in receipt of dividends for more than one beneficial owner in respect of a particular class of shares of a corporation resident in Canada, the dividends may be segregated into groups. One group or groups will consist of dividends beneficially owned by residents of countries with which Canada has a tax convention providing a particular preferential rate of Canadian tax. The remainder of the dividends beneficially owned by residents of countries with which Canada does not have a tax convention will be subject to the statutory Part XIII withholding rates.

These procedures should enable the non-resident nominee or agent to advise the payer, on a timely basis, as to the portion of interest or dividend payments subject to preferential tax rates, thereby enabling the payer to determine the proper amount of tax to be withheld from a particular payment. This information must be provided initially to the payer in the form of a certificate, as described in ¶ 5(a), for each interest or dividend payment. However, for subsequent payments, a replacement certificate is required only where there has been a change, other than in the amount of income to be paid or credited, that would affect the amount of Canadian tax to be withheld.

### **Interest and Dividends on Shares Held by Foreign Governments**

¶ 12. Generally, interest and dividends paid to the government of another country are not subject to non-resident withholding tax because of a provision in a convention or according to the Doctrine of Sovereign Immunity. The current version of Information Circular 77-16 discusses how a non-resident can obtain a written authorization from the CCRA for the Doctrine of Sovereign Immunity exemption to apply.

### **Exception – United Kingdom**

¶ 13. Before April 1, 2001, interest or dividends paid to United Kingdom Collecting Agents or Nominees (including “UK Marking Names”) were subject to the reduced rate of withholding tax specified in the Canada-United Kingdom Income Tax Convention, 1978 (see Appendix A). The requirements for certification described in ¶s 4 and 5 did not apply to interest and dividends because a working arrangement had been formulated with the Inland Revenue authorities whereby they would undertake to collect and remit to Canada additional non-resident tax due from beneficial owners residing outside the United Kingdom. This procedure applied only for payments of dividends and interest. The certification requirements set out in ¶s 4 and 5 continued to apply to all other amounts that were subject to Part XIII tax.

However, due to a legislative amendment which came into force on December 27, 2000, the United Kingdom is, as of April 1, 2001, discontinuing the above working arrangement. From that date on, Canadian payers, disbursing or withholding agents are required to withhold tax, at the statutory Part XIII rate of 25%, on interest and dividend payments made to financial intermediaries located in the United Kingdom. A reduced rate of tax under an applicable tax convention between Canada and the beneficial owner’s country of residence will only be applied where the Canadian payers or agents have received documentation from the foreign agents that certifies beneficial ownership and country of residence prior to the payment of interest and dividends. The instructions and certification requirements set out in ¶s 4 and 5 are to be followed by UK agents on behalf of their account holders to ensure proper withholding at source.

### **Management Fees**

¶ 14. Under Part XIII of the *Income Tax Act*, management or administration fees or charges as defined in subsection 212(4) are subject to a withholding tax of 25%. Under most conventions, however, the business profits provisions are considered to encompass reasonable management fees and to exempt them from Part XIII withholding tax unless a specific

article provides otherwise. See the current version of Interpretation Bulletin IT-468, *Management or Administration Fees Paid to Non-Residents*, for the CCRA's views on what constitutes a management or administration fee or charge.

Section 105 of the *Income Tax Regulations* requires that 15% of any fee paid to a non-resident for services rendered in Canada be withheld and remitted to the Receiver General for application to any Part I tax which may become payable when the non-resident files an income tax return in Canada. An amount is therefore required to be withheld from those management fees paid in respect of such services to residents of most countries, even those with which Canada has a tax

convention. If any Part I tax is determined to be exigible when a return of income for the year is filed, the tax withheld will be applied. Otherwise, the full amount will be refunded. (See the current version of Information Circular 75-6, *Required Withholding from Amounts Paid to Non-Resident Persons Performing Services in Canada*.)

### **Support Payments**

¶ 15. Paragraph 212(1)(f) of the *Income Tax Act*, which applied to certain alimony or other payments for the support of a non-resident person, of the non-resident children, or both, was repealed in respect of amounts paid or credited after April 1997.

**Appendix A WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees <sup>1</sup>	Estate or Trust Income	Interest	Dividends Including Patronage Dividends	Film	Other Royalties Including Copyright <sup>2</sup>	Immovable Property <sup>3</sup>
Algeria	—	25	15 <sup>4</sup>	15	15	Nil/15 <sup>5</sup>	25
Argentina	—	15 <sup>6,7</sup>	12.5 <sup>4</sup>	10/15 <sup>8</sup>	15	3/5/10/15 <sup>9</sup>	25
Australia	—	15 <sup>7</sup>	15	15	10	10	25
Austria	—	15	15 <sup>4,7</sup>	15	10 <sup>7</sup>	10	25
Bangladesh	—	25	15 <sup>4</sup>	15	10	10	25
Barbados	15 <sup>4,7</sup>	15 <sup>7</sup>	15 <sup>7</sup>	15	10 <sup>7</sup>	10 <sup>7</sup>	25
Belgium	—	15	15 <sup>4</sup>	15	10	10	25
Brazil	—	25	15/25 <sup>10</sup>	15/25 <sup>8</sup>	15/25 <sup>11</sup>	15/25 <sup>11</sup>	25
Cameroon	—	25	15	15	15	15	25
Chile	—	15 <sup>6,7</sup>	15	10/15 <sup>8</sup>	15	15	25
China (People's Republic of)	—	25	10 <sup>4</sup>	10/15 <sup>8</sup>	10	10	25
Croatia	—	15 <sup>6,7</sup>	10	5/15 <sup>8</sup>	10	10	25
Cyprus <sup>12</sup>	—	15 <sup>7</sup>	15 <sup>4</sup>	15	10	10	25
Czech & Slovak Fed. Republic	—	15	10 <sup>4</sup>	10/15 <sup>8</sup>	10	10	25
Denmark	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10	Nil/10 <sup>14</sup>	25
Dominican Republic	—	18 <sup>7</sup>	18 <sup>4,7</sup>	18	18 <sup>7</sup>	18 <sup>7</sup>	25
Egypt	—	15 <sup>7</sup>	15/25 <sup>4,15</sup>	15	15	15	25
Estonia	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>8</sup>	10	10	25
Finland	—	15 <sup>6,7</sup>	10 <sup>4</sup>	10/15 <sup>8</sup>	10 <sup>4</sup>	10 <sup>4</sup>	25
France	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10 <sup>4,7</sup>	Nil/10 <sup>16</sup>	25

**Appendix A WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees <sup>1</sup>	Estate or Trust Income	Interest	Dividends Including Patronage Dividends	Film	Other Royalties Including Copyright <sup>2</sup>	Immovable Property <sup>3</sup>
Germany <sup>17</sup>	—	25	15 <sup>4</sup>	15	10	10	25
Guyana	10	25	15 <sup>4</sup>	15	10	10	25
Hungary	—	15 <sup>7</sup>	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10	10	25
Iceland	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>18</sup>	10	Nil/10 <sup>14</sup>	25
India	—	15 <sup>6,7</sup>	15 <sup>4</sup>	15/25 <sup>8</sup>	15/20 <sup>19</sup>	10/15/20 <sup>19</sup>	25
Indonesia	—	25	10 <sup>4</sup>	10/15 <sup>8</sup>	10	10	25
Ireland	15	15	15	15 <sup>4</sup>	15	15	15
Israel	—	15 <sup>7</sup>	15 <sup>4,7</sup>	15	15 <sup>7</sup>	15 <sup>7</sup>	25
Italy	—	25	15 <sup>4</sup>	15	10	10	25
Ivory Coast	—	25	15	15	10	10	25
Jamaica	12.5 <sup>4,7</sup>	15 <sup>7</sup>	15 <sup>4,7</sup>	15	10 <sup>7</sup>	10/12.5 <sup>7,20</sup>	25
Japan	—	25	10 <sup>4</sup>	5/15 <sup>8</sup>	10	10	25
Jordan	—	25	10 <sup>4</sup>	10/15 <sup>18</sup>	10	10	25
Kazakhstan	—	25	10 <sup>4</sup>	5/15 <sup>18</sup>	10	10	25
Kenya	15	25	15 <sup>7</sup>	15/25 <sup>8</sup>	15 <sup>7</sup>	15 <sup>7</sup>	25
Korea	—	25	15 <sup>4</sup>	15	15	15	25
Kyrgyzstan	—	15 <sup>6,7</sup>	15 <sup>4</sup>	15	10	Nil/10 <sup>21</sup>	25
Latvia	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>18</sup>	10	10	25
Lithuania	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>18</sup>	10	10	25
Luxembourg	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10	Nil/10 <sup>22</sup>	25
Malaysia <sup>12</sup>	—	15	15	15 <sup>7</sup>	25	15	25
Malta <sup>12</sup>	—	15 <sup>7</sup>	15 <sup>4</sup>	15	10	Nil/10 <sup>23</sup>	25

**Appendix A WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees <sup>1</sup>	Estate or Trust Income	Interest	Dividends Including Patronage Dividends	Film	Other Royalties Including Copyright <sup>2</sup>	Immovable Property <sup>3</sup>
Mexico	—	15 <sup>7</sup>	10 <sup>4,24</sup>	10/15 <sup>8</sup>	10 <sup>25</sup>	Nil/10 <sup>25</sup>	25
Morocco	—	25	15 <sup>4,7</sup>	15	10 <sup>7</sup>	5/10 <sup>7,26</sup>	25
Netherlands	—	15 <sup>6,27</sup>	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10	Nil/10 <sup>14</sup>	25
New Zealand	—	15 <sup>7</sup>	15	15	15	15	25
Nigeria	—	25	12.5 <sup>4,7</sup>	12.5/15 <sup>8</sup>	12.5 <sup>7</sup>	12.5 <sup>7</sup>	25
Norway	—	15	15	15	10 <sup>29</sup>	Nil/15 <sup>28,29</sup>	25
Pakistan	—	15 <sup>7</sup>	15 <sup>4,7</sup>	15	15 <sup>7</sup>	15 <sup>7</sup>	25
Papua New Guinea	—	25	10 <sup>4</sup>	15	10	10	25
Philippines	—	25	15 <sup>4,7</sup>	15 <sup>8</sup>	10 <sup>7</sup>	10 <sup>7</sup>	25
Poland	—	15 <sup>7</sup>	15 <sup>4</sup>	15	10	10	25
Romania	—	15 <sup>7</sup>	15 <sup>4,7</sup>	15	10 <sup>7</sup>	15 <sup>7</sup>	25
Russia	—	25	10 <sup>4</sup>	10/15 <sup>8</sup>	10	Nil/10 <sup>30</sup>	25
Singapore <sup>12</sup>	—	15 <sup>7</sup>	15 <sup>7</sup>	15	15 <sup>7</sup>	15 <sup>7</sup>	25
South Africa	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>18</sup>	10	6/10 <sup>14</sup>	25
Spain	—	15 <sup>7</sup>	15 <sup>4,7</sup>	15	10 <sup>7</sup>	10 <sup>7</sup>	25
Sri Lanka	—	15 <sup>7</sup>	15 <sup>4,7</sup>	15	10 <sup>7</sup>	10 <sup>7</sup>	25
Sweden	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10	Nil/10 <sup>14</sup>	25
Switzerland <sup>31</sup>	—	15	10 <sup>4</sup>	5/10/15 <sup>13</sup>	10	Nil/10 <sup>30</sup>	25
Tanzania	20	25	15 <sup>4</sup>	20/25 <sup>8</sup>	20	20/25 <sup>32</sup>	25
Thailand	—	15	15 <sup>4</sup>	15	15	15	25
Trinidad and Tobago	10	25	10 <sup>4</sup>	5/15 <sup>18</sup>	10	10	25



**Appendix A WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees <sup>1</sup>	Estate or Trust Income	Interest	Dividends Including Patronage Dividends	Film	Other Royalties Including Copyright <sup>2</sup>	Immovable Property <sup>3</sup>
Tunisia	—	15 <sup>7</sup>	15 <sup>4,7</sup>	15	15/20 <sup>33</sup>	15/20 <sup>33</sup>	25
Ukraine	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>18</sup>	10	10 <sup>34</sup>	25
United Kingdom <sup>12</sup>	—	15 <sup>6</sup>	10 <sup>4,35</sup>	10/15 <sup>8,35</sup>	10	10	25
United States	—	15 <sup>27</sup>	10 <sup>4</sup>	5/15 <sup>8</sup>	10	Nil/10 <sup>36</sup>	25
Uzbekistan	—	25	10 <sup>4</sup>	5/15 <sup>8</sup>	10	5/10 <sup>14</sup>	25
Vietnam	7.5	15 <sup>6,7</sup>	10 <sup>4</sup>	5/10/15 <sup>37</sup>	10	10	25
Zambia	—	15 <sup>7</sup>	15 <sup>7</sup>	15	15 <sup>7</sup>	15 <sup>7</sup>	25
Zimbabwe	10	15 <sup>38</sup>	15 <sup>4</sup>	10/15 <sup>8</sup>	10	10	25

**Appendix B WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION SIGNED BUT NOT YET IN FORCE**

The following are countries for which, as of December 31, 2000, a convention with Canada has been negotiated or renegotiated and signed but **has not yet entered into force**. The withholding tax rates that will apply under each convention are indicated.

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees <sup>1</sup>	Estate or Trust Income	Interest	Dividends Including Patronage Dividends	Film	Other Royalties Including Copyright <sup>2</sup>	Immovable Property <sup>3</sup>
Austria (protocol)	—	15	10 <sup>4</sup>	5/15 <sup>18</sup>	10	Nil/10 <sup>14</sup>	25
Bulgaria	—	15 <sup>6,7</sup>	10 <sup>4</sup>	10/15 <sup>18</sup>	10	10	25
Lebanon	—	25	10 <sup>4</sup>	5/15 <sup>18</sup>	10	5/10 <sup>21</sup>	25
Portugal	—	15 <sup>6,7</sup>	10 <sup>4</sup>	10/15 <sup>18</sup>	10	10	25
Slovenia	—	15 <sup>6,7</sup>	10 <sup>4</sup>	5/15 <sup>18</sup>	10	10	25

The entry into force of a tax convention between Canada and a country listed above will be announced in a news release issued by the Department of Finance. Until that announcement is made, a payment to a resident of that country is generally subject to withholding tax at the rate of 25% unless a convention between Canada and that country already exists, in which case the appropriate rate should be taken from Appendix A.

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## Footnotes to Appendices A and B

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- <sup>1</sup> A withholding tax of 25% applies to countries with which Canada does not have a tax convention, and rates shown apply to those countries whose conventions include a management fee article. For other countries with which Canada has a tax convention, see ¶ 14 of this Information Circular.
- <sup>2</sup> Rents, Royalties, etc. – Other Royalties Including Copyright – Payments made for the use of, or right to use, any copyright of scientific work, any patent, trade mark, design or model, plan, secret formula or process, or for the use of or right to use industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience are subject to withholding tax at the rates indicated. However, there is no withholding tax on royalties or similar payments for copyright in respect of the production or reproduction of any literary, dramatic, musical or artistic work other than a motion picture film, or a film, videotape or other means of reproduction for use in connection with television (unless solely in connection with and as part of a news program produced in Canada) that has been or is to be used or reproduced in Canada. (Subparagraph 212(1)(d) and subsection 212(5) of the *Income Tax Act*).
- <sup>3</sup> Rents, Royalties, etc. – Immovable Property – Payments made for the use of or the right to use real or immovable property including natural resources in Canada are subject to withholding tax at the rate indicated. This category also applies to timber royalties.
- <sup>4</sup> This rate may be further reduced in certain circumstances. For further details, see the appropriate article of the tax convention governing the type of payment or contact the International Tax Services Office.
- <sup>5</sup> Royalties for the use of, or the right to use, computer software or any patent (but not including any such information provided in connection with a rental or franchise agreement) are exempt from withholding tax.
- <sup>6</sup> For the purposes of the trust article or other income article in the income tax convention Canada has with this country, a trust does not include any arrangement whereby contributions made to the trust were deductible for the purposes of taxation in Canada.
- <sup>7</sup> This rate applies provided the payment is taxable in the country with which Canada has a tax convention; otherwise, the rate is 25%.
- <sup>8</sup> The lower rate applies where the beneficial owner of the dividend is a company that owns or controls a certain equity percentage of the payer company (e.g., dividends paid to a parent company). For details, see the appropriate article of the tax convention governing dividends or contact the International Tax Services Office.
- <sup>9</sup> If the recipient resident of Argentina is the beneficial owner of the royalties, the tax that is applicable shall not exceed:
- (a) 3% of the gross amount paid for the use of, or the right to use, news;
  - (b) 5% of the gross amount paid for the use of, or the right to use, copyright of literary, dramatic, musical or other artistic work, excluding royalties on motion picture films and works on film or videotape or other means of reproduction for use in connection with television;
  - (c) 10% of the gross amount paid for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial or scientific equipment, or for information concerning industrial or scientific experience, and includes payments for the rendering of technical assistance; and
  - (d) 15% of the gross amount of the royalties in all other cases, including on royalties on motion picture films and works on film or videotape or other means of reproduction for use in connection with television.
- Note: Although the convention provides for a 5% withholding rate on some of the royalties mentioned in footnote 2, subparagraph 212(1)(d)(vi) of the Income Tax Act excludes from the application of Part XIII a royalty or similar payment on or in respect of a copyright for the production or reproduction of any literary, dramatic, musical or artistic work.*
- <sup>10</sup> If the recipient is a company that is the beneficial owner of the interest income, the withholding tax rate is 15% unless the interest income is paid to the Government of Brazil, a political subdivision thereof, or any agency (including a financial institution) wholly owned by that government or political subdivision, in which case the withholding tax is nil.
- <sup>11</sup> If the recipient is an individual resident of Brazil, the withholding rate is 25%. When the recipient is a company which is the beneficial owner of the royalties or payments for films, the withholding tax rate is
- (a) 25% of the gross amount of royalties arising from the use of or the right to use trade marks, and
  - (b) 15% in all other cases.
- <sup>12</sup> See ¶ 8 of this Information Circular.
- <sup>13</sup> The rate of 5% applies to the gross amount of the dividends where the beneficial owner of the dividends is a company (other than a partnership) that owns or controls, directly or indirectly, a significant number of shares or voting power of the payer company. The rate of 10% applies to the gross

amount of the dividends if the dividends are paid by a non-resident-owned investment corporation (as defined in subsection 133(8) of the *Income Tax Act*) that is resident of Canada to a beneficial owner (to a company in the case of France and Hungary) that is a resident of the other country and that owns or controls, directly or indirectly, a significant number of shares or voting power of the payer company. In all other cases, the rate is 15% of the gross amount of the dividends. For details, see the appropriate article of the tax convention governing dividends or contact the International Tax Services Office.

scientific experience, excluding any such information provided in connection with a rental or franchise agreement;

(iii) royalties arising in Canada and paid to the government of France or to an organization of France approved by the competent authorities of both countries; and

(b) 10% on the gross amount of the royalties in all other cases, including on the following:

(i) royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;

(ii) royalties for the use of, or the right to use, information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.

<sup>14</sup>If the beneficial owner of the royalties is a resident of this country, the following rates apply:

(a) the nil or lower rate of tax applies on the gross amount of the following royalties:

(i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work, excluding royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;

(ii) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience, excluding any such information provided under a rental or franchise agreement; and

(b) 10% applies on the gross amount of the royalties in all other cases, including on the following

(i) royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;

(ii) royalties for the use of, or the right to use, information concerning industrial, commercial or scientific experience provided under a rental or franchise agreement.

<sup>17</sup>See ¶ 10 of this Information Circular concerning the continuation of the Federal Republic of Germany Convention.

<sup>18</sup>The lower rate applies to the gross amount of the dividends (other than dividends paid by a non-resident-owned investment corporation that is resident of Canada) if the beneficial owner of the dividends is a company that owns or controls, directly or indirectly, a certain equity percentage of the payer company. In all other cases, including dividends paid by a non-resident-owned investment corporation that is resident of Canada, the rate is 15% of the gross amount of the dividends. For details, see the appropriate article of the tax convention governing dividends or contact the International Tax Services Office.

<sup>19</sup>If the beneficial owner of the royalties or fees for included services is a resident of India, the following rates apply:

(a) (i) in the case of payments of any kind received as consideration for the use of, or the right to use, any copyright of a literary, artistic or scientific work, including cinematography films or work on film, tape or other means of reproduction for use in connection with radio or television broadcasting, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience, including gains derived from the alienation of any such right or property which are contingent on the productivity, use or disposition thereof; and

(ii) in the case of fees for included service (see the definition in paragraphs 4 and 5 of article 12 of the convention), other than services described in subparagraph (b) below:

(A) during the first five taxation years after January 1, 1998,

(I) 15% of the gross amount of the royalties or fees for included services, where the

<sup>15</sup>Interest on mortgages on immovable property or certain property related to immovable property is taxed at 25%.

<sup>16</sup>If the beneficial owner of the royalties is a resident of France, the following rates apply:

(a) nil rate of tax on the gross amount of the following royalties:

(i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work, excluding royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;

(ii) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or

payer is the Government, a political subdivision or a public sector company of Canada; and

(II) 20% of the gross amount of the royalties or fees for included services in all other cases; and

(B) during the subsequent years, 15% of the gross amount of the royalties or fees for included services; and

- (b) (i) in the case of payments of any kind received as consideration for the use of, or the right to use, any industrial, commercial or scientific equipment, other than payments derived by an enterprise
- from the operation of ships or aircraft in international traffic,
  - from the rental of ships or aircraft incidental to any activity directly connected with the transportation by sea or air respectively of passengers, mail, livestock or goods carried on by owners, lessees or charterers of ships or aircrafts, or
  - from the use, maintenance or rental of containers (including trailers, barges and related equipment for the transport of containers) used in connection with the operation of such an enterprise, and
- (ii) in the case of fees for included services that are ancillary and subsidiary to the enjoyment of the property for which payment is received under (b)(i) above,
- 10% of the gross amount of the royalties or fees for included services.

<sup>20</sup>The higher rate applies to the rental payment to a resident of Jamaica for the right to use movable property in Canada, including industrial, commercial or scientific equipment.

<sup>21</sup>If the beneficial owner of the royalties is a resident of that country, the following rates apply:

- (a) the lower or nil rate applies to the gross amount of the royalties if they are:
- (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work, excluding royalties in respect of motion picture films or in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
  - (ii) royalties for the use of, or the right to use, application software or any patent or for information concerning industrial, commercial or scientific experience, (excluding any such information provided in connection with a rental or franchise agreement) if the payer and beneficial

owner of the royalties are not associated persons; and

- (b) 10% of the gross amount of the royalties in all other cases, including the following:
- (i) royalties in respect of motion picture films or in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
  - (ii) payment for the use, or right to use, any information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.

<sup>22</sup>If the beneficial owner of the royalties is a resident of Luxembourg, the following rates apply:

- (a) the nil rate of tax applies on the gross amount of the royalties if they are:
- (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work, excluding royalties in respect of motion picture films and works on films or videotape or other means of reproduction for use in connection with television broadcasting, and
  - (ii) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience, excluding any such information provided in connection with a rental or franchise agreement, and
- (b) 10% applies on the gross amount of the royalties in all other cases, including the following:
- (i) royalties in respect of motion picture films and works on film or videotape for use in connection with television broadcasting;
  - (ii) royalties for the use of, or the right to use, any information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.

<sup>23</sup>If the beneficial owner of the royalties is a resident of this country, the following rates apply:

- (a) nil rate of tax applies on the gross amount of copyright royalties and other like payments in respect of the production or reproduction of any literary, educational, dramatic, musical or artistic work (excluding royalties in respect of motion picture films and works on film or videotape for use in connection with television) if paid to a resident of that country who is subject to tax thereon;
- (b) 10% on the gross amount of the royalties in all other cases, including on royalties in respect of motion picture films and works on film or videotape for use in connection with television.

<sup>24</sup> Although the convention provides for a rate of 15%, the “most favoured nation” clause in the *Protocol to the Canada-Mexico Income Tax Convention* applies so as to reduce the rate on any type of interest to 10%, effective January 1, 1999.

<sup>25</sup> If the beneficial owner of the royalties is a resident of Mexico, the following rates apply:

- (a) the nil rate of tax applies on the gross amount of copyright royalties and other like payments in respect of the production or reproduction of any cultural, dramatic, musical or other artistic work (excluding royalties in respect of motion picture films and works on film or videotape or other means of reproduction for use in connection with television) if paid to a resident of Mexico who is subject to tax thereon, and
- (b) 10%, in accordance with the “most favoured nation” clause in the *Protocol to the Canada-Mexico Income Tax Convention*, applies on the gross amount of the royalties in all other cases, including on the following:
  - (i) royalties in respect of motion picture films and works on film or videotape or other means of reproduction for use in connection with television; and
  - (ii) gains derived from the alienation of any such right or property which are contingent on the productivity or use thereof.

<sup>26</sup> If the recipient is a resident of Morocco and provided that the royalties are taxable in Morocco, the tax that is applicable shall not exceed:

- (a) 5% of the gross amount of the copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work, excluding royalties in respect of motion picture films and work on film or videotape for use in connection with television; and
- (b) 10% of the gross amount of the royalties in all other cases, including on royalties in respect of motion picture films and work on film or videotape for use in connection with television.

*Note:* Although the convention provides for a 5% withholding rate on some of the royalties as mentioned in footnote 2, subparagraph 212(1)(d)(vi) of the *Income Tax Act* excludes from the application of Part XIII a royalty or similar payment on, or in respect of, a copyright for the production or reproduction of any literary, dramatic, musical or artistic work.

<sup>27</sup> Distributions of income from an estate or trust that is a resident of Canada may be exempt from tax in Canada on trust income from sources outside Canada. This exemption is provided in the Netherlands and U.S. conventions in respect of amounts paid, credited or required to be distributed to residents of the Netherlands and the U.S., respectively.

<sup>28</sup> If the beneficial owner of the royalties is a resident of Norway, the following rates apply:

- (a) the nil rate of tax applies on copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work;
- (b) 10% on royalties and like payments in respect of motion picture films and films on video tapes for use in connection with television; and
- (c) 15% on the royalties and other amounts constituting consideration for the use of, or the privilege of using, any patent, design, plan, secret process, formula, trade mark, or other like property.

<sup>29</sup> Rental payments paid to a resident of Norway in respect of movable property (other than those that are included in business income) are subject to a nil rate of withholding.

<sup>30</sup> If the beneficial owner of the royalties is a resident of that country, the following rates apply:

- (a) the nil rate of tax applies to the gross amount of the royalties if they are:
  - (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work, excluding royalties in respect of motion picture films or in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
  - (ii) royalties for the use of, or the right to use, computer software;
  - (iii) royalties for the use of, or the right to use, any patent or any information concerning industrial, commercial or scientific experience (other than any such information provided in connection with a rental or franchise agreement) if the payer and beneficial owner of the royalties are not related persons;
- (b) 10% of the gross amount of the royalties in all other cases, including the following:
  - (i) royalties in respect of motion picture films or in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
  - (ii) payments for the use of, or right to use, any information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.

<sup>31</sup> See ¶ 9 of this Information Circular concerning payments to nominees and agents resident in Switzerland.

<sup>32</sup> The rate of 25% applies to any amount paid to a resident of Tanzania as consideration for the right to exploit a mine, oil well or quarry, or any other place of extraction of natural resources.

<sup>33</sup>If the recipient is a resident of Tunisia and provided that the royalties are taxable in Tunisia, the tax that is applicable shall not exceed:

- (a) 20% of the gross amount of patent royalties and royalties for the use of, or the right to use, trade marks, motion picture films and films or videotapes for use in connection with television, or for the use of, or the right to use, industrial, commercial, scientific or harbour equipment;
- (b) 15% of the gross amount of the royalties in all other cases.

<sup>34</sup>Royalties paid to a resident of Ukraine who is a beneficial owner of the royalties for the use of, or the right to use, computer software are exempt from withholding tax.

<sup>35</sup>See ¶ 13 of this Information Circular concerning payments of interest or dividends to a UK Collecting Agent or Nominee.

<sup>36</sup>If the beneficial owner of the royalties is a resident of the United States, the following rates apply:

- (a) nil rate of tax on the gross amount of the following royalties:
  - (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work, other than payments in respect of motion picture films and works on film, vidoetape or other means of reproduction for use in connection with television;
  - (ii) payments for the use of, or the right to use, computer software;

- (iii) payments for the use or the right to use any patent or any information concerning industrial, commercial or scientific experience, excluding any such information provided in connection with a rental or franchise agreement;

- (iv) payments with respect to broadcasting as may be agreed in an exchange of notes between both countries; and

- (b) 10 % on the gross amount of the royalties in all other cases, including the following:

- (i) payments in respect of motion picture films and works on film, vidoetape or other means of reproduction for use in connection with television;

- (ii) payment for the use, or right to use, any information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.

<sup>37</sup>The rate of 5% applies to the gross amount of the dividends where the beneficial owner of the dividends is a company that controls at least 70% of the voting power in the payer company. The rate of 10% applies to the gross amount of the dividends where the beneficial owner is a company that controls at least 25% but less than 70% of the voting power in the payer company. In all other cases, the rate is 15% of the gross amount of the dividends.

<sup>38</sup>The rate of 15% applies to the gross amount of the income from an estate or trust if it is derived from sources within Canada by a resident of Zimbabwe, provided that the income is taxable in Zimbabwe.

## *Pensions and Annuities Subject to Part XIII Tax*

*The following comments pertain to Appendices C and D.*

### **Pensions and Annuities – Definitions**

¶ 16. In order to better understand Appendices C and D, the following is a brief explanation of terms and expressions used in respect of payments that arise in Canada:

- (a) **Pension** – For the purposes of the appendices, pursuant to section 5 of the *Income Tax Conventions Interpretation Act* (ITCIA);
- (i) Where a tax convention **does not** include a definition of pension, pension means any payment under any plan, arrangement or contract that is:
- (A) a registered pension plan;
  - (B) a registered retirement savings plan;
  - (C) a registered retirement income fund;
  - (D) a registered compensation arrangement;
  - (E) a deferred profit sharing plan;
  - (F) a plan that is deemed by subsection 147(15) of the *Income Tax Act* not to be a deferred profit sharing plan;
  - (G) an annuity contract purchased under a plan referred to in (E) or (F) above;
  - (H) an annuity contract where the amount paid by or on behalf of an individual to acquire the contract was deductible under paragraph 60(l) of the *Income Tax Act* in computing the individual's income for any taxation year (or would have been so deductible if the individual had been resident in Canada); and
  - (I) a superannuation, pension or retirement plan not otherwise referred to above.

According to this definition, pension includes payments under a RRIF, RRSP, etc. and includes payments under an annuity described in paragraph 60(l)(ii) of the *Income Tax Act* (i.e. RRSP annuity payments as referred to in (H) above). Item (I) above refers to payments made under “a superannuation, pension or retirement plan not otherwise referred to” and would include such social security benefits as a pension, supplement or spouse's allowance paid under the *Old Age Security Act* (OAS) or any benefit paid under the *Canada Pension Plan Act* (CPP) as described in clause 56(1)(a)(i)(A) and (B) of the *Income Tax Act*, respectively, or in a comparable provision of the *Quebec Pension Plan Act* (QPP).

- (ii) Where a tax convention **does** include a definition of pension, a pension payment is any payment that qualifies as a pension in accordance with the definition in the convention, in addition to all

periodic pension payments listed in ¶ 16(b) (other than social security benefits—i.e. CPP, QPP and OAS payments).

- (b) **Periodic Pension Payments** – This expression is also defined in section 5 of the ITCIA to mean any pension payment under a plan, arrangement or contract listed in 16(a)(i) above **other than** the following payments:
- (i) lump sum payments or a payment that can reasonably be considered to be an instalment of a lump sum amount under a registered pension plan;
  - (ii) payments before maturity, or full or partial commutation payments, under an RRSP;
  - (iii) certain payments under a RRIF as determined under (c) of the definition of “periodic pension payment” in section 5 of the ITCIA; or
  - (iv) certain payments from other plans as determined under (d) of the definition of “periodic pension payment” in section 5 of the ITCIA.
- (c) **Annuity** – Under section 5 of the ITCIA, this term excludes any pension payment or a payment under a plan, arrangement or contract described in ¶ 16(a)(i)(A) to (a)(i)(I) above arising in Canada.
- (d) **CPP/QPP** – This acronym refers to the Canada Pension Plan or the Quebec Pension Plan. For the purpose of tax conventions, CPP or QPP payments (i.e. social security payments) are considered to be pensions. However, CPP or QPP death benefits are considered to be lump sum payments for purposes of the conventions. CPP or QPP benefits in respect of self-employment are not considered to be pensions for past employment or past service under the definitions of pension contained in the Ireland and Norway conventions. See footnote 50.
- (e) **OAS** – This acronym refers to the *Old Age Security Act* and the pension, supplement and spouse's allowance payments covered under that Act. For purposes of tax conventions, OAS payments (i.e. social security payments) are considered as pensions, but not as pensions that are payments for past service or past employment.
- To explain, in general, the OAS pension regime is a non-contributory plan, and OAS payments are payable to persons who have reached the age of 65 and have met certain residency requirements. Therefore, OAS pensions or supplements are not considered to be pensions for past services or past employment. Thus, for tax conventions which define or refer to pensions as payments for past service or past employment, OAS payments would not be considered as pensions.



There is no withholding tax on “net federal supplements” (i.e. guaranteed income supplement and spouse’s allowance) as such amounts are exempt from tax in Canada.

- (f) **IAAC** – This acronym refers to an income-averaging annuity contract and refers to certain contracts between an individual and a person licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada an annuities business or a corporation licensed or otherwise authorized under the

laws of Canada or a province to carry on the business of offering to the public its services as trustee. For more information, see the definition of that expression in subsection 61(4) of the *Income Tax Act*. However, note that the availability to purchase an IAAC was terminated on November 13, 1981 (or before 1982, if an agreement in writing was entered into before November 13, 1981).

**Appendix C WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	PENSION PAYMENTS <sup>39</sup>				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS <sup>39</sup>			ANNUITY PAYMENTS <sup>40</sup>	IAAC PAYMENTS <sup>40</sup>
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Algeria	15 <sup>41,42</sup>	25	15 <sup>41,42</sup>	25	25	25	25	15 <sup>43</sup>	25
Argentina	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Australia	15 <sup>41</sup>	15 <sup>41</sup>	15 <sup>41</sup>	15 <sup>41</sup>	15 <sup>41</sup>	15 <sup>41</sup>	15 <sup>41</sup>	15 <sup>41,43</sup>	25
Austria	25	25	25	25	25	25	25	25	25
Bangladesh	15	25	15	25	25	25	25	15 <sup>43</sup>	25
Barbados	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Belgium	25	25	25	25	25	25	25	25	25
Brazil	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>	25 <sup>44</sup>
Cameroon	25	25	25	25	25	25	25	25	25
Chile	25	25	25	25	25	25	25	15 <sup>43</sup>	25
China	25	25	25	25	25	25	25	25	25
Croatia	15 <sup>45</sup>	25 <sup>45</sup>	15 <sup>45</sup>	25 <sup>45</sup>	25 <sup>45</sup>	25 <sup>45</sup>	25 <sup>45</sup>	10 <sup>43</sup>	25
Cyprus <sup>46</sup>	25 <sup>47</sup>	25 <sup>47</sup>	25 <sup>47</sup>	25 <sup>47</sup>	25 <sup>47</sup>	25 <sup>47</sup>	25 <sup>47</sup>	15 <sup>43</sup>	25
Czech & Slovak Fed. Republics	15	25	15	25	15	25	15	15 <sup>43</sup>	15 <sup>43</sup>
Denmark <sup>48</sup>	25	25	25	25	25	25	25	25	25
Dominican Republic	18 <sup>41</sup>	25	18 <sup>41</sup>	25	25	25	25	18 <sup>43</sup>	25
Egypt	25	25	25	25	25	25	25	25	25
Estonia	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	10 <sup>43</sup>	25

**Appendix C WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	PENSION PAYMENTS <sup>39</sup>				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS <sup>39</sup>			ANNUITY PAYMENTS <sup>40</sup>	IAAC PAYMENTS <sup>40</sup>
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Finland	20	25	20	25	20	25	20	15 <sup>43</sup>	25
France	25	25	25	25	25	25	25	25	25
Germany <sup>49</sup>	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	15 <sup>43</sup>	25
Guyana	25	25	25	25	25	25	25	25	25
Hungary	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	10 <sup>43</sup>	25
Iceland	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	15 <sup>43</sup>	25
India	25	25	25	25	25	25	25	25	25
Indonesia	15	25	15	25	25	25	25	15 <sup>43</sup>	25
Ireland	Nil	15	Nil	15	Nil <sup>50</sup>	15	15	Nil <sup>43</sup>	Nil <sup>43</sup>
Israel	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>41,43</sup>	25
Italy	15 <sup>41,51</sup>	25 <sup>51</sup>	15 <sup>41,51</sup>	25 <sup>51</sup>	15 <sup>41,51</sup>	25 <sup>51</sup>	15 <sup>41,51</sup>	25	25
Ivory Coast	15	25	15	25	15	25	15	15 <sup>43</sup>	15 <sup>43</sup>
Jamaica	25 <sup>41</sup>	25	25 <sup>41</sup>	25	25 <sup>41</sup>	25	25 <sup>41</sup>	15 <sup>43</sup>	25
Japan	25	25	25	25	25	25	25	25	25
Jordan	25	25	25	25	25	25	25	25	25
Kazakhstan	15	25	15	25	25	25	25	25	25
Kenya	15	25	15	25	15	25	15	15 <sup>43</sup>	25
Korea	25	25	25	25	25	25	25	25	25
Kyrgyzstan	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	15 <sup>43</sup>	25
Latvia	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	10 <sup>41</sup>	25

**Appendix C WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	PENSION PAYMENTS <sup>39</sup>				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS <sup>39</sup>			ANNUITY PAYMENTS <sup>40</sup>	IAAC PAYMENTS <sup>40</sup>
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Lithuania	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	10 <sup>43</sup>	25
Luxembourg	25	25	25	25	25	25	25	25	25
Malaysia <sup>46</sup>	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Malta <sup>46</sup>	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Mexico	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Morocco	25	25	25	25	25	25	25	25	25
Netherlands	15	25	15	25	15	25	25	15 <sup>43</sup>	15 <sup>43</sup>
New Zealand	15 <sup>52</sup>	15 <sup>52</sup>	15 <sup>52</sup>	15 <sup>52</sup>	15 <sup>52</sup>	15 <sup>52</sup>	15 <sup>52</sup>	15 <sup>52</sup>	25 <sup>52</sup>
Nigeria	25	25	25	25	25	25	25	25	25
Norway	Nil	25	Nil	25	Nil <sup>50</sup>	25	25	Nil <sup>43</sup>	Nil <sup>43</sup>
Pakistan	25	25	25	25	25	25	25	25	25
Papua New Guinea	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Philippines	25 <sup>53</sup>	25	25 <sup>53</sup>	25	25 <sup>53</sup>	25	25 <sup>53</sup>	25	25
Poland	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Romania	15 <sup>54</sup>	25	15 <sup>54</sup>	25	15 <sup>54</sup>	25	15 <sup>54</sup>	25	25
Russia	25	25	25	25	25	25	25	25	25
Singapore <sup>46</sup>	25	25	25	25	25	25	25	25	25
South Africa	25	25	25	25	25	25	25	25	25
Spain	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25

**Appendix C WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION**

COUNTRY	PENSION PAYMENTS <sup>39</sup>				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS <sup>39</sup>			ANNUITY PAYMENTS <sup>40</sup>	IAAC PAYMENTS <sup>40</sup>
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Sri Lanka	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	25	15 <sup>41</sup>	15 <sup>43</sup>	25
Sweden	25	25	25	25	25	25	25	25	25
Switzerland	15	25	15	25	25	25	25	15 <sup>43</sup>	25
Tanzania	15 <sup>41</sup>	25	15 <sup>41</sup>	25	25	25	25	15 <sup>43</sup>	25
Thailand	25	25	25	25	25	25	25	25	25
Trinidad and Tobago	15	25	15	25	25	25	25	25	25
Tunisia	25	25	25	25	25	25	25	25	25
Ukraine	25	25	25	25	25	25	25	25	25
United Kingdom <sup>46</sup>	Nil	25	Nil	25	Nil	25	Nil	10 <sup>43</sup>	25
United States	15	25	15	25	Nil	Nil	Nil	15 <sup>43</sup>	25
Uzbekistan	25	25	25	25	25	25	25	25	25
Vietnam	15	25	15	25	25	25	25	25	25
Zambia	15	25	15	25	15	25	15	15 <sup>43</sup>	25
Zimbabwe	15	25	15	25	15	25	15	15 <sup>43</sup>	25

**Appendix D WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION SIGNED BUT NOT YET IN FORCE**

The following are countries for which, as of December 31, 2000, a convention with Canada has been negotiated or renegotiated and signed but **has not yet entered into force**. The withholding tax rates that will apply under each convention are indicated.

COUNTRY	PENSION PAYMENTS <sup>39</sup>				CANADA AND QUEBEC PENSION PLAN AND OLD AGE SECURITY PAYMENTS <sup>39</sup>			ANNUITY PAYMENTS <sup>40</sup>	IAAC PAYMENTS <sup>40</sup>
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Austria (protocol)	25	25	25	25	25	25	25	25	25
Bulgaria	15	25	15	25	25	25	25	10 <sup>43</sup>	25
Lebanon	15	25	15	25	25	25	25	25	25
Portugal	15 <sup>41,55</sup>	25	15 <sup>41,55</sup>	25	15 <sup>41,55</sup>	25	15 <sup>41,55</sup>	15 <sup>43</sup>	25
Slovenia	15 <sup>41,42</sup>	25	15 <sup>41,42</sup>	25	25	25	25	10 <sup>43</sup>	25

The entry into force of a tax convention between Canada and a country listed above will be announced in a press release issued by the Department of Finance. Until that announcement is made, a payment to a resident of that country is generally subject to withholding tax at the rate of 25% unless a convention between Canada and that country already exists, in which case the appropriate rate should be taken from Appendix C.

## Footnotes to Appendices C and D

<sup>39</sup>The *Income Tax Act* (the Act) provides for a withholding tax of 25% on Canadian pension benefits paid to a non-resident of Canada. The non-resident withholding tax deducted represents the final Canadian tax obligation on this type of income. The rate of withholding tax may be reduced or eliminated by a tax convention between Canada and the individual's country of residence.

Under section 217 of the Act, a non-resident may elect to file a Canadian income tax return, within six months of the end of the year in which Canadian benefits are received, reporting pension benefits and similar types of income received from Canada. This allows the non-resident to claim non-refundable tax credits, and to pay tax on that income at the same rates as residents of Canada. The non-resident tax withheld from the elective income may be claimed as a tax credit on the return. If an individual makes an election under section 217, and the tax calculated on the return is less than the tax withheld, the excess will be refunded. For more information, see the current version of Interpretation Bulletin IT-163.

Furthermore, a non-resident may apply to reduce the amount of tax withheld on pension and similar types of income received from Canada. The application is made by submitting Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld*, as indicated in ¶ 85 of Information Circular 77-16R4, *Non-Resident Income Tax*. The information on Form NR5 allows the CCRA to determine if an election under section 217 of the Act is beneficial. If Form NR5 is approved, the CCRA advise the payer to reduce the rate at which tax is withheld. When non-resident tax is reduced based on Form NR5, the non-resident must file a Canadian income tax return within six months of the end of the taxation year in which the income is received. For more information, see Information Circular 77-16R4, at ¶s 53(e) and 85.

No Part XIII tax need be withheld on certain pension amounts transferred directly by payers to a registered pension plan (RPP), a registered retirement savings plan (RRSP) or, after August 29, 1990, to a registered retirement income fund (RRIF) of a non-resident (form NRTA1). For further information concerning this provision, refer to Information Circular 77-16R4, at ¶ 53(g), or contact the International Tax Services Office.

<sup>40</sup>The amount of an annuity or an IAAC payment (see ¶ 16(f)) subject to Part XIII tax is determined under paragraph 212(1)(o) or 212(1)(n) of the *Income Tax Act*, respectively.

<sup>41</sup>The specified tax rate for these payments may be reduced to the rate of tax that would be payable under Part I of the Act in respect of such payments for a particular year as if the recipient had been a resident of Canada for the year. In most cases, this reduced tax will be the same as the tax

calculated under the section 217 election (see footnote 39); however, in limited circumstances, this reduced tax may provide for a lesser tax liability. In order to benefit from this reduced tax or to claim a tax refund, the non-resident taxpayer must file a Part I income tax return.

<sup>42</sup>Under the convention Canada has with this country, Canada may tax pensions (excluding CPP, QPP and OAS payments) paid to a resident of that country in this manner:

- If the pension payments include only periodic pension payments, the Canadian tax payable on such payments is the lesser of:
  - (a) 15% of the gross amount of the periodic pension payments that exceeds \$12,000; and
  - (b) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.
- If the pension payments include both lump sum and periodic pension payments, the Canadian tax payable is the total of:
  - (c) the lesser of:
    - (i) 15% of the gross amount of the periodic pension payments that exceeds \$12,000, and
    - (ii) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments,

plus

- (d) 25% of the lump sum pension payment.

If periodic pension payments are \$12,000 or less, there is no tax payable on the periodic pension payments, and it will be necessary to calculate the tax payable on the lump sum pension payment(s) at 25%.

- If the pension payments include only lump sum pension payments, the tax payable is 25% of the total amount of lump sum pension payments.

However, the term "pension" does not include benefits under the social security legislation in Canada or in that country. Consequently, CPP, QPP and OAS payments are not eligible for the \$12,000 exemption or the 15% rate provided by the convention on the periodic pension payments. You may not apply the exemption on the periodic pension payments without written authorization from the CCRA. For more information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

<sup>43</sup>This rate does not apply to certain lump sum payments (e.g. those arising on the surrender, cancellation, redemption, sale or other alienation of an annuity or to payments under certain annuity contracts). The rate to be applied on lump sum payments is 25%; but for Australia, Iceland and Ireland, it is 15%.

<sup>44</sup>Under the Canada-Brazil Convention, to the extent that pension and annuity payments (excluding the pension and annuity payments described in the following paragraph) plus alimony paid to a resident of Brazil exceed \$4,000 in a calendar year, the excess of such payments is subject to tax at the rate of 25%. Therefore, if the total amount of these payments in a calendar year is \$4,000 or less, the entire amount is exempt from Canadian tax.

Under this convention, CPP, QPP and OAS payments are dealt with separately as social security pensions and are subject to tax in Canada at a rate of 25%. However, CPP, QPP and OAS benefits, which are paid to a recipient who is both a national and a resident of Brazil, are exempt from tax in Canada. Lump sum payments from an RRSP or RRIF and other plans which are not in consideration of past employment and lump sum annuity payments are not dealt with under the pension article of this Convention. All of these payments are subject to tax in Canada at a rate of 25% and such payments do not otherwise impact on the \$4,000 exemption described in the pension article.

You may not apply the exemption without written authorization from the CCRA. For more information on how to request the \$4,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

<sup>45</sup>Under the Canada-Croatia Convention, Canada may tax pensions (excluding CPP, QPP and OAS payments) paid to a resident of Croatia, but only to the extent that the total amount of pension paid in any taxation years exceeds \$12,000 or its equivalent in Croatian currency. You may not apply the exemption without written authorization from the CCRA. For more information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

CPP, QPP and OAS payments are dealt with separately in the convention as social security pensions and are subject to tax in Canada at the rate of 25%.

Lump sum payments are generally taxed at 25%. In the case of periodic pension payments, the Canadian tax cannot exceed 15% of the gross amount of the periodic pension payments that exceeds \$12,000.

For example:

- If the total amount of pension payments is under \$12,000 in a taxation year, no tax is payable.
- If the pension payments include only periodic pension payments and the gross amount of such payments in a taxation year exceeds \$12,000, the Canadian tax payable on the periodic pension payments is 15% of the amount by which the gross amount of the periodic pension payments exceeds \$12,000.
- If the pension payments include both lump sum and periodic pension payments, the periodic pension payments are considered to have been paid first. If periodic pension payments exceeds \$12,000, the tax payable is the total of:

- (a) 15% of the gross amount of the periodic pension payments that exceeds \$12,000, and
- (b) 25% of the lump sum pension payments.

However, if the periodic pension payments are \$12,000 or less, there is no tax payable on the periodic pension payments and it will be necessary to calculate the tax payable on the lump sum pension payments.

Assume a resident of Croatia is paid a lump sum pension payment of \$18,000 and periodic pension payments of \$7,000 in a taxation year. The tax payable on the periodic pension payments would be nil, and the tax payable on the lump sum pension payment would be \$3,250 which is calculated as: the lump sum pension payment of \$18,000, less the amount by which the \$12,000 exemption exceeds the periodic pension payments and then multiply the result by 25%. (In this example, the tax payable amount of \$3,250 is calculated as  $(\$18,000 - [\$12,000 - \$7,000]) \times 25\%$ .)

- If the total amount of pension payments exceeds \$12,000 and includes only lump sum pension payments, the tax is 25% of the amount by which the lump sum pension payment exceeds \$12,000.

<sup>46</sup>See ¶ 8 of this Information Circular.

<sup>47</sup>Under the Canada-Cyprus Convention, Canada may tax pensions (excluding CPP, QPP and OAS payments) paid to a resident of Cyprus, but only to the extent that the total amount of pensions paid in any taxation year exceed \$10,000 or its equivalent in Cyprus pounds. You may not apply the exemption without written authorization from the CCRA. For more information on how to request the \$10,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

CPP, QPP and OAS payments are dealt with separately in the convention as social security pensions and are subject to tax in Canada at the rate of 25%.

Lump sum payments are generally taxed at 25%. In the case of periodic pension payments, the Canadian tax cannot exceed the lesser of:

- 15% of the gross amount of the periodic pension payments, and
- the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.

For example:

- If the total amount of the pension payments is under \$10,000 in a taxation year, no tax is payable.
- If the pension payments include only periodic pension payments and the gross amount of such payments in a taxation year exceeds \$10,000, the Canadian tax payable on the periodic pension payments is the lesser of
  - (a) 25% of the amount by which the gross amount of the periodic pension payments exceeds \$10,000;
  - (b) 15% of the gross amount of the periodic pension payments; and



(c) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.

- If the pension payments include both lump sum and periodic pension payments, the lump sum pension payments are considered to have been paid first. If lump sum pension payments exceed \$10,000, the tax payable is the total of:

(d) 25% of the amount by which the lump sum pension payments exceed \$10,000,

plus

(e) the lesser of:

- (i) 15% of the gross amount of periodic pension payments, and
- (ii) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.

However, if the lump sum pension payments are \$10,000 or less, there is no tax payable on the lump sum payments and it will be necessary to calculate the tax payable on the periodic pension payments.

Assume a resident of Cyprus is paid a lump sum pension payment of \$8,000 and periodic pension payments of \$14,000 in a taxation year. The tax payable on the lump sum pension payments would be nil, and the tax payable on the periodic pension payments would be \$2,100, which is calculated as the lesser of:

- 25% of the amount by which the gross amount of the periodic pension payments exceeds \$2,000 (the remainder of the exemption of 10,000 less the lump sum pension payments of \$8,000) [ $\$14,000 - \$2,000 = \$12,000 \times 25\% = 3,000$ ].
- 15% of the gross amount of the periodic pension payments [ $14,000 \times 15\% = \$2,100$ ]; and
- the amount determined by applying the reduced rate of tax (see footnote 41) on the periodic pension payments [assume for the purpose of this example that the amount exceeds \$2,100].

<sup>48</sup>Due to the coming-into-force provisions of the convention signed in 1998, the rates shown in Appendix C apply to amounts paid or credited after December 31, 1999. The rates for the period prior to January 1, 2000 are Nil.

<sup>49</sup>See ¶ 10 of this Information Circular concerning the continuation of the Federal Republic of Germany Convention.

<sup>50</sup>Pension is defined in the convention as periodic payments made in consideration of past services. CPP or QPP contributions for self-employment are not considered to be for past services; thus, the tax rate is 15% for Ireland and 25% for Norway on CPP or QPP payments in respect of self-employment contributions.

<sup>51</sup>Under the Canada-Italy Convention, Canada may tax pensions, including CPP, QPP and OAS payments, paid to a resident of Italy, but only to the extent that the total amount of pensions paid in any taxation year exceed the greater of \$10,000 or twelve million Italian liras. You may not apply the exemption without written authorization from the CCRA. For more information on how to request the greater of \$10,000 or twelve million Italian liras exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

Lump sum payments are generally taxed at 25%. In the case of periodic pension payments, the Canadian tax cannot exceed the lesser of:

- 15% of the gross amount of the periodic pension payments; and
- the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.

For example:

- If the total amount of the pension payments is less than the greater of \$10,000 or twelve million Italian liras in a taxation year, no tax is payable.
- If the pension payments include only periodic pension payments and the gross amount of such payments in a taxation year exceeds the greater of \$10,000 or twelve million Italian liras, the Canadian tax payable on the periodic pension payments is the lesser of:
  - (a) 25% of the amount by which the gross amount of the periodic pension payments exceeds the greater of \$10,000 or twelve million Italian liras;
  - (b) 15% of the gross amount of the periodic pension payments; and
  - (c) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.
- If the pension payments include both lump sum and periodic pension payments, the lump sum payments are considered to have been paid first. If lump sum pension payments exceed the greater of \$10,000 or twelve million Italian liras, the tax payable is the total of:
  - (d) 25% of the amount by which the lump sum pension payments exceed the greater of \$10,000 or twelve million Italian liras,
 plus
  - (e) the lesser of:
    - (i) 15% of the gross amount of periodic pension payments, and
    - (ii) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.

However, if the lump sum payments are less than the greater of \$10,000 or twelve million Italian liras, there is no tax payable on the lump sum payments and it will be necessary to calculate the tax payable on the periodic pension payments.

Assume a resident of Italy is paid a lump sum pension payment of \$8,000 and periodic pension payments of \$14,000 in a taxation year, and assume that the greater of \$10,000 or twelve million Italian liras is \$10,000. The tax payable on the lump sum pension payments would be nil, and the tax payable on the periodic pension payments would be \$2,100, which is calculated as the lesser of:

- 25% of the amount by which the gross amount of the periodic pension payments exceeds \$2,000 (the remainder of the exemption of \$10,000 less the lump sum pension payments of \$8,000) [ $\$14,000 - \$2,000 = \$12,000 \times 25\% = \$3,000$ ];
- 15% of the gross amount of the periodic pension payments [ $\$14,000 \times 15\% = \$2,100$ ]; and
- the amount determined by applying the reduced rate of tax on the periodic pension payments [assume for the purpose of this example that the amount exceeds \$2,100].

<sup>52</sup>Under the Canada-New Zealand Convention, Canada may tax pensions, including CPP, QPP and OAS payments, and annuities (other than lump sum annuity payments) paid to a resident of New Zealand, but only to the extent that the total amount of pensions and annuities paid in a taxation year exceed \$10,000. If the total amount of pensions and annuities is \$10,000 or less, such amount is exempt from tax in Canada. You may not apply the exemption without written authorization from the CCRA. For more information on how to request the \$10,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

However, if the total amount of pensions and annuities exceeds \$10,000, the entire amount is taxable as follows:

- the tax on pensions shall not exceed the lesser of:
  - 15% of the gross amount of the pension payments, and
  - the amount determined by applying the reduced rate of tax (see footnote 41) on such pension payments;
- the rate of tax on annuities (other than lump sum annuity payments and IAAC payments) is 15%; and
- the rate of tax on lump sum annuity payments and IAAC payments is 25%.

<sup>53</sup>Under the Canada-Philippines Convention, Canada may tax pensions including periodic CPP, QPP and OAS payments. Under this Convention, the Canadian tax liability on all lump sum pension payments is 25%. However, in the case of periodic pension payments, the total tax so charged cannot exceed 30% of the amount by which such periodic pensions paid in a taxation year to a resident of the Philippines exceeds \$5,000 or its equivalent in Philippine pesos. Thus, the Canadian tax on the gross amount of periodic pension payments in a taxation year is the lesser of:

- 30% of the gross amount of the periodic pension payments in excess of \$5,000 or its equivalent in Philippine pesos; and
- 25% of the gross amount of the periodic pension payments.

If the total amount of periodic pension payments is \$5,000 or its equivalent in Philippines pesos or less in a taxation year, no tax is payable on the periodic pension payments. You may not apply this convention provision on the periodic pension payments without written authorization from CCRA. For more information on how to request treaty relief, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

<sup>54</sup>The rate for periodic pension payments (including periodic CPP, QPP and OAS payments) is 25%, but the rate is reduced to 15% if the periodic pension payments are taxable in Romania and the recipient is a resident of Romania.

<sup>55</sup>Under the convention Canada has with that country, Canada may tax pensions, including CPP, QPP and OAS payments, paid to a resident of that country in this manner:

- If the pension payments include only periodic pension payments, the Canadian tax payable on such payments is the lesser of:
  - (a) 15% of the gross amount of the periodic pension payments that exceeds \$12,000 or its equivalent in the country's currency; and
  - (b) the amount determined by applying the reduced rate of tax (see footnote 41) on such periodic pension payments.
- If the pension payments include both lump sum and periodic pension payments, the Canadian tax payable is the total of:
  - (c) the lesser of:
    - (i) 15% of the gross amount of the periodic pension payments that exceeds \$12,000 or its equivalent in the country's currency, and
    - (ii) the amount determined by applying the reduced rate of tax (see footnote <sup>41</sup>) on such periodic pension payments,
  - plus
  - (d) 25% of the lump sum pension payment.

If the periodic pension payments are \$12,000 or its equivalent in the country's currency or less, there is no tax payable on the periodic pension payments, and it will be necessary to calculate the tax payable on the lump sum pension payments at 25%.

- If the pension payments include only lump sum pension payments, the tax payable is 25% of the total amount of lump sum pension payments.

You may not apply the exemption without written authorization from the CCRA. For more information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

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**Appendix E INCOME TAX CONVENTIONS UNDER NEGOTIATION OR RENEGOTIATION**

The following are countries with which, as of December 31, 2000, Canada was negotiating or renegotiating a tax convention or a protocol to a tax convention.

Armenia	Egypt	Mauritius	Senegal
Australia <sup>1</sup>	Gabon	Mexico	Slovak Republic
Barbados <sup>1</sup>	Germany	Moldova	Turkey
Belgium	Greece	Mongolia	United Arab Emirates
Colombia	Ireland	Norway	United Kingdom <sup>1</sup>
Czech Republic	Italy	Romania	United States <sup>1</sup>
Ecuador	Kuwait	Saint Lucia	Venezuela

<sup>1</sup> Protocol

The Department of Finance will issue a news release once a tax convention between Canada and a country listed above has been signed. This news release will include a copy of the convention and will give information regarding the withholding tax rates provided for under the convention, the date on which the convention will enter into force and the date on which the rates will apply. Announcement of the entry into force of the convention will be made in a subsequent Department of Finance news release. In the meantime, a payment to a resident of that country is generally subject to withholding tax at the rate of 25% unless a convention between Canada and that country already exists, in which case the appropriate rate should be taken from Appendix A or C.