



Canada Revenue  
Agency

Agence du revenu  
du Canada

# Electing Under Section 217 of the *Income Tax Act*

## 2010

## Is this pamphlet for you?

This pamphlet applies to you if:

- you were a non-resident of Canada for all of 2010; and
- you received any of the types of Canadian-source income listed on pages 4 and 5.

This pamphlet explains what a section 217 election is and how to determine whether it is beneficial for you. It also explains how to complete a 2010 section 217 return.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD or diskette), or MP3. For more information, go to [www.cra.gc.ca/alternate](http://www.cra.gc.ca/alternate) or call **1-800-959-2221**. If you are outside Canada and the United States, call the International Tax Services Office collect at **613-952-3741**.

La version française de cette brochure est intitulée *Choix prévu à l'article 217 de la Loi de l'impôt sur le revenu*.

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# Before you start

## What is a section 217 election?

Canadian payers have to withhold non-resident tax on certain types of income they paid or credited to you as a non-resident of Canada. The tax withheld is usually your final tax obligation to Canada on this income.

However, you can choose to file a Canadian return and report the types of Canadian-source income listed in the next section. You are then “electing under section 217 of the *Income Tax Act*.” By doing this, you may pay tax on this income using an alternative taxing method and may receive a refund of some or all of the non-resident tax withheld.

If you emigrated from Canada in 2010, see Guide T4056, *Emigrants and Income Tax*, for the special section 217 rules that apply to you.

If you immigrated to Canada in 2010 contact the International Tax Services Office for the special section 217 rules that apply to you. You will find the address and telephone numbers on the back cover of this pamphlet.

## What types of income are eligible for a section 217 election?

The section 217 election applies to the following types of Canadian-source income:

- Old Age Security pension (see the note on the next page);
- Canada Pension Plan and Quebec Pension Plan benefits;
- most superannuation and pension benefits;
- most registered retirement savings plan payments;
- most registered retirement income fund payments;
- death benefits;
- Employment Insurance benefits;
- certain retiring allowances;

- registered supplementary unemployment benefit plan payments;
- most deferred profit-sharing plan payments;
- amounts received from a retirement compensation arrangement, or the purchase price of an interest in a retirement compensation arrangement;
- prescribed benefits under a government assistance program; and
- Auto Pact benefits.

**Note**

Whether or not you choose to elect under section 217, if you received Old Age Security benefits, you may have to file Form T1136, *Old Age Security Return of Income*. For more information, see Guide T4155, *Old Age Security Return of Income Guide for Non-Residents*.

**Is a section 217 election beneficial?**

You will benefit from filing a return under section 217 if the total tax payable included at line 435 on your return is **less** than the total tax, including the non-resident tax, you would otherwise pay if you did not make this election. If the election is not beneficial we will not process it.

To determine the **tax you would otherwise pay**, add the following amounts:

- the non-resident tax required to be withheld on all eligible section 217 income that was paid or credited to you in 2010 (you can use Schedule C, *Electing Under Section 217 of the Income Tax Act* in the *General Income Tax and Benefit Guide for Non-residents of Canada* to calculate this amount); and
- the tax payable, if applicable, on Canadian-source employment and business income, net Canadian partnership income if you are a limited or non-active partner, and on taxable capital gains from disposing of taxable Canadian property that you have to include on your 2010 return.

To determine the **total tax payable** on your section 217 return, see the section called “Completing your section 217 return” on page 7.

## Form NR5 – Reducing tax withheld

If you intend to make a section 217 election on eligible income that you have not yet received, you can apply to reduce the non-resident tax that the payer would otherwise have to withhold.

You can do this by sending us, for approval, a completed Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld*, on or before October 1, or before the first payment is due. If we approve it, you **must** file a section 217 return for each year of the approval period.

### Note

Effective January 2011, a Form NR5 will only have to be filed once every five tax years, if approved. For more information, go to [www.cra-arc.gc.ca/tx/nnrstdnts/ntcs/nr5nplcy-eng.html](http://www.cra-arc.gc.ca/tx/nnrstdnts/ntcs/nr5nplcy-eng.html).

We will use the information you give on the application to determine if the election will benefit you. If we process your application and find that the election is beneficial for you, we will authorize your Canadian payer(s) to reduce the amount of non-resident tax withheld from your benefits.

## Do you have to file a section 217 return?

**Y**ou **must** file a section 217 return for **each** year for which we approved Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld*.

However, even if you did not submit Form NR5, you can choose to file a section 217 return to apply for a refund of some or all of the non-resident tax withheld on the types of income listed on pages 4 and 5, if it is beneficial for you.

## Which tax guide should you use?

The *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada* contains the return, schedules, and the information needed to complete your section 217.

## When is your section 217 return due?

Your 2010 section 217 return has to be filed on or before **June 30, 2011**.

However, if you have a balance owing for 2010, you have to pay it by **April 30, 2011**, to avoid interest charges.

If you send us your return late, your section 217 election will be invalid. If the required amount of non-resident tax was withheld on your eligible 217 income, we consider that to be the final tax obligation to Canada. If the required amount was not withheld, we will send you a non-resident tax assessment.

### Note

The due date for filing your return may be different if you also report on the return other types of Canadian-source income, such as employment or business income, net Canadian partnership income if you are a limited or non-active partner, or taxable capital gains from disposing of taxable Canadian property. For the exceptions, see the section called "What date is your return for 2010 due?" in the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

## Completing your section 217 return

You will find the information you need to complete your 2010 section 217 return in the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*. Also, in the following section, you will find information that will help you to complete your return.

## Identification

Write “section 217” at the top of page 1 of your return.

Complete the Identification area by following the instructions in the guide.

## Income

On your return, include the following income:

- all eligible section 217 income paid or credited to you in 2010 (Section 217 income is identified on pages 4 and 5. Schedule C, *Electing Under Section 217 of the Income Tax Act*, in the *General Income Tax and Benefit Guide for Non-residents of Canada* also identifies this type of income, and gives more detail.); and
- your 2010 Canadian-source employment and business income, net Canadian partnership income if you are a limited or non-active partner, and taxable capital gains from disposing of taxable Canadian property, if applicable.

## **Schedule C – Electing Under Section 217 of the Income Tax Act**

Complete this schedule if you were a non-resident of Canada for the entire year and you are electing under section 217.

Schedule C is divided into two parts which help calculate:

- your section 217 eligible income after adjustments;
- the amount of non-resident tax required to be withheld on your eligible section 217 income; and
- the section 217 tax adjustment.

In Part 1 of Schedule C, indicate your eligible section 217 income. In this part, also calculate the amount of non-resident tax required to be withheld on your eligible section 217 income. The amount you calculate may be different from the non-resident tax withheld on this income. This would be the case if the payer did not withhold the required amount of tax, or if we approved a reduction in the amount of tax to be withheld as a result of the Form NR5 you submitted.



## Deductions

You can claim only those deductions that apply to you as a non-resident electing under section 217. For a list of these deductions, see the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

## Calculating federal tax

If you file a section 217 return, you **must** complete Schedule A, *Statement of World Income*, before you can calculate your tax on Schedule 1, *Federal Tax*.

### **Schedule A – Statement of World Income**

Schedule A is used to report your world income. World income is income from all sources, both inside and outside Canada.

Your income from Canadian sources is the total of your net income (line 236 from your section 217 return), plus other types of Canadian-source income that are not included on this return (such as dividends, interest, rental income, or worker's compensation benefits).

Income from foreign sources (when we mention foreign source in this pamphlet we are referring to sources outside Canada) includes income from employment, self-employment, pension, investment, rental, capital gains, and any other foreign-source income that you would have included in your return if you were a resident of Canada. Your foreign-source income is reported on your Schedule A and may also be used on Schedule 1. See the following section called "Schedule 1 – Federal Tax."

#### **Note**

World income is used to determine the allowable amount of federal non-refundable tax credits on Schedule B (see page 11) and the section 217 tax adjustment (see page 13).

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### Example 1

Jeff is a resident of the United States. In 2010, his world income is made up of the following:

- \$18,000 from a pension plan in Canada;
- \$500 in dividends from Canadian stocks; and
- \$500 interest from a savings account in the U.S.

Jeff elects to file a return under section 217 to have his pension income taxed at a lower rate. On the return, he reports the \$18,000 pension he received (eligible income for section 217). Since Jeff has no deductions, his taxable income on line 260 of his return is \$18,000.

He does not report any bank interest or dividends on the return. The U.S. interest is not subject to tax in Canada but is reported on line 8 of Schedule A. The dividends from Canada are subject to non-resident withholding tax, which is his final tax obligation to Canada on that income but it is reported on line 2 of Schedule A.

When Jeff completes Schedule A, his net world income reported on line 14 and his net world income after adjustments reported on line 16 would be \$19,000.

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### Schedule 1 – *Federal Tax*

To calculate your tax payable, which includes the surtax for non-residents and deemed residents of Canada, you need to complete Schedule 1, *Federal Tax*.

Make sure to enter on line 32 of Schedule 1 whichever is **greater**:

- the taxable income reported on line 260 of your return; **or**
- your net world income after adjustments from line 16 of Schedule A.

If you use line 16 of Schedule A (net world income after adjustments) to determine your federal tax, you need to calculate the section 217 tax adjustment amount using Part 2 of Schedule C. For more information, see the section called “Section 217 tax adjustment” on page 13.

## Note

If you are also reporting Canadian-source employment or business income on the return, you have to pay tax on that income to the province or territory where you earned it. If this is your situation, complete Form T2203, *Provincial and Territorial Taxes for 2010 – Multiple Jurisdictions*, to calculate your tax payable.

## Federal non-refundable tax credits

These credits reduce the amount of your federal tax.

You can claim all of the federal non-refundable tax credits that apply to you (on Schedule 1). However, under section 217 of the *Income Tax Act*, the amount of the credits you can use to reduce your tax may be limited.

Once you have completed Step 1 of Schedule 1, complete Part B of Schedule B to calculate the allowable amount of federal non-refundable tax credits.

## Schedule B – Allowable Amount of Non-Refundable Tax Credits

The allowable amount of federal non-refundable tax credits depends on the portion of net world income (line 14 of Schedule A) that is included in net income (line 236) on your section 217 return.

If you have included in your net income at least 90% of your 2010 net world income, the allowable amount of federal non-refundable tax credits is the total from line 350 of your Schedule 1.

If you do not meet this 90% rule for 2010, the allowable amount of federal non-refundable tax credits is the **lesser** of a) or b) below:

- a) 15% of the eligible section 217 income paid or credited to you in 2010 (Section 217 income is identified on pages 4 and 5. Schedule C also identifies this type of income, and gives more detail.); **or**
- b) the total federal non-refundable tax credits you would be eligible for if you were resident of Canada for the full year,

from line 350 of your Schedule 1 minus 15% of the total of the following amounts, if any:

- public transit amount (line 364);
- children's fitness amount (line 365);
- home buyers' amount (line 369);
- adoption expenses (line 313); and
- interest paid on student loans (line 319).

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### Example 2

In example 1, Jeff determined his net world income was \$19,000. To calculate his taxes payable, Jeff will enter on line 32 of his Schedule 1 whichever is **greater**:

- the taxable income he reported \$18,000  
on line 260 of his return; **or**
- his net world income after adjustments \$19,000  
from line 16 of Schedule A.

Jeff has included on his return at least 90% of his net world income. He calculated this percentage on Schedule B as follows:

$$\frac{\$18,000 \text{ (the net income on his return)}}{\$19,000 \text{ (his net world income on Schedule A)}} = 95\%$$

As a result, Jeff can claim all of the federal non-refundable tax credits (from line 350 of Schedule 1) that would have applied to him if he had been resident in Canada throughout 2010.

### Example 3

If Jeff also earned \$12,000 interest on U.S. treasury bonds, he would not meet the 90% rule, calculated as follows:

$$\frac{\$18,000 \text{ (the net income on his return)}}{\$31,000 \text{ (his net world income on Schedule A)}} = 58\%$$

In this example, since Jeff has not included at least 90% of his 2010 net world income on his section 217 return, his allowable federal non-refundable tax credits are limited to whichever is the

lesser of a) or b) below:

- a) \$2,700 (15% of his \$18,000 pension income); **or**
  - b) the total federal non-refundable tax credits entered on line 350 of his Schedule 1 minus 15% of the total of the following amounts, if any:
    - public transit amount (line 364);
    - children's fitness amount (line 365);
    - home buyers' amount (line 369);
    - adoption expenses (line 313); and
    - interest paid on student loans (line 319).
- 

## Section 217 tax adjustment

If the amount you enter on line 32 of Schedule 1 is your net world income after adjustments (line 16 of Schedule A), you need to calculate the section 217 tax adjustment.

Your net world income after adjustments may include foreign-source income, which is not taxable in Canada, and Canadian-source income, such as interest, dividends, or rental income, which is not included on this return. The adjustment reduces your federal tax by the portion of taxes applicable to this income.

### Note

You will find the calculation for the section 217 tax adjustment in Part 2 of Schedule C.

## Tax payable

The amount indicated on line 435 of your return represents your tax payable if you make the election under section 217.

## What if the election is beneficial?

It is beneficial for you to file a section 217 return if the amount on line 435 of your return is **less than** the tax you would otherwise

pay (see the section called “Is a section 217 election beneficial?” on page 5 to determine the tax you would otherwise pay).

If this is the case and you file your section 217 return on time, we will refund any taxes withheld that are more than the amount you owe. If the payer withheld less than the required amount of non-resident tax on your eligible section 217 income, you might have a balance owing, even if the election is beneficial. Make sure you enter on line 437 of your return the non-resident taxes withheld on your eligible section 217 income from your information slips.

### Note

Attach a completed Schedule 1, Schedule A, Schedule B, and Schedule C to your return. If you do not attach these schedules, the processing of your return, and any refund to which you may be entitled, may be delayed. Also attach a copy of your information slips.

## What if the election is not beneficial?

It is not beneficial for you to file a section 217 return if the amount of the tax on line 435 of your return is **equal to or greater than** the tax you would otherwise pay (see the section called “Is a section 217 election beneficial?” on page 5 to determine the tax you would otherwise pay).

If it is not beneficial to file a section 217 return and the payer withheld non-resident tax on your eligible section 217 income **in excess** of the required amount, you can ask for a refund of the excess. To do so, use Form NR7-R, *Application for Refund of Part XIII Tax Withheld*.

If the payer withheld **less** than the required amount of non-resident tax, due to the fact that we approved your Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld* or for any other reason, you have to pay an amount to the CRA. The amount to pay is the difference between the required amount of non-resident tax and the amount withheld. For more information, contact the International Tax Services Office.

## For more information

If, after reading this pamphlet you need more information, you can visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or contact the International Tax Services Office. The address and telephone numbers for this office are on the back cover of this pamphlet.

Also, throughout this pamphlet, we mention forms and guides that give more details on specific tax topics. You can get these and most other forms you may need by going to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by calling **1-800-959-2221** (calls from Canada and the United States). If you are outside Canada and the United States, contact the International Tax Services Office. You can also get the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada* from any Canadian embassy, high commission, or consulate.

To get personal and general tax information, you can use our automated Tax Information Phone Service (TIPS), by calling **1-800-267-6999** (calls from Canada and the United States).

# International Tax Services Office

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Calls from Canada and the U.S..... 1-800-267-5177

Calls from outside Canada and the U.S..... 613-952-3741

Fax number ..... 613-941-2505

We accept collect calls.

## Your opinion counts

We review this pamphlet each year. If you have any comments or suggestions that would help us improve the explanations it contains, we would like to hear from you.

Please send your comments on this pamphlet to:



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