



Canada Revenue  
Agency

Agence du revenu  
du Canada

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

# 2011

## Is this pamphlet for you?

This pamphlet applies to you if:

- you were a non-resident of Canada for all of 2011; 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 2011 section 217 return.

If you have a visual impairment, you can get our publications in braille, large print, etext (CD), 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*.

# Table of contents

	Page
<b>Before you start</b> .....	4
What is a section 217 election? .....	4
What types of income are eligible for a section 217 election? .....	4
Is a section 217 election beneficial?.....	5
Form NR5 – Reducing tax withheld.....	6
<b>Do you have to file a section 217 return?</b> .....	6
Which tax guide should you use?.....	7
When is your section 217 return due?.....	7
<b>Completing your section 217 return</b> .....	7
Identification.....	8
Income .....	8
Deductions .....	9
Calculating federal tax .....	9
What if the election is beneficial?.....	14
What if the election is not beneficial?.....	14
<b>For more information</b> .....	15
What if you need help? .....	15
Forms and publications.....	15
TIPS (Tax Information Phone Service).....	15

# 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 and you do not have to file a Canadian income tax and benefit return to report it.

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 2011, see Guide T4056, *Emigrants and Income Tax*, for the special section 217 rules that apply to you.

If you immigrated to Canada in 2011, 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 elect to file a return 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 electing to file a return under section 217 if the total tax payable included at line 435 on your return is **less** than the 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 2011 (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 and Deemed 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 2011 return.

To determine the **total tax payable** on your section 217 return, see “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

If approved, Form NR5 is valid for a period covering five tax years. However, if your situation changes during this period, you may have to file a new Form NR5. 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 Form NR5 to determine if a section 217 election will benefit you. If we 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 for the duration of the approval period.

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

**You must** file a section 217 return for **each** year of the period covered by the 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 send or we did not approve Form NR5 for the year, you may still 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.

## 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 2011 section 217 return has to be filed on or before **June 30, 2012**.

However, if you have a balance owing for 2011, you have to pay it by **April 30, 2012**, to avoid interest charges.

If you send us your 2011 return after June 30, 2012, according to the *Income Tax Act*, your section 217 election cannot be accepted. If this is your case and the required amount of non-resident tax was withheld on your eligible 217 income, we will consider the amount withheld to be your final tax obligation to Canada on that income. However, if the payer withheld less than the required amount of tax, we will send you an assessment for the difference.

### Note

The due date for filing your section 217 return may be different if you also report other types of Canadian-source income on this return, 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 more information, see the section called "What date is your return for 2011 due?" in the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

## Completing your section 217 return

This section contains information that will help you complete your 2011 section 217 return. Use this information along with the instructions found in the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

## 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 2011 (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 2011 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 to file a return 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.

Report your eligible section 217 income in Part 1 of Schedule C. 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 calculate your tax on Schedule 1, *Federal Tax*.

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

Report your world income on Schedule A. 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 had been a resident of Canada. Your foreign-source income is reported on your Schedule A and may also be used on Schedule 1. For more information, see "Schedule 1 – Federal Tax" on the next page.

#### **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).

---

### Example 1

Jeff is a resident of the United States. In 2011, 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.

---

### 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*, included in the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

Make sure to enter on line 35 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 “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. To calculate your tax payable in such a situation, complete Form T2203, *Provincial and Territorial Taxes for 2011 – Multiple Jurisdictions*.

**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 **90% or more** of your 2011 net world income, the allowable amount of federal non-refundable tax credits is the total from line 350 of your Schedule 1.

However, if you have included in your net income **less than 90%** of your 2011 net world income, the allowable amount of federal non-refundable tax credits is the **lesser** of a) and b) below:

- a) 15% of the eligible section 217 income paid or credited to you in 2011 (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:
- volunteer firefighters' amount (line 362);
  - public transit amount (line 364);
  - children's fitness amount (line 365);
  - children's arts amount (line 370);
  - home buyers' amount (line 369);
  - adoption expenses (line 313); and
  - interest paid on student loans (line 319).

---

### Example 2

In example 1, Jeff determined his net world income was \$19,000. To calculate his taxes payable, Jeff will enter on line 35 of his Schedule 1 whichever is **greater**:

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

Jeff has included on his return 90% or more of his net world income. He calculated the 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 2011.

### Example 3

If Jeff also earned \$12,000 in interest from U.S. treasury bonds which he does not have to report on his return, he would no longer be including 90% or more of his net world income on his return:

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

In this example, since Jeff has not included 90% or more of his 2011 net world income on his section 217 return, his allowable federal non-refundable tax credits are limited to whichever is the **lesser** of a) and 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:
  - volunteer firefighters' amount (line 362);
  - public transit amount (line 364);
  - children's fitness amount (line 365);
  - children's arts amount (line 370);
  - 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 35 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 in the taxable income 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 “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 “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

### What if you need help?

If you need help after reading this publication, visit [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 publication.

### Forms and publications

To get our forms or publications, go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or call 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.

### TIPS (Tax Information Phone Service)

For personal and general tax information by telephone, use our automated service, TIPS, by calling 1-800-267-6999 (calls from Canada and the United States).

# International Tax Services Office

International Tax Services Office  
Post Office Box 9769, Station T  
Ottawa ON K1G 3Y4  
CANADA

## Regular hours of service

Monday to Friday (holidays excluded)  
8:15 a.m. to 5:00 p.m. (Eastern Time)

## Extended hours of telephone service

### From mid-February to the end of April

Monday to Thursday (holidays excluded)

8:15 a.m. to 9:00 p.m. (Eastern Time)

Friday (holidays excluded) 8:15 a.m. to 5:00 p.m. (Eastern Time)

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

If you have any comments or suggestions that could help us improve our publications, we would like to hear from you. Please send your comments and suggestions to:



**Taxpayer Services Directorate**  
**Canada Revenue Agency**  
750 Heron Road  
Ottawa ON K1A 0L5  
CANADA