



Canada Revenue
Agency

Agence du revenu
du Canada

Non-Residents and Income Tax

2004

Is this guide for you?

This guide is for you if you were a non-resident or a deemed non-resident of Canada for all of 2004.

Generally, you were a non-resident of Canada in 2004 if you normally, customarily, or routinely lived in another country and were not considered a resident of Canada for tax purposes. You will find a more detailed description of a non-resident on page 4.

You were a deemed non-resident of Canada in 2004 if you were a resident (including a deemed resident, defined on page 4) of Canada in 2004, and, under a tax treaty, you were considered to be a resident of another country. If this is the case, the same rules apply to you as to a non-resident (including the way you complete your return).

This guide will introduce you to the Canadian income tax system and will help you understand the tax implications of being a non-resident or a deemed non-resident.

This guide **does not apply** to you if you moved permanently to Canada in 2004, or if you emigrated from Canada in 2004. You should get the pamphlet T4055, *Newcomers to Canada*, or the guide T4056, *Emigrants and Income Tax*, whichever applies.

This guide also **does not apply** to you if, in 2004, you were a deemed resident of Canada and, under a tax treaty, you were not considered to be a resident of another country. You should get the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*.

Your opinion counts!

We review this guide every 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 to:



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In this publication, we use the name "Canada Revenue Agency" and the acronym "CRA" to represent the Canada Customs and Revenue Agency. This reflects recent changes in the structure of the Agency.

La version française de cette publication est intitulée *Les non-résidents et l'impôt*.

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Visually impaired persons can order our publications in braille, large print, e-text (computer diskette), or on audio cassette by visiting our Web site at www.cra.gc.ca/alternate or by calling **1-800-267-1267** weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time). If you are outside Canada and the United States, call the International Tax Services Office collect at **(613) 952-3741**.

General Information

At your service

What if you need help?

In this guide, we use plain language to explain the most common tax situations. If you need more information after reading this guide, you can visit our Web site at www.cra.gc.ca, or you can contact the International Tax Services Office (see the back cover of this guide) or use our other services.

If you work in the film or video production industry and you need more information, you can visit our Web site at www.cra.gc.ca/tax/nonresidents/film/menu-e.html. You can find the telephone, fax numbers and addresses for the Film Services Unit on our Web site.

T.I.P.S.

For personal and general tax information, you can use our automated T.I.P.S. (by phone at 1-800-267-6999, for calls from **Canada and the United States**). For example, **Info-Tax** provides information on many tax topics. More information on T.I.P.S. can be found in the *General Income Tax and Benefit Guide*.

Publications

Throughout this guide, we mention forms, pamphlets, interpretation bulletins, information circulars, and other guides that give more details on specific tax topics. We will mail you some of them by late February, depending on the information on your return for 2003.

You can get any of the publications mentioned in this guide, as well as a copy of the General forms book and guide on our Web page at www.cra.gc.ca/forms or by calling 1-800-959-2221 (from **Canada and the U.S.**). If you are outside of Canada and the U.S., call 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 most Canadian embassies, high commissions, or consulates.

Before you start

Canada's tax system

Canada's tax system is similar to that of many countries. Employers and other payers usually deduct taxes from the income they pay you, and people with business income usually pay their taxes by instalments.

An important feature of the Canadian tax system is that you have the right and the responsibility to verify your income tax status each year and to make sure that you pay the correct amount of taxes according to the law.

The guide RC4213, *Your Rights*, outlines the fair treatment you are entitled to receive when you deal with us.

Each year, you determine your final tax obligation, on certain types of income, by completing an income tax return and sending it to us. On the return, you list your income and deductions, calculate federal and provincial or territorial tax, and determine if you have a balance of tax owing for the year, or whether you are entitled to a refund of some or all of the tax that was deducted from your income during the year.

Before you can complete your Canadian income tax return, you must first determine your residency status.

Were you a non-resident in 2004?

You were a non-resident of Canada for tax purposes in 2004 if you did not have **residential ties** in Canada and:

- you lived outside Canada throughout the year (except if you were a deemed resident as defined on this page); or
- you stayed in Canada for **less than 183 days** in the year.

What are residential ties?

Residential ties include:

- a home in Canada;
- a spouse or common-law partner (see the definition in your tax guide) and dependants who stayed in Canada;
- personal property, such as a car or furniture in Canada; and
- social ties in Canada.

Other ties that may be relevant include a Canadian driver's licence, Canadian bank accounts or credit cards, and health insurance with a Canadian province or territory.

For more information about residential ties, get Interpretation Bulletin IT-221, *Determination of an Individual's Residence Status*, or contact the International Tax Services Office.

Were you a deemed resident in 2004?

You were a deemed resident of Canada for tax purposes in 2004 if you did not have **residential ties** in Canada (otherwise a non-resident, as defined on this page), but you temporarily stayed here for 183 days or more in 2004 and, under a tax treaty, you were **not** considered a resident of another country.

The 183-day rule

To calculate the number of days you stayed in Canada in 2004, include each day or part of a day that you stayed in Canada, including:

- the days you attended a Canadian university or college;
- the days you worked in Canada; and
- any days or weekends you spent on vacation in Canada.

If you lived in the United States and commuted to work in Canada, do not include commuting days in the calculation.

Do you need help determining your residency status?

If, after reading the preceding information, you are still not sure whether you were a non-resident of Canada in 2004, complete Form NR74, *Determination of Residency Status (Entering Canada)*, and send it to the International Tax Services Office as soon as possible. We will provide you with an opinion of your residency status based on the information you give us.

Do you have to file a tax return?

You have to file a Canadian tax return for 2004 if **any** of the following applies to you:

- You have to pay tax for 2004.
- We sent you a request to file a return.
- You had a taxable capital gain or disposed of taxable Canadian property in 2004.
- You filed Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to Be Withheld*, for 2004, and we approved it. If this is your situation, you have to file a return electing under section 217 of the *Income Tax Act*. See page 7 for details.
- You filed Form NR6, *Undertaking to File an Income Tax Return by a Non-Resident Receiving Rent From Real Property or Receiving a Timber Royalty*, for 2004, and we approved it. If this is your situation, you have to file a separate return electing under section 216 of the *Income Tax Act*. See page 7 for details.
- You filed an application for a reduction in the amount of non-resident tax required to be withheld on income earned from acting in a film or video production in Canada for 2004, and we approved it. If this is your situation, you have to file a return electing under section 216.1 of the *Income Tax Act*. See page 7 for details.

Even if none of these requirements applies, you may still want to file a return if any of the following applies:

- You want to claim a refund.
- You want to carry forward the unused portion of your tuition amount (or education amount if you qualify). See line 323 in your tax guide for details.
- You want to report income for which you could contribute to an RRSP, to keep your RRSP deduction limit (see line 208 in your tax guide) for future years up to date.

Which tax and benefit package should you use?

- If you are reporting **only** income from employment in Canada or from a business carried on through a permanent establishment in Canada (including a non-resident actor electing to file a return under section 216.1, see page 7 for details), use the *General Income Tax and Benefit Guide* and related forms book for the province or territory where you earned the income. The forms book includes the return you will need.

If you are **also** reporting other types of Canadian-source income (such as scholarships, fellowships, bursaries, research grants, or capital gains from disposing of taxable Canadian property), you will need Form T2203, *Provincial and Territorial Taxes for 2004 – Multiple Jurisdictions*, to calculate your tax payable.

- If you are reporting **only** Canadian-source income **other than** from employment in Canada, from a business with a permanent establishment in Canada (including a non-resident actor electing to file a return under section 216.1), from rental income or timber royalties, or if you are filing an elective return under section 217 of the *Income Tax Act*, use the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*. It includes the return you will need. For more information about these elections, see page 7.
- If you received rental income from real property in Canada or timber royalties on a timber resource property or a timber limit in Canada and you are electing to file a return under section 216 of the *Income Tax Act*, use guide T4144, called *Income Tax Guide for Electing Under Section 216* (see page 7 for details). It includes the return you will need.

What date is your 2004 tax return due?

Generally, your return for 2004 has to be filed on or before **April 30, 2005**.

Self-employed persons – If you or your spouse or common-law partner carried on a business in Canada in 2004, the due date may be different. For details, see the section called “What date is your return for 2004 due?” in your tax guide.

Deceased persons – If you are filing a Canadian return for someone who died in 2004, get guide T4011, *Preparing Returns for Deceased Persons*, for details about your filing requirements and options.

Note

If you are filing an elective return under section 216 or section 217 of the *Income Tax Act*, see guide T4144, called *Income Tax Guide for Electing Under Section 216*, or pamphlet T4145, *Electing Under Section 217 of the Income Tax Act*, for the due dates of these types of returns.

Send your completed return to the International Tax Services Office. Use the envelope included in this guide. If you provide services in the film and television industry, send your income tax return to the Film Services Unit.

Do you need a social insurance number (SIN)?

The SIN is a nine-digit number that is personal and confidential. We use it to identify you for income tax purposes. You have to give your SIN to anyone who prepares an information slip (such as T4 or T5013) for you.

Your SIN card **is not** a piece of identification, and it should be kept in a safe place.

For more information, or to get an application for a SIN, contact your Social Development Canada (SDC) office, or visit their Web page at www.sdc.gc.ca. You will find the

address and telephone number of your SDC office in the government section of your telephone book and on the Web page mentioned above.

If you are outside of Canada, you can write to: Social Insurance Registration, P.O. Box 7000, Bathurst NB E2A 4T1, CANADA, or call (506) 548-7961.

If you have requested but not yet received a SIN, or you cannot obtain a SIN, and the deadline for filing your return is near, file your return without your SIN to avoid the late-filing penalty and interest charges.

Attach a note to your return to let us know. We will assign you a temporary taxation number. Please keep a record of this number in case we need to contact you.

Taxing Canadian-source income

As a non-resident, you are subject to Canadian income tax on most Canadian-source income paid or credited to you during the year unless all or part of it is exempt under a tax treaty. Canada's income tax system uses the following two methods (as explained below) to calculate the tax payable on Canadian-source income you receive.

Method 1 – Non-resident tax

Canadian financial institutions and other payers have to withhold non-resident tax at a rate of 25% on certain types of Canadian-source income that they pay or credit you as a non-resident of Canada. The most common types of income that could be subject to non-resident tax include:

- interest and dividends
- rental payments
- pension payments
- Old Age Security pension
- Canada Pension Plan or Quebec Pension Plan benefits
- retiring allowances
- registered retirement savings plan payments
- registered retirement income fund payments
- annuity payments

However, if there is a tax treaty between Canada and your country of residence, the terms of the treaty may reduce the rate of non-resident tax withheld on certain types of income. See "Tax treaties" on page 14 to find out if Canada has a tax treaty with your country of residence.

For information on rates of non-resident tax for the various countries with which Canada has tax treaties, contact the International Tax Services Office.

Do you have to report income that has non-resident tax withheld?

If, in 2004, non-resident tax was withheld on any of the types of income listed above, you do not have to report the income or tax withheld on your Canadian return. In general, the non-resident tax withheld is your final tax obligation to Canada on this income.

However, if you receive rental income, certain pension payments, or film and video acting services income, you can choose to report these types of income on a Canadian return and pay tax on it using an alternative taxing method.

For details, see the section called "Elective returns" on page 7.

If you receive Old Age Security pension, you may have to file the *Old Age Security Return of Income* each year. For more information, get guide T4155, called *Old Age Security Return of Income Guide for Non-Residents*.

For more information on non-resident withholding tax, get Information Circular 76-12, *Applicable Rate of Part XIII Tax on Amounts Paid or Credited to Persons in Countries With Which Canada has a Tax Convention*, and Information Circular 77-16, *Non-Resident Income Tax*.

Has your Canadian payer withheld too much non-resident tax?

If the provisions of a tax treaty were not considered, Canadian payers may have withheld non-resident tax from tax-exempt income, or they may have withheld more tax than was necessary. If this was your situation, you can ask us for a refund of the excess tax withheld by completing Form NR7-R, *Application for Refund of Non-Resident Tax Withheld*.

We can only refund excess non-resident tax withheld if you complete and send us Form NR7-R no later than two years after the end of the calendar year in which the payer sent us the tax. For example, if the payer sent us more than the required amount of tax in 2004, you have to send us Form NR7-R by December 31, 2006.

Transfers to registered plans or funds

Certain Canadian-source amounts that are otherwise subject to non-resident withholding tax can, instead, be transferred to a registered pension plan (RPP), a registered retirement income fund (RRIF), or a registered retirement savings plan (RRSP) without having this tax withheld.

These amounts may include payments out of an RPP, a deferred profit-sharing plan, an RRIF, an RRSP, or a retiring allowance. The transfers have to be direct transfers, and you have to complete Form NRTA1, *Authorization for Non-Resident Tax Exemption*, before the transfer can be made. For more information, contact us.

Method 2 – Tax on taxable income

Certain types of income you earn in Canada must be reported on a Canadian income tax return. The most common types of income include:

- income from employment in Canada;

- income from a business carried on in Canada;
- Canadian scholarships, fellowships, bursaries, and research grants; and
- capital gains from disposing of taxable Canadian property.

You may be entitled to claim certain deductions from income to arrive at the taxable amount. You can also claim a credit for any tax withheld at source or paid on this income.

If there is a tax treaty between Canada and your country of residence, the terms of the treaty may reduce or eliminate the tax on certain types of this income. See the section called "Tax treaties" on page 14 to find out if Canada has a tax treaty with your country of residence. If it does, contact the International Tax Services Office to find out if the provisions of the treaty apply to this income.

By completing the return, you determine whether you are entitled to a refund of some or all of the tax withheld, or you have a balance of tax owing for the year. Once we assess the return, we will issue you a *Notice of Assessment* to advise you of the result.

Elective returns

Canadian payers are required to withhold non-resident tax on certain types of income paid to you as a non-resident of Canada. This tax withheld is usually your final tax obligation to Canada on the income.

However, under sections 216, 216.1, and 217 of the *Income Tax Act*, you have the option of filing a Canadian tax return and paying tax on the types of Canadian-source income mentioned in the following sections using an alternative taxing method. By doing so, you may receive a refund of some or all of the non-resident tax withheld.

Electing under section 216

As a non-resident, you may have received the following types of income in 2004:

- rental income from real property in Canada; or
- timber royalties on a timber resource property or a timber limit in Canada.

If so, you can choose to send us a **separate** return to report this income for the year. Choosing to send this return is called "electing under section 216 of the *Income Tax Act*." This allows you to pay tax on your **net** Canadian-source rental or timber royalty income instead of on the **gross** amount. If the non-resident tax withheld on this income is more than the amount you have to pay under section 216, we will refund the excess to you.

For more information about electing under section 216, get guide T4144, called *Income Tax Guide for Electing Under Section 216*. The guide also contains the return you will need.

Electing under section 216.1

For 2001 and following years, if you are a non-resident actor, a non-resident withholding tax of 23% applies to amounts paid, credited, or provided as a benefit to you for film and video acting services rendered in Canada. Generally, the non-resident withholding tax is considered your final tax liability on the income.

However, you can choose to include this income on a Canadian income tax return for 2004. Choosing to file this is called "electing under section 216.1 of the *Income Tax Act*". By doing this, you may receive a refund of some or all of the non-resident tax withheld on this income.

Generally, if you choose to file a return under section 216.1, your return for 2004 has to be filed **on or before April 30, 2005**.

If you are a self-employed individual, your return for 2004 has to be filed **on or before June 15, 2005**. However, if you have a balance owing, you still have to pay it **on or before April 30, 2005**.

If you send us your return after the due date, your election will not be considered valid. The 23% non-resident withholding tax will be considered the final tax liability.

Note

This election **does not apply** to other persons employed or providing services within the movie industry, such as directors, producers, and other personnel working behind the scenes. It also does not apply to persons in other sectors of the entertainment industry, such as musical performers, ice or air show performers, stage actors or stage performers, or international speakers.

Reducing tax withheld at source

If you intend to elect under section 216.1, you can apply to us for a reduction in the required amount of non-resident tax withheld on amounts paid, credited, or provided as a benefit to you for film and video acting services rendered in Canada. You have to apply **before** you provide the acting services in Canada. For more information, visit our Web site at www.cra.gc.ca/tax/nonresidents/film/menu-e.html.

Electing under section 217

As a non-resident, you may have received the following types of income in 2004:

- Old Age Security pension
- Canada Pension Plan or Quebec Pension Plan benefits
- most superannuation and pension benefits
- registered retirement savings plan payments
- registered retirement income fund payments
- death benefits
- Employment Insurance benefits
- certain retiring allowances
- registered supplementary unemployment benefit plan payments
- 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
- Auto Pact benefits

If so, you can choose to include this income on a Canadian income tax return for the year and pay tax using an alternative method. Choosing to send us this return is

called “electing under section 217 of the *Income Tax Act*”. By doing this, you may receive a refund of some or all of the non-resident tax withheld.

For more information about electing under section 217, get pamphlet T4145, *Electing Under Section 217 of the Income Tax Act*.

To file a section 217 income tax return, use the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*, which includes all of the forms and schedules you will need to file your return.

Disposing of certain types of Canadian property

As a non-resident of Canada, there are certain procedures to follow if you have disposed of, or are planning to dispose of, the following types of property:

- a taxable Canadian property (as outlined below)
- a life insurance policy in Canada
- a Canadian real property (other than capital property)
- a Canadian resource property
- a Canadian timber resource property

For the purpose of the procedures explained in this section, **taxable Canadian property** includes:

- Canadian real estate;
- Canadian business property used in carrying on a business in Canada;
- designated insurance property belonging to an insurer;
- shares of corporations resident in Canada (excluding a mutual fund corporation) that are not listed on a prescribed stock exchange;
- capital interest in a Canadian resident trust (other than a unit trust);
- a unit of a Canadian resident unit trust (other than a mutual fund trust);
- certain shares of non-resident corporations that are not listed on a prescribed stock exchange (read note below);
- certain partnership interests (read note below); and
- an interest in a non-resident trust (read note below).

Note

A non-resident corporation, partnership, or trust has to derive its value primarily from taxable Canadian property, Canadian resource property, timber resource property, income interest in a Canadian resident trust, or an interest or option to acquire a Canadian resource property, a timber resource property, or an income interest in a Canadian resident trust.

Procedures to follow

If you disposed of, or are planning to dispose of, any of the types of property listed above, you should follow these steps:

Step 1 – Let us know about the disposition or proposed disposition by completing one of the following forms and sending it to us along with the payment to cover the resulting tax payable or acceptable security:

- Form T2062, *Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of Taxable Canadian Property*;
- Form T2062A, *Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of Canadian Resource or Timber Resource Property, Canadian Real Property (Other Than Capital Property), or Depreciable Taxable Canadian Property*; or
- Form T2062B, *Notice of Disposition of a Life Insurance Policy in Canada by a Non-Resident of Canada*.

Note

Form T2062B and any required payment will be sent to us by your insurance company.

Step 2 – If you are letting us know about an **actual disposition** and you provide the payment to cover the resulting tax payable, or acceptable security, we will issue you a certificate of compliance, Form T2068, *Certificate – The Disposition of Property by a Non-Resident of Canada*.

If you are letting us know about a **proposed disposition** and you provide either the payment to cover the resulting tax payable or acceptable security, we will issue you a certificate of compliance, Form T2064, *Certificate – Proposed Disposition of Property by a Non-Resident of Canada*.

When you actually dispose of the property, if the facts and amounts of the actual disposition differ from those you reported to us for the proposed disposition, you should send us another completed form with the changes, and provide us with acceptable security or any additional payment to cover the revised tax payable. We will then issue you a certificate of compliance, Form T2068.

Note

If you do not let us know about your disposition and we do not issue a certificate of compliance (Form T2064 or Form T2068), the purchaser may become liable to pay a specified amount of tax that arises from the disposition on behalf of the vendor. In this case, the purchaser is entitled to withhold 25% (50% on certain types of property) of the cost of the property acquired by the purchaser minus the amount of the certificate limit, if any, from the proceeds of disposition.

Step 3 – Finally, you have to file a Canadian tax return to report the disposition. All payments, excluding penalties, that you or the purchaser makes to us as a result of a disposition are considered interim payments. You make a final settlement of tax for the disposition when you file your return. If you

make an overpayment, we will send you a refund with your *Notice of Assessment*.

For more information, get Information Circular 72-17, *Procedures Concerning the Disposition of Taxable Canadian Property by Non-Residents of Canada – Section 116*.

Completing your 2004 income tax return

To complete your tax return, use the information in this section along with the instructions provided in the *General Income Tax and Benefit Guide* or the *General Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada*, whichever applies.

The information in this section is presented in the same order as it appears on your return. When you come to a line that applies to you, look it up in this section as well as in your tax guide.

Gather all the documents needed to complete your return. This includes information slips (such as the T4, T4A, T4A-NR, and T5013) and receipts for any deductions or credits you plan to claim.

You may have to complete **Schedule A**, *Statement of World Income*, and **Schedule D**, *Information about your residency status*, and attach them to your return. You will find Schedules A and D in the centre of this guide.

If you were employed in Canada during 2004, your employer should have sent you, by the end of February 2005, a T4 information slip showing your earnings and the amount of tax deductions. If you have not received your T4 slip by early April, contact your employer.

Identification

It is important that you complete the entire Identification area on page 1 of your return. We need this information to assess your return and to contact you. If you provide incomplete or incorrect information, the processing of your return, and any refund to which you may be entitled, will be delayed.

Note

If you are a non-resident actor electing to file a return under section 216.1, write "Actor's election" at the top of page 1 of your return.

Information about your residence

Complete the first line as follows:

- If you are reporting income from employment in Canada or from a business carried on through a permanent establishment in Canada, **enter on this line the name of the province or territory where you earned the income.**
- If you are reporting **only** other types of Canadian-source income (such as scholarships, fellowships, bursaries, research grants, or capital gains from disposing of taxable Canadian property), enter "Other" on this line. Do this even if you were staying in a province or territory on December 31.

On the second line, enter the name of the country where you normally reside.

On the third line, if you were **self-employed** during 2004, enter the province or territory where you had a permanent business establishment. If your business was carried on through a permanent establishment outside of Canada, enter "Other."

Please attach a note to your return to let us know how many days you stayed in Canada during 2004.

Goods and services tax/harmonized sales tax (GST/HST) credit application

As a non-resident, you are not eligible to receive the GST/HST credit. Therefore, do not complete this area on page 1 of your return.

Schedule D, Information about your residency status

If you are filing a provincial or territorial tax return and you are a non-resident, deemed non-resident, or a factual resident of Canada, complete Schedule D, and attach it to your return.

Income

As a non-resident of Canada, you have to report certain types of Canadian-source income on your return. However, if Canada has a tax treaty with your country of residence, all or part of that income may be exempt from tax in Canada. See the section called "Tax treaties" on page 14 to find out whether Canada has a tax treaty with your country of residence.

Employment income

If you received Canadian-source employment income (including tips, gratuities, and stock option benefits) in 2004 with respect to the employment duties you performed in Canada in 2004 or an earlier year, report it on line 101 of your return.

Under some treaties, employment income is exempt if:

- it is less than a certain amount; or
- you were present in Canada for 183 days or less in the year and you received it from an employer who was not a resident of Canada and who did not have a permanent establishment in Canada.

If the income is exempt from Canadian tax under the provisions of a treaty, deduct the exempt amount on line 256 of your return.

If you are not sure if your employment income is taxable in Canada, contact the International Tax Services Office to find out how the provisions of the treaty apply to you.

For more information on reporting employment income earned in Canada, get Interpretation Bulletin IT-420, *Non-Residents – Income Earned in Canada*.

If you were a resident of Canada in a previous year and you left Canada before 2004, you may have to report certain types of Canadian-source income you may have received in 2004, such as employment income from a job you had **while you lived in Canada**. This could include vacation pay, sick-leave pay, bonuses, or stock option benefits.

If, in 2004, you received employment income from a Canadian resident for work **you performed in another country**, you only have to report it on your return if, under the terms of an agreement or convention between Canada and another country, the employment income is exempt from tax in that other country.

Teachers and professors from Ireland – If you are a visiting teacher or professor from Ireland, any employment income that you earn teaching in Canada may be tax-exempt because of the tax treaty Canada has with your country of residence. However, to qualify for this exemption, the duration of your visit to Canada cannot be longer than two years and the visit must be for teaching at a Canadian educational institution.

We can only verify these details after your teaching period has ended. Therefore, you should still file your 2004 return by April 30, 2005, and, after you have returned home, contact the International Tax Services Office for an exemption from Canadian tax. We will then adjust your return and provide you with a refund, if you qualify.

When requesting this exemption, provide details of your stay and employment in Canada. In the meantime, your employer has to deduct income tax, Canada Pension Plan or Quebec Pension Plan contributions, and Employment Insurance premiums from your salary.

For more information, contact the International Tax Services Office.

Taxable capital gains

If you disposed of **taxable Canadian property** (see list on page 8), complete Schedule 3, *Capital Gains (or Losses) in 2004*, and attach it to your tax return for the year of the disposition. You will find Schedule 3 in your tax package. On line 127 of your return, report the taxable capital gain resulting from the disposition.

Notes

Do not include on line 127 of your return any gain or loss from disposing of taxable Canadian property, if, under a tax treaty, the taxable capital gain from the disposition is exempt from tax in Canada.

However, attach the completed Schedule 3, *Capital Gains (or Losses) in 2004*, showing the details of the disposition.

Also, attach a note to your return stating that you have not included the gain or loss because of a tax treaty.

If you disposed of certain **other types of Canadian property** such as Canadian life insurance property, Canadian real property (other than capital property), Canadian resource property, and timber resource property, report the gain from the disposition on line 130 or line 135 (whichever applies) of your tax return. Do not report these dispositions on Schedule 3. Attach a note or other document showing the details of the disposition. If, under a tax treaty, the gain is exempt from tax in Canada, claim an offsetting deduction on line 256 of your return.

For more information, get guide T4037, *Capital Gains*.

Scholarships, fellowships, bursaries, study grants, and artists' project grants

If you were a student in full-time attendance at a post-secondary educational institution in Canada, or if you moved from Canada to attend a post-secondary educational institution outside Canada, you have to report Canadian scholarship, fellowship, bursary, and research grant income you received in 2004. Total all the amounts you received in 2004.

If you received an amount for a program for which you can claim the education amount for 2004 (see line 323 in the *General Income Tax and Benefit Guide*, and make sure to complete Schedule 11), report only the amount that is more than \$3,000. Otherwise, report on line 130 only the amount that is more than \$500.

Note

If you are an artist, see pamphlet P105, *Students and Income Tax*, to determine the amount you must report on your return.

If you moved from Canada to carry on research or similar work under a grant, you have to report the Canadian research grant you received. Deduct your expenses from it, and include the net amount on line 104. Attach a list of your expenses to your return. For information on allowable expenses, get Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, and Research Grants*.

If you receive money from a parent or guardian for support while you are in Canada, you do not have to include this money as income on your return. However, if you deposit that money in a Canadian bank account and you earn interest on it, the bank has to withhold non-resident tax on the interest. If this is your situation, you should advise the bank that you are a non-resident and that it should withhold tax at the applicable rate.

Fees, commissions, and self-employment income

If you received fees, commissions, or self-employment income, you may have been subject to tax under subsection 105(1) of the *Income Tax Regulations*. This subsection states that when a payment is made to you for services you rendered in Canada, **other than in the course of regular and continuous employment**, the payer has to withhold 15% of the gross amount.

This generally applies to lecturers, consultants, entertainers, artists, and athletes. If you received Canadian-source income that was subject to withholding tax under this subsection, report the income on your return, and claim the tax withheld, as shown on your T4A-NR slip, as a credit on line 437 of your return.

Report the gross income on line 162, 164, or 166, whichever applies, and the net income (i.e., gross income minus expenses) on line 135, 137, or 139, whichever applies, of your return. If all or part of this income is exempt from Canadian tax under the provisions of a tax treaty, deduct the exempt part on line 256 of your return.

Note

Do not claim a loss from a business carried on in Canada if, under a tax treaty, the income from that business would be exempt from tax in Canada.

For more information about this type of withholding tax, or to find out how to apply for a tax waiver, get Information Circular 75-6, *Required Withholding From Amounts Paid to Non-Resident Persons Performing Services in Canada*.

Are you a non-resident actor providing services in Canada?

If you are a non-resident actor providing services in Canada, a non-resident withholding tax of 23% applies to amounts paid, credited, or provided as a benefit to you for film and video acting services rendered in Canada. Generally, the non-resident withholding tax is considered your final tax liability on the income.

If you are electing to file a return under section 216.1, include your income on your return as either employment income (line 101) or self-employment income (gross income on line 162, 164, or 166 and net income on line 135, 137, 139, whichever lines apply). For more information, see page 7.

Deductions

Generally, you are entitled to claim the same deductions on your return as a resident of Canada. However, certain restrictions apply to the following deductions.

Registered pension plan and registered retirement savings plan (RRSP) contributions

On your Canadian return, you cannot deduct contributions you make to pension plans in other countries, with certain exceptions. Under the *Canada-France Income Tax Convention* and the *Canada-Netherlands Income Tax Convention*, you may be able to deduct contributions to a pension plan in certain circumstances. If you have contributed to a pension plan in France or the Netherlands, contact the International Tax Services Office to find out if you can deduct these amounts.

You cannot deduct contributions you make to a retirement plan in other countries.

Depending on your RRSP deduction limit, you may be able to deduct contributions to an RRSP in Canada. Your RRSP deduction limit for 2004 is based on the Canadian-source earned income that you reported on your Canadian income tax returns for the years 1991 to 2003. Your RRSP deduction limit for 2004 is shown on the last *Notice of Assessment* or *Notice of Reassessment* issued to you subsequent to 1991.

For more information, see lines 207 and 208 in your tax guide, and get guide T4040, *RRSPs and Other Registered Plans for Retirement*.

Child care expenses

To determine whether you can claim child care expenses, read the information on Form T778, *Child Care Expenses Deduction for 2004*. Keep in mind that the expenses must have been paid to a **resident of Canada** for child care services provided in **Canada** during 2004.

For more information on child care expenses, and to make your claim, complete and attach Form T778 to your return.

Moving expenses

Non-residents are usually not allowed to deduct moving expenses incurred for a move into, or out of, Canada.

However, if you were a **full-time student** during 2004, and you received a Canadian scholarship, bursary, fellowship, or research grant, you may be eligible to deduct your moving expenses. For more information, get Form T1-M, *Moving Expenses Deduction*.

Losses of other years

You may be entitled to deduct your unapplied non-capital losses of other years and your unapplied net capital losses of other years. You claim these losses on lines 252 and 253 respectively. For more information on claiming losses of other years, get Interpretation Bulletin IT-262, *Losses of Non-Residents and Part-Year Residents*. You should also contact the International Tax Services Office for the special rules that may apply to you.

Calculating your taxes payable

If you are reporting income from employment in Canada or from a business carried on through a permanent establishment in Canada, you will pay federal tax on that income plus tax to the province or territory where you earned the income.

If you are **also** reporting other types of Canadian-source income (such as scholarships, fellowships, bursaries, research grants, or capital gains from disposing of taxable Canadian property), you will pay federal tax on that income plus the surtax for non-residents and deemed residents of Canada. You will need Form T2203, *Provincial and Territorial Taxes for 2004 – Multiple Jurisdictions*, to calculate your tax payable.

Federal tax and credits (Schedule 1)

Use Schedule 1, *Federal Tax*, to calculate your federal tax and any credits that apply to you.

Schedule A, Statement of World Income

Use Schedule A to report your world income. World income is income from Canadian sources and sources outside Canada. Your foreign source income is reported **only** on your Schedule A.

You have to complete Schedule A. Your net world income, which is shown on Schedule A, is used to determine your

allowable amount of non-refundable tax credits on Schedule B.

Federal non-refundable tax credits

These credits reduce the amount of your federal tax. They are called non-refundable because if the total of these credits is more than the amount you owe, you will not receive a refund for the difference.

The non-refundable tax credits that you can claim depend on the portion of net world income (line 14 of Schedule A) that is included in net income (line 236) on your return.

Schedule B, Allowable Amount of Non-Refundable Tax Credits

Complete Schedule B to determine the amount of non-refundable tax credits that you can claim and to calculate your allowable amount of non-refundable tax credits.

If line A of Schedule B is **90% or more**, you can claim all the federal non-refundable tax credits that apply to you. Your allowable amount of non-refundable tax credits is the amount on line 350 of Schedule 1.

If you **do not** meet this 90% rule, you can claim only the following federal non-refundable tax credits:

- Canada Pension Plan or Quebec Pension Plan contributions;
- Employment Insurance premiums;
- disability amount (for yourself);
- interest paid on Canadian student loans for post-secondary education made to you under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, or similar provincial or territorial government laws;
- tuition amount for yourself (except the education amount); and
- donations and gifts.

Your allowable amount of non-refundable tax credits is 16% of the total of these credits.

Note

You will find a copy of Schedule A and Schedule B in the centre of this guide. For us to allow full federal non-refundable tax credits, you have to attach a completed Schedule A, *Statement of World Income*, to your return.

Tuition and education amounts

If you were a student, you can claim the tuition fees paid to an educational institution inside or outside Canada that provided courses at the post-secondary level that you took in 2004, plus any unused part of your tuition amount carried forward from a previous year. You cannot claim an amount for other expenses, such as books, board and lodging, or students' association fees. The fees must not have been paid by your or one of your parents' employer (or, if they were, the payment must have been included in your or your parent's income).

Not all fees can be claimed. **More than \$100** for the year must have been paid to each educational institution in Canada whose fees you claim.

You can claim tuition fees paid to the following:

- a university, college, or other educational institution **in Canada**, if the fees were for a course at the post-secondary school level;
- an institution **in Canada** certified by the Minister of Human Resources and Skills Development, if you were 16 or older on December 31, 2004, and the fees were for courses to develop or improve skills in an occupation; and
- a university **outside Canada** if you were enrolled in full-time attendance in a course (of at least 13 consecutive weeks duration) leading to a degree.

You can carry forward and claim in future years the part of your tuition amount that you do not need to use to reduce your 2004 federal tax to zero, or that you did not transfer to another individual in 2004.

In addition, you may be entitled to claim the education amount if, in 2004, the total of your Canadian source income that is included in your net income on line 236 of your return represents **90% or more** of your 2004 net world income.

To make your claim for the tuition amount, your educational institution has to complete and give you an official tax receipt, Form T2202A, *Tuition and Education Amounts Certificate*, or Form TL11A, *Tuition Fees Certificate – University Outside Canada*.

To make your claim for the education amount, your institution has to complete and give you either Form T2202A, *Tuition and Education Amounts Certificate*, or Form T2202, *Education Amount Certificate*, to confirm the period you were enrolled in a qualifying program.

You can find details on tuition and education amounts in pamphlet P105, *Students and Income Tax*.

Provincial or territorial tax (Form 428)

Use Form 428 for the province or territory where you earned employment income in Canada or income from a business that had a permanent establishment in a province or territory of Canada to calculate your provincial or territorial tax.

For information on how to calculate your provincial or territorial tax payable (except for Quebec), see the *General Income Tax and Benefit Guide* and the forms book for the province or territory where you earned your income.

If you earned income from more than one province or territory in Canada, you will need Form T2203, *Provincial and Territorial Taxes for 2004 – Multiple Jurisdictions*, to calculate your provincial or territorial (except Quebec) tax payable. Attach a copy of Form T2203 to your return.

To calculate your Quebec provincial tax, you may have to file a return for the Province of Quebec. You can get information about your Quebec tax liability by contacting the ministère du Revenu du Québec.

Provincial or territorial non-refundable tax credits

Provincial or territorial non-refundable tax credits are used to reduce your provincial or territorial tax payable (except Quebec). Eligibility for claiming provincial or territorial non-refundable tax credits is the same as for the corresponding federal non-refundable tax credits. However, the provincial or territorial amounts used in the calculation will differ in most cases.

As a non-resident, you are allowed to claim the provincial or territorial non-refundable tax credits that correspond with the federal non-refundable tax credits you claimed on your federal Schedule 1.

The 90% rule outlined under “Schedule B, *Allowable Amount of Non-Refundable Tax Credits*” on page 12 also applies in determining your provincial or territorial non-refundable tax credits. Complete Schedule B to calculate the allowable amount of these credits.

Provincial or territorial tax credits

Generally, you cannot claim provincial or territorial tax credits if you are not a resident of that province or territory.

Tax treaties

Canada has income tax conventions or agreements (commonly referred to as tax treaties) with many countries. These tax treaties are designed to avoid double taxation for those who would otherwise have to pay tax in two countries on the same income.

Generally, tax treaties determine how much each country can tax income such as wages, salaries, pensions, and interest.

If you receive Canadian-source employment income that is exempt from tax in Canada because of a tax treaty, you can ask your employer not to withhold tax. However, before your employer can stop withholding tax from your income, you need a waiver letter from us. Send your request for a waiver letter to your Canadian employer's tax services office. If the officials at the tax services office agree that you qualify, they will send you a waiver letter to give to your employer.

Canada has tax treaties with the following countries:

| | | | |
|--------------------|--------------------|------------------|----------------------|
| Algeria | Finland | Latvia | Senegal |
| Argentina | France | Lithuania | Singapore |
| Australia | Germany | Luxembourg | Slovak Republic |
| Austria | Guyana | Malaysia | Slovenia |
| Bangladesh | Hungary | Malta | South Africa |
| Barbados | Iceland | Mexico | Spain |
| Belgium | India | Moldova | Sri Lanka |
| Brazil | Indonesia | Mongolia | Sweden |
| Bulgaria | Ireland | Morocco | Switzerland |
| Cameroon | Israel | Netherlands | Tanzania |
| Chile | Italy | New Zealand | Thailand |
| China, (PRC) | Ivory Coast | Nigeria | Trinidad and Tobago |
| Croatia | Jamaica | Norway | Tunisia |
| Cyprus | Japan | Pakistan | Ukraine |
| Czech Republic | Jordan | Papua New Guinea | United Arab Emirates |
| Denmark | Kazakhstan | Peru | United Kingdom |
| Dominican Republic | Kenya | Philippines | United States |
| Ecuador | Korea, Republic of | Poland | Uzbekistan |
| Egypt | Kuwait | Portugal | Vietnam |
| Estonia | Kyrgyzstan | Romania | Zambia |
| | | Russia | Zimbabwe |

International Tax Services Office

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

Regular hours of service

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

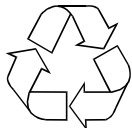
Extended hours of telephone service

From mid-February through the end of April
Monday to Thursday (holidays excluded) 8:15 a.m. to 9:00 p.m. (Eastern Time)

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