



## Canadian withholding requirements

- [Withholding on payments for services rendered by non-residents in Canada](#)
- [Withholding tax on other payments to non-residents of Canada](#)
- [Withholding on payments to employees](#)

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### Withholding on payments for services rendered by non-residents in Canada

**Note** - Legislation has been enacted that provides certain tax relief to facilitate the 2010 Winter Games including an exemption for a limited group of non-residents of Canada (e.g., athletes representing countries other than Canada, games officials, accredited foreign media) from income tax on income derived from the non-resident's activities, after 2009 and before April 2010, in connection with the 2010 Winter Games. The legislation also provides certain exemptions to the withholding obligations normally imposed on persons making payments in respect of such income. See subsections 115(2.3) and 153(1) of the [Income Tax Act](#).

Construction and design is underway to create the conditions for sport that will be showcased to the world in 2010. Activities include new construction and upgrades to existing facilities and infrastructure. Expertise from around the world is helping to ensure world-class outcomes. As a result, it will not be uncommon for payments to be made to non-residents of Canada for services rendered in Canada.

Any person that pays a non-resident of Canada an amount in respect of services rendered in Canada is required to withhold 15% of the payment. The withheld amount must be paid to the Receiver General of Canada. The remittance is applied against the non-resident's potential tax liability to Canada. The non-resident must file an income tax return with the CRA to finally determine the tax liability. Any amounts withheld in excess of a tax liability will be refunded, and amounts owing must be paid. For more information, see [Rendering services in Canada](#).

Other rules apply to amounts paid as salaries, wages, and other remuneration. See the section below called [Withholding on payments to employees](#).

Special rules apply to amounts paid to non-resident individuals for acting services provided in Canada. For more information, see [Film industry services](#).

If you believe that your final Canadian tax liability will be less than the amount withheld, you can ask the CRA to reduce or waive the withholding accordingly. A request for a reduction or waiver from withholding should normally be filed 30 days before the services are to begin in Canada, or 30 days before the first payment is due for these services.

[Guidelines for Treaty-Based Waivers Involving Regulation 105 Withholding](#)

[Form R105, Regulation 105 Waiver Application](#)

## Withholding tax on other payments to non-residents of Canada

Canadian withholding tax applies to a wide variety of amounts paid to non-residents of Canada. These amounts include interest, dividends, royalties, rents, management fees, and payments for film or video acting services. Preparations for the 2010 Winter Games are giving rise to such payments. The statutory withholding rate is 25%, though acting services are subject to a 23% tax. However, the rate of withholding is often reduced under the provisions of Canada's income tax treaties. The tax is imposed on the gross amount of the payment without any deduction for expenses.

**Note** - Legislation has been enacted that provides certain tax relief to facilitate the 2010 Winter Games including withholding tax relief for the International Olympic Committee and International Paralympic Committee on payments made after 2005 and before 2011 in respect of the 2010 Winter Games. See subsection 212(17.1) of the [Income Tax Act](#).

The withholding tax represents the non-resident's final liability for Canadian tax, and the non-resident does not have to file a Canadian tax return. The payer is required to withhold the amount of the tax and remit it to the Receiver General of Canada. If the tax is not withheld and remitted, the payer is personally liable for the tax. For certain amounts, such as real property rental income, a non-resident can elect to pay tax on the net income derived from Canada rather than incurring withholding tax on the gross amount of the payment.

For more information, see Guide [T4061](#), *Non-Resident Withholding Tax Guide*.

To get more information on non-residents and rental income, see [Rental income](#).

## Withholding on payments to employees

Employers are responsible for deducting income tax and other amounts from the salary, wages and other remuneration they pay their employees who are residents of Canada or who perform employment duties in Canada. These deductions along with other employer contributions have to be remitted to the Receiver General of Canada. Given these responsibilities, it is important to determine whether a worker is an employee or a self-employed individual. A person's employment status directly influences that person's entitlement to certain social security benefits in Canada, such as Employment Insurance and Canada Pension Plan benefits. Payroll deduction rules in Canada apply to all employers, regardless of their residency status (or that of their employees), and employers should understand how the rules apply and the obligations they impose. For more information, refer to Guide [T4001](#), *Employers' Guide – Payroll Deductions and Remittances*.

If an employer provides benefits or allowances to its employees (such as automobile benefits, housing, and travel assistance), the employer may have to report the value of the benefit in the income of its employees. For more information, see Guide [T4130](#), *Employers' Guide - Taxable Benefits*.

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