



Mailing Address:
12666-72nd Avenue
Surrey, B. C.
Canada V3W 2M8

Telephone/Fax
604-599-2060/604-599-2135
Website:
www.kwantlen.ca

Email: supply@kwantlen.ca

Supply & Business Services

NOTICE

Non-Resident Service Providers and Contractors Canadian Income Tax (CRA) Withholding Requirements

Kwantlen Polytechnic University, in compliance with CRA rules, is required to with-hold 15% of the value of the services for any non-resident performing services on-site at any Kwantlen location.

Explicit details are including in the CRA Bulletin at <http://www.cra-arc.gc.ca/E/pub/tg/rc4445/rc4445-10e.pdf>

A summary is provided here, for information:

1. Non-Resident
 - ❖ Withholding is required whether the non-resident is an individual or a corporation.
 - ❖ If the services are provided by an employee, then withholding is still required (Reg. 102).
2. Services
 - ❖ Withholding is required for the provision of services, NOT for the purchase of goods.
 - ❖ Withholding is NOT required for the reimbursement of reasonable expenses
3. Provided in Canada
 - ❖ Where services are provided both in and outside of Canada, only the portion provided in Canada is subject to withholding (Reg. 105)
 - ❖ The service provider, where possible, should provide separate invoices for the services provided in Canada and the services provided outside of Canada
 - ❖ If separate invoices are not possible, the service provider must pro-rate services on some reasonable basis that is supportable.
4. Withholding and Reporting
 - ❖ 15% withholding payments taken by Kwantlen must be received by the CRA by the 15th day of the month following the month of payment to the non-resident.
 - ❖ A T4A-NR slip must be provided to the non-resident by the last day of February of the following year.
 - ❖ A T4A-NR Summary, along with copies of all T4A-NR slips, must be received by CRA by the last day of February of the following year.
 - ❖ Failure to withhold and/or failure to report is subject to penalties and interest.

Non-Resident Service Providers – page 2

5. Waiver

- ❖ Withholding may be waived for a specific non-resident if Kwantlen received authorization **from CRA** that a waiver has been granted.
- ❖ Non-residents may apply to CRA for a waiver for one of the following two reasons:
 - The non-resident is exempt from Canadian tax under an income tax treaty;
 - The non-resident will incur sufficient expenses so that the actual tax on net income will be less than the 15% withholding tax on gross income.
- ❖ **Note that the non-resident must apply directly to CRA. Kwantlen is not a part of the waiver application process.**
- ❖ Application should be made at least 30 days prior to the provision of services in Canada, or 30 days prior to the receipt of payment for their services.
- ❖ CRA Form R105 is used to request a waiver: <http://www.cra-arc.gc.ca/E/pbg/tf/r105/README.html>

6. Treaty Exemptions

- ❖ Article VII of the Canada-U.S. Income Tax Treaty states that business profits of a U.S. resident are taxable only in the U.S., unless that U.S. resident carries on business in Canada through a **Permanent Establishment** in Canada.
- ❖ Non-resident entities (e.g. corporation) may be deemed to have a **Permanent Establishment** in Canada for various reasons – It is the non-resident's responsibility to determine this.
- ❖ If there is no **Permanent Establishment** in Canada, the non-resident can apply for a waiver with CRA under the treaty exemption.

7. Non-Resident Tax Liability

- ❖ Withholding is not the final payment of tax, it is an installment towards the non-resident's Canadian tax liability.
- ❖ Non-residents are required to file a Canadian income tax return to report their Canadian source income.
- ❖ Any Canadian income tax paid will, most likely, be creditable in the country of residence of the non-resident service provider.

8. Administrative and Other Comments

- ❖ A non-resident corporation may have Canadian payroll liabilities, but this does not fall under Kwantlen's responsibility to monitor or administer.
- ❖ **By direction to this notice, Kwantlen will have been deemed to have informed the non-resident, up-front, of the withholding payment, and that it is the non-resident's responsibility to apply for the waiver.**
- ❖ **Any contract for services should include a clause directing the non-resident to this notice** to explain Kwantlen's requirement to withhold and the waiver process.

