

### ***Non-Resident Tax Compliance on Rental Properties***

If you are a non-resident with rental property in Canada, there are two methods in which you can choose to file your tax returns.

The first is to remit 25% of your gross rental income each month. You will need to send the CRA your section 216 return within two years from the year end in which the rental income was paid or credited to you. Therefore, for 2023 rental income, the due date will be December 31, 2025. If the return is sent late, the section 216 election will be invalid.

The second is to first file a NR6 before the first month's rent of the rental period is received, then file a section 216 return.

### ***Form NR6 Filing***

If you are a non-resident with rental property in Canada, you have the choice to file an NR6 form before the first month's rent is received. If you don't file this form, you will need to remit 25% of your gross rental income each month. This form allows you or your agent to remit taxes on your net estimated rental income instead of remitting on your gross rental income.

The NR6 form is a joint election between yourself as the owner and your agent stating that you will file a section 216 Canadian tax return by June 30th of the following year and pay any taxes due by April 30th the same year.

A comparison of payments and refunds with and without NR6 election can be seen below.

*Assuming annual rental expense is more than annual rental income:*

	No NR6 election	With an NR6 Election
Gross annual rental income	\$12,000	\$12,000
Annual expenses (w/o CCA)	\$15,000	\$15,000
Annual tax payment due (25%)	\$ 3,000	\$ Nil
Monthly tax payment due	\$ 250	\$ Nil
Tax refund due	\$ 3,000	\$ Nil

*Assume annual rental expense is less than annual rental income:*

	No NR6 election	With an NR6 Election
Gross annual rental income	\$12,000	\$12,000
Annual expenses (w/o CCA)	\$ 8,000	\$ 8,000
Annual tax payment due (25%)	\$ 3,000	\$ 1,000
Monthly tax payment due	\$ 250	\$ 84
Tax refund due	\$ 2,000	\$ Nil

As you can see, this is a cash flow issue more than anything so it can be beneficial to file this form.

### ***Section 216 Return***

Non-residents of Canada can choose to send a tax return to report your rental income. This is done through electing under section 216 of the income tax act. The due dates for the section 216 return when filed alone can be found at the top of this document.

In the case a non-resident elects to file a NR6 form, the section 216 return is due by June 30th of the following year. I.E. your 2023 return is due June 30, 2024.

If taxes are payable, they are due April 30th and interest accumulates on the amount due after this date. We will make sure that you file the tax return on or before the deadline. If not filed, there will be severe penalty of 25% of the gross rental income, which will be imposed immediately even if filed one day after the deadline. The agent, which in most cases is your property management company, will be liable for this penalty.

Therefore, some property management companies will not submit a NR6 to avoid the risk of heavy penalties.

### ***Form NR4 Filing***

Whether you decide to file a NR6 or not, your agent will need to file a NR4 on your behalf. This is an informational return which reports the total rental income in the year, and the total amount tax withheld in the year.

A NR4 informational return must be filed by your agent by March 31<sup>st</sup> following the year of the rental period.