

Non-Resident Rental Income Checklist

Dear Client,

Thank you for your interest in **Accounting Plus Financial Services Inc.**

There is some information you are required to know as a Canadian non-resident with rental income in Canada. Please provide us with the following list of information and documents where applicable.

1) GST/HST Housing Rebate

If you purchased new properties directly from a builder for rental purposes, you most likely paid GST/HST on the purchase. If this is the case, you are entitled to a refund on part of the GST/HST paid.

If you meet these conditions, please provide us with the following information and documents:

- 1) Address of Property**
- 2) Purchase Agreement**
- 3) Statement of Adjustments from Purchase**
- 4) Lease Agreement with Tenants**

Please be advised, our service fees for GST/HST Housing Rebates is **\$400 per application.*

2) Non-Resident Withholding Tax on Rental Income

The Canadian tax department (Canada Revenue Agency) does not take any chances on taxes when it involves Canadian non-residents.

Non-residents are required to pay 25% tax on gross rental income. This amount needs to be remitted to the CRA on a monthly basis (each time you receive rental income).

However, there is an election that allows non-residents to pay 25% tax on net rental income (income after expenses). The Canada Revenue Agency will approve the election under the following conditions:

- 1) The non-resident has a Canadian resident acting as an agent**

Please note, Accounting Plus can act as an agent for non-resident clients.

3) Non-Resident Filing Tax on Rental Income

Non-residents who earn rental income in Canada are required to file taxes on a yearly basis. The tax return only covers the income and expenses related to the rental properties in Canada.

If the election mentioned above (*Non-Resident Withholding Tax on Rental Income*) is approved by the Canada Revenue Agency, the following will occur:

- 1) Non-residents will estimate the net rental income at the beginning of the year and pay 25% tax to the CRA on a monthly, quarterly or yearly basis.
- 2) When it is time to file taxes at the end of the year, Accounting Plus will determine if the correct amount of taxes have been paid to the CRA during the year.
 - a. If non-residents overpaid in taxes, they will receive a refund
 - b. If non-residents underpaid in taxes, they are required to pay the difference

**Please be advised, our service fee for Non-Resident Tax Filings is \$575 per return.*

Please fill out the Rental Income Checklist below:

Personal Information			
Full Name			
Property Address			
Type of Ownership	<input type="checkbox"/> Sole-Proprietorship/Co-Ownership		<input type="checkbox"/> Partnership
% of Ownership		% for Personal Use	
Did you purchase the property during the year?	<input type="checkbox"/> YES		<input type="checkbox"/> NO
Did you dispose of the property during the year?	<input type="checkbox"/> YES		<input type="checkbox"/> NO
Details of Co-Owner & Partner			
Full Name		% of Ownership	

Rental Income & Expenses

√	Rental Income (Total Income – Do Not Prorate)	\$
<input type="checkbox"/>	Rental Income	
√	Rental Expenses (Total Expenses – Do Not Prorate)	\$
<input type="checkbox"/>	Advertising	
<input type="checkbox"/>	Insurance	
<input type="checkbox"/>	Mortgage Interest (provide Mortgage Statement from Lending Company)	
<input type="checkbox"/>	Office Expenses	
<input type="checkbox"/>	Legal, Accounting & Professional Fees	
<input type="checkbox"/>	Management & Administration Fees	
<input type="checkbox"/>	Repairs & Maintenance	
<input type="checkbox"/>	Property Taxes	
<input type="checkbox"/>	Travel Expenses	
<input type="checkbox"/>	Heat	
<input type="checkbox"/>	Electricity	
<input type="checkbox"/>	Water	
<input type="checkbox"/>	Condominium Fees	
<input type="checkbox"/>	Automobile Expenses (more than 1 rental property)	
<input type="checkbox"/>	Cable TV & Internet Fees	
<input type="checkbox"/>	Security	
<input type="checkbox"/>	Landscaping & Snow Removal	
<input type="checkbox"/>	Bank Fees	
<input type="checkbox"/>	Other -	
√	Please also provide the following documents:	
<input type="checkbox"/>	Mortgage Statement (may be obtained from Lending Company)	
<input type="checkbox"/>	Statement of Adjustment (may be obtained from your Lawyer)	
<input type="checkbox"/>	Major Renovation & Home Improvement Receipts	

4) Non-Resident Disposition of Property

When a property is sold, the selling lawyer is required to withhold part of the selling price. In order to release the funds held by the lawyer, the following steps must be taken:

- 1) Accounting Plus will request a “Clearance Certificate” from the CRA, which authorizes the lawyer to release most of the funds. The following is needed to request the certificate:
 - a. Purchase Agreement
 - b. Purchase Statement of Adjustments
 - c. Selling Agreement
 - d. Final Statement of Adjustments
- 2) The request for a “Clearance Certificate” must be completed within 10 days of the closing deal
- 3) The CRA will request 25% withholding tax paid based on the final sale price. The lawyer will send these funds to the CRA.
- 4) Upon payment of the withholding tax, the CRA issues the Clearance Certificate.

After the clearance certificate is issued, a final tax return must be filed to declare the sale of the property. The withholding taxes paid will offset the actual taxes owing, and the difference is returned as a refund, as, in most cases, the actual taxes are less than the taxes withheld.

Taxes on the capital gain will equal 12.5% of the gain up to \$100K. If the gain is more than \$100K, taxes will be higher. In this case, please consult with Accounting Plus for further details.

Please be advised, our service fees for Requesting a Clearance Certificate is **\$550 per certificate.*

Please be advised, our service fees for Tax Returns for Disposition of Property is **\$300 per return.*

Please do not hesitate to contact us if you have any further questions.

We look forward to hearing back from you!