

INTRODUCTION: This procedure outlines the policy for assisting pensioners who have an address outside Canada.

FORMS: NR301 Form – Declaration of Eligibility for Benefits (reduced tax) under a tax treaty for a non-resident person
(<http://intrapen.nspensions.ca/ManualsandDirectories/OperationsManual/FormsExternal>)

PROCEDURE:

1. Pension income paid to non-residents of Canada is subject to income tax under Part XIII of the Income Tax Act ("Tax on Income from Canada of Non-Resident Persons"). This means that the pension income is subject to a flat rate that is not changed by tax credits; therefore the TD1 form is not relevant because the TD1 is used to determine the applicable tax credits in the calculation of the Part I tax.
2. In terms of appropriate evidence of residency status, CRA advises non-residents that they are obliged to provide confirmation of non-residency for tax purposes and identify their country of residence to the entity making the payments in Canada.
3. Canada has tax conventions or agreements -- commonly known as tax treaties -- with many countries. A tax treaty is designed to avoid double taxation for people who would otherwise pay tax on the same income in two countries.

Each tax treaty is different and relates to how pension income shall be treated for tax purposes in each country.

4. The applicable tax that must be withheld depends on the country of residence. For example, periodic pension payments made to a UK resident are not subject to Canadian tax, periodic pension payments made to a US resident are subject to a 15% rate, and periodic pension payments made to a resident of France are subject to a 25% rate.
5. CRA states: **To make sure the correct amount is deducted**, it's important for pensioners to tell Canadian payors:
 - *that they are a non-resident of Canada for tax purposes;*
 - *their country of residence.*

This places some onus on the individual to take responsibility for their own tax situation.

- If an individual is subject to Part XIII tax on their income, **Canadian payors, including financial institutions, must deduct Part XIII tax when the income is paid or credited to the pensioner.**
- The usual Part XIII tax rate is 25% (unless a tax treaty between Canada and the pensioner's home country reduces the rate).

6. When a pensioner changes their address to another country it is necessary to obtain confirmation from them of their tax status so that their tax may be deducted appropriately. We will ONLY accept a completed NR301 form from the pensioner as sufficient evidence of their residency status.
7. Once the completed form is received, send a copy to Payroll Client Relations (currently Angela Poisson - Angela.Poisson@novascotia.ca).
8. Tax treaty information is available at http://www.fin.gc.ca/treaties-conventions/treatystatus_-eng.asp
9. Contact information for the International Tax Services Office is available at <http://www.cra-arc.gc.ca/cntct/international-eng.html>

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