NOTIFICATION OF AN ACQUISITION OF TREATY-PROTECTED PROPERTY FROM A NON-RESIDENT VENDOR

PART A – DETAILS OF PROPERTY

Type I – Properties described in subsection 116(5) of the Income Tax Act (other than depreciable property)

☐ Real property ☐ Business property ☐ Shares ☐ Partnership property ☐ Trusts ☐ Designated insurance property

Property description

Purchase price of the property (amount paid or payable for the property) | Date of acquisition

Type II – Properties described in subsection 116(5.2) of the Income Tax Act

Depreciable property → ☐ Buildings ☐ Business property ☐ Designated insurance property

☐ Real property (other than capital property) ☐ Canadian resource property ☐ Timber resource property ☐ Life insurance policy in Canada

Property description

Purchase price of the property (amount paid or payable for the property) | Date of acquisition

PART B – NON-RESIDENT VENDOR INFORMATION

Legal name of vendor (for individuals: first name, last name)

Current address: Apt. No. – Street No., street name, and city

Province, territory or state | Postal or ZIP code | Country of residence for treaty purposes

PART C – PURCHASER INFORMATION

Legal name of purchaser (for individuals: first name, last name) | Is the purchaser related to the vendor? ☐ Yes ☐ No

Mailing address: Apt. No. – Street No., street name, and city

Province, territory or state | Postal or ZIP code | Country

Type of purchaser for Canadian tax purposes

☐ Individual
Enter social insurance number or individual identification number: ___ – ___ – ___

☐ Trust
Enter the trust's account number: T ___ – ___ – ___

☐ Corporation
Enter the corporation's Business Number: ______ R C ____

☐ Partnership
Enter the partnership's identification number: ___ – ___ – ___

Purchaser certification (to be completed by the purchaser)

I certify that the information in Parts A and C is correct and complete. I have concluded after reasonable inquiry that the vendor's country of residence for treaty purposes is as identified in Part B.

Signature of purchaser or authorized person | Date

PART D – NON-RESIDENT VENDOR CERTIFICATION (OPTIONAL – PLEASE REFER TO INFORMATION ON REASONABLE INQUIRY)

Type of vendor for Canadian tax purposes (provide your Canadian tax number, if available)

☐ Individual
Enter social insurance number or individual identification number: ___ – ___ – ___

☐ Trust
Enter the trust's account number: T ___ – ___ – ___

☐ Corporation
Enter the corporation's Business Number: ______ R C ____

☐ Partnership
Enter the partnership's identification number: ___ – ___ – ___

Certification (to be completed by the vendor)

I certify that the information in Parts A, B and D is correct and complete

Signature of vendor or authorized person | Date

Clear Data

NOTIFICATION OF AN ACQUISITION FROM A NON-RESIDENT VENDOR OF TREATY-PROTECTED PROPERTY

Use this form if you are purchasing property from a non-resident vendor and…

- The Canadian property is treaty-protected property and you are related to the vendor; or
- After determining the vendor's country of residence for treaty purposes by reasonable inquiry, you have established the Canadian property is treaty-protected property and you want to reduce the potential for the purchaser's withholding liability.

COMPLETION INSTRUCTIONS

Complete Part A, B and C. Refer to the topic on "Reasonable Inquiry" for information pertaining to Part D.

Property description

Land or buildings	– street address, plan number, lot number, registration number, municipal value, and use of property (e.g., personal residence, rental or business property).
Business property	– identification of business assets, business name, and street address.
Shares	– name and street address of corporation, number of shares, certificate numbers, and par value or stated capital.
Partnership property	– name, street address, and identification number of partnership.
Trusts	– name and address, if any, of trust; otherwise name(s) and street address(es) of trustee(s).
Designated insurance property	– identification of insurer's business asset, business name, and street address.
Depreciable property, real property (other than capital property) and timber resource property,	– street address, plan number, lot number, registration number, serial number, and use of property (rental, lease, or business); a written description and the applicable class of asset according to Schedule ll of the Income Tax Regulations.
Resource property	– well or mine location, legal description, and street address.
Life insurance policy	– insurance company, address of insurance company, and policy number.

Note: Include the municipality/city, province/territory, and postal code for the street address requested above.

Country of residence for treaty purposes

The vendor's country of residence for treaty purposes that has been established after the purchaser has completed reasonable inquiry.

Submission instructions

Send this notification to the tax services office for the area where the property is located. **Please ensure that your submission is made within 30 days after the date of the acquisition.**

GENERAL INFORMATION

Types of Canadian property

There are certain procedures to follow if you acquire the following types of Canadian property, other than excluded property, from a non-resident of Canada:

Type I: Taxable Canadian property (other than depreciable property);

Type II: Depreciable property that is taxable Canadian property, life insurance policies in Canada, Canadian real property (other than capital property); Canadian resource property; or timber resource property.

Note: A transaction involving land and depreciable building(s) should be identified as two properties, the land portion of the transaction as a Type I property and the depreciable building(s) as a Type II property. Land and buildings that are personal use properties such as a cottage should be identified as a Type I property.

Taxable Canadian property

Taxable Canadian property includes the following:

- Real property;
- Canadian business property used in carrying on a business in Canada;
- designated insurance property belonging to an insurer
- share of corporations resident in Canada (excluding a mutual fund corporation) that are not listed on a recognized stock exchange (a recognized stock exchange is any stock exchange located in Canada or in a member country of the Organization for Economic Co-operation and Development that has a tax treaty with Canada);
- capital interest in a Canadian resident trust (other than a unit trust);
- a unit of a Canadian resident unit trust (other than a mutual fund trust);
- certain shares of non-resident corporations that are not listed on a recognized stock exchange (read note below);
- certain partnership interests (read note below); and
- an interest in a non-resident trust (read note below).

Note: To be considered taxable Canadian property, a non-resident corporation, partnership, or trust has to derive its value primarily from taxable Canadian property, Canadian resource property, timber resource property, income interest in a Canadian resident trust, or an interest or option to acquire a Canadian resource property, a timber resource property, or an income interest in a Canadian resident trust.

Excluded property

The following properties are excluded from the rules provided in this form:

- a property that is a taxable Canadian property solely because a provision of the Income Tax Act deems it to be a taxable Canadian property;
- a property that is inventory of a business carried on in Canada (other than real property situated in Canada, a Canadian resource property or a timber resource property);
- shares of capital stock of a corporation that are listed on a recognized stock exchange;
- a unit of a mutual fund trust;
- a bond, debenture, bill, note, mortgage, hypothecary claim or similar obligation;
- property of a non-resident insurer that is licensed to carry on an insurance business in Canada and does so;
- property of an authorized foreign bank that is used or held in the bank's Canadian banking business [Note: Draft legislation released on February 27, 2004 proposes to change this to "property of an authorized foreign bank that carries on a Canadian banking business"];
- treaty-protected property (if you are related to the vendor, a treaty-protected property will not be excluded property unless you submit this notification within 30 days of the acquisition date)

However, if a property is incorrectly classified as an excluded property, you are still subject to the purchaser's liability as described below.

Treaty-protected property

If the income or gain from the disposition of the property is exempt under Part I of the Income Tax Act because of a treaty that Canada has with that country, the property is treaty-protected.

Refer to the relevant list of Canada's tax treaties at:

fin.gc.ca/treaties-coventions/in_force-eng.asp

Clear Data

If a tax treaty between Canada and the vendor's country of residence is not in effect or if you have any reason to believe that the information provided by the vendor is not accurate or is misleading, we recommend that you withhold the appropriate amount from the purchase price unless the vendor obtains a Certificate of Compliance from the CRA.

To ensure that you are not liable for a portion of the purchase price, the property in question must be fully treaty-protected property of the vendor based on Canada's tax treaty with the vendor's country of residence.

If a property is not treaty-protected property based on the vendor's declared country of residence for treaty purposes, you are still subject to the purchaser's liability as described below even if this form was submitted on time. In order to confirm that the property in question is treaty-protected property, you may consider the following:

- For a vendor who is an individual, request information concerning the vendor's residence. Many of Canada's tax treaties contain provisions to limit exemptions when the vendor was previously a resident of Canada. These limitations should be reviewed in conjunction with the vendor's residency information.

- Tax treaties may include Limitation on Benefits (LOB) provisions that specifically prevent unintended use of treaties by residents of third countries. You may consider having the vendor provide a certification related to the LOB provisions.

- For shares of a Canadian corporation, obtain a declaration from the corporation certifying that the value of the shares is not principally derived from Canadian real property, Canadian resource property or timber resource property.

- For a capital interest in a Canadian resident trust or a unit of a Canadian resident unit trust, obtain a declaration from the trust that the value of the trust is not principally derived from Canadian real property, Canadian resource property or timber resource property.

Purchaser's liability

For the acquisition of Type I properties, the purchaser is liable to pay to the Receiver General for Canada, on behalf of the vendor, an amount equal to 25% of either:

- the cost of the property acquired by the purchaser; or
- if a certificate of compliance has been issued, the amount by which the cost of the property acquired by the purchaser exceeds the certificate limit fixed by a proposed disposition.

For the acquisition of Type II properties, the purchaser is liable to pay to the Receiver General for Canada, on behalf of the vendor, an amount equal to 50% of either:

- where a certificate of compliance has not been issued, the purchase amount, or
- where a certificate of compliance has been issued, the amount by which the purchase price of the property exceeds the amount fixed in the certificate.

The purchaser is then entitled to withhold that amount from the purchase price.

Purchaser liability assessments are not subject to any time restrictions. Therefore, an assessment may be issued at any time the CRA becomes aware that a vendor or purchaser has not adhered to the requirements of section 116.

However, the purchaser's liability does not apply if all of the following conditions are met:

- after reasonable inquiry, you have determined the vendor's country of residence;
- the property is treaty-protected property under the tax treaty between Canada and the vendor's declared country of residence; and
- this form is submitted within 30 days after the date of acquisition.

Failure to remit a required payment to the Receiver General for Canada may result in a penalty being imposed in accordance with the *Income Tax Act*.

Reasonable inquiry – The purchaser must take prudent measures to confirm the vendor's country of residence for treaty purposes. Generally, the CRA will accept that the purchaser has made reasonable inquiry if Part D is completed by the vendor or an equivalent declaration is obtained from the vendor.

Certificate of Compliance – A Certificate of Compliance is requested by the non-resident vendor using form T2062 or T2062A.

Vendors that are hybrid entities or partnerships

If the resulting income or gain from the disposition is only partially exempt from tax, we recommend that you withhold 25% of the pro-rata portion of the purchase price, unless the vendor obtains a Certificate of Compliance.

Contacting us

You can get more information by contacting our General Enquiries line as follows: From inside Canada or the United States **1-800-959-8281** (for non-resident individuals and trusts) or **1-800-959-5525** (for non-resident corporations), From outside Canada or the United States **613-940-8495** (for non-resident individuals and trusts) or **613-940-8497** (for non-resident corporations). You can also visit our website at **canada.ca/taxes**.