



Electing Under Section 217 of the Income Tax Act

2019

Is this pamphlet for you?

This pamphlet is for you if both of the following apply:

- You were a non-resident of Canada for all of 2019.
- You received any of the types of Canadian-source income listed on pages 4 and 5.

This pamphlet explains what a section 217 election is and how to determine if it is beneficial for you. It also explains how to complete a 2019 section 217 return.

Our publications and personalized correspondence are available in braille, large print, e-text, or MP3 for those who have a visual impairment. For more information, go to **canada.ca/cra-multiple-formats** or call **1-800-959-8281**. If you are outside Canada and the United States, call us at **613-940-8495**. Contact your service provider or operator to initiate the collect call. We accept collect calls by automated response. You may hear a beep and experience a normal connection delay.

La version française de cette brochure est intitulée Choix prévu à l'article 217 de la Loi de l'impôt sur le revenu.

Unless otherwise stated, all legislative references are to the Income Tax Act and the Income Tax Regulations.

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Before you start

What is a section 217 election?

Canadian payers have to withhold non-resident tax on certain types of income they paid or credited to you as a non-resident of Canada. The tax withheld is usually your final tax obligation to Canada on this income and you do not have to file a Canadian income tax and benefit return to report it.

However, you can choose to file a Canadian return and report the types of Canadian-source income listed in the next section. You are then “electing under section 217 of the Income Tax Act.” By doing this, you may pay tax on this income using an alternative method and may receive a refund of some or all of the non-resident tax withheld.

If you emigrated from Canada in 2019, go to canada.ca/taxes-international, and select “Emigrants – Leaving Canada” under “Topics” for the special section 217 rules that apply to you.

If you immigrated to Canada in 2019, contact the CRA for the special section 217 rules that apply to you. To find our address and telephone numbers, see “To contact the Canada Revenue Agency” at the back of this pamphlet.

What types of income are eligible for a section 217 election?

The section 217 election applies to the following types of Canadian-source income:

- old age security pension (see the note on the next page)
- Canada Pension Plan and Quebec Pension Plan benefits
- most superannuation and pension benefits
- most registered retirement savings plan payments
- most pooled registered pension plan payments
- most registered retirement income fund payments
- death benefits
- employment insurance benefits
- certain retiring allowances
- registered supplementary unemployment benefit plan payments
- most deferred profit-sharing plan payments
- amounts received from a retirement compensation arrangement, or the purchase price of an interest in a retirement compensation arrangement
- prescribed benefits under a government assistance program
- Auto Pact benefits

Note

Whether or not you elect to file a return under section 217, if you received old age security benefits, you may have to file Form T1136, Old Age Security Return of Income. For more information, see Guide T4155, Old Age Security Return of Income Guide for Non-Residents.

Is a section 217 election beneficial?

You will benefit from electing to file a return under section 217 if the total tax payable on line 43500 on your return is **less than** the tax you would otherwise pay if you did not make this election. When processing your return, we will only take your election under section 217 into account if it is beneficial.

To determine the **tax you would otherwise pay** if you did not make a section 217 election, add the following amounts:

- the non-resident tax required to be paid on all eligible section 217 income that was paid or credited to you in 2019 (you can use Schedule C, Electing Under Section 217 of the Income Tax Act, in the Non-residents and Deemed Residents of Canada Income Tax and Benefit Package, to calculate this amount)
- the tax payable, if applicable, on Canadian-source employment and business income, net Canadian partnership income if you are a limited or non-active partner, and on taxable capital gains from disposing of taxable Canadian property that you have to include on your 2019 return

To determine the **total tax payable** on your section 217 return, see “Completing your section 217 return” on page 7.

Form NR5 – Reducing tax withheld

If you intend to make a section 217 election on eligible income that you have not yet received, you can apply for a reduction to the non-resident tax that the payer would otherwise have to withhold.

To do this, complete Form NR5, Application by a non-resident of Canada for a reduction in the amount of non-resident tax required to be withheld, and send it to the CRA for approval on or before October 1st, or before the first payment is due. If the CRA approves it, you **must** file a section 217 return for each year of the approval period.

Note

If approved, Form NR5 is valid for a period covering five tax years. However, if your situation changes during this period, you may have to file a new Form NR5. For more information, go to canada.ca/taxes-international and select “Form NR5 – 5-year Administrative Policy” under “Topics for payers.”

The CRA will use the information you give on Form NR5 to determine if a section 217 election will benefit you. If the CRA finds that the election is beneficial for you, the CRA will authorize your Canadian payer(s) to reduce the amount of non-resident tax withheld from your benefits for the duration of the approval period.

Do you have to file a section 217 return?

You **must** file a section 217 return for **each** year of the period covered by the approved Form NR5, Application by a non-resident of Canada for a reduction in the amount of non-resident tax required to be withheld.

However, even if you did not send or the CRA did not approve Form NR5 for the year, you may still choose to file a section 217 return to apply for a refund of some or all of the non-resident tax withheld on the types of income listed on pages 4 and 5.

Which income tax package should you use?

The Non-Residents and Deemed Residents of Canada Income Tax and Benefit Package, contains the return, schedules, Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada, and the information needed to complete your section 217 return.

When is your section 217 return due?

Your 2019 section 217 return has to be filed **on or before June 30, 2020**.

However, if you have a balance owing for 2019, you have to pay it **on or before April 30, 2020**, to avoid interest charges.

If you send the CRA your 2019 return after June 30, 2020, according to the Income Tax Act, your section 217 election cannot be accepted. If this is your case and the required amount of non-resident tax was withheld on your eligible 217 income, the CRA will consider the amount withheld to be your final tax obligation to Canada on that income. However, if the payer withheld less than the required amount of tax, the CRA will send you an assessment for the difference.

Note

The due date for filing your section 217 return may be different if you also report other types of Canadian-source income on this return, such as employment or business income, net Canadian partnership income if you are a limited or non-active partner, or taxable capital gains from disposing of taxable Canadian property. For more information, see “What date is your return for 2019 due?” in the Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada.

Completing your section 217 return

To complete your 2019 section 217 return, use the information in this section along with the instructions provided in the Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada.

Identification

Write “section 217” at the top of page 1 of your return.

Complete the “Identification” area by following the instructions in the guide.

Income

On your return, include the following income:

- all eligible section 217 income paid or credited to you in 2019 (Section 217 income is identified on pages 5 and 6 of this pamphlet. Schedule C, Electing Under Section 217 of the Income Tax Act, in the Non-residents and Deemed Residents of Canada Income Tax and Benefit Package also identifies this type of income, and it gives more detail)
- your 2019 Canadian-source employment and business income, net Canadian partnership income if you are a limited or non-active partner, and taxable capital gains from disposing of taxable Canadian property, if applicable

Schedule C – Electing Under Section 217 of the Income Tax Act

Complete this schedule if you were a non-resident of Canada for the entire year and you are electing to file a return under section 217. Schedule C is divided into two parts which help calculate:

- your section 217 eligible income after adjustments
- the amount of non-resident tax required to be withheld on your eligible section 217 income
- the section 217 tax adjustment

Report your eligible section 217 income in Part 1 of Schedule C. In this part, also calculate the amount of non-resident tax required to be paid on your eligible section 217 income. The amount you calculate may be different from the non-resident tax withheld on this income. This would be the case if the payer did not withhold the required amount of tax, or if the CRA approved a reduction in the amount of tax to be withheld as a result of the Form NR5 you submitted.

Deductions

You can claim only the deductions that apply to you as a non-resident electing under section 217. For a list of these deductions, see the Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada.

Calculating federal tax

If you file a section 217 return, you **must** complete Schedule A, Statement of World Income, before you calculate your tax on your return.

Schedule A – Statement of World Income

Report your world income on Schedule A. World income is income from all sources, both inside and outside Canada.

Your income from Canadian sources is the total of your net income (line 23600 from your section 217 return), plus other types of Canadian-source income that are not included on this return (such as dividends, interest, rental income, or worker’s compensation benefits).

Income from foreign sources (when the CRA mentions foreign source in this pamphlet, it is referring to sources outside Canada) includes income from employment, self-employment, pension, investment, rental, capital gains, and any other foreign-source income that you would have included on your return if you had been a resident of Canada. Your foreign-source income is reported on your Schedule A and may also be used on your return. For more information, see “Step 5 – Federal Tax” on the next page.

Note

World income is used to determine the allowable amount of federal non-refundable tax credits on Schedule B (see page 9) and the section 217 tax adjustment (see page 11).

Example 1

Jeff is a resident of the United States. In 2019, his world income (in Canadian dollars) is made up of the following:

- \$18,000 from a pension plan in Canada
- \$500 in dividends from Canadian stocks
- \$500 interest from a savings account in the United States

Jeff elects to file a return under section 217 to have his pension income taxed at a lower rate. On the return, he reports the \$18,000 pension he received (eligible income for section 217). Since Jeff has no deductions, his taxable income on line 26000 of his return is \$18,000.

He does not report any bank interest or dividends on the return. The United States interest is not subject to tax in Canada but is reported on line 8 of Schedule A. The dividends from Canada are subject to non-resident withholding tax, which is his

final tax obligation to Canada on that income but it is reported on line 2 of Schedule A.

When Jeff completes Schedule A, his net world income reported on line 14 and his net world income after adjustments reported on line 16 would be \$19,000.

Step 5 – Federal Tax

To calculate your tax payable, which includes the surtax for non-residents and deemed residents of Canada, you need to complete your return included in the Non-Residents and Deemed Residents of Canada Income Tax and Benefit Package.

Make sure to enter on line 38 of your return whichever is **greater**:

- the taxable income reported on line 26000 of your return
- your net world income after adjustments from line 16 of Schedule A

If you use the amount from line 16 of Schedule A (net world income after adjustments) to determine your federal tax, you need to calculate the section 217 tax adjustment amount using Part 2 of Schedule C. For more information, see “Section 217 tax adjustment” on page 11.

Note

If you are also reporting Canadian-source employment or business income on the return, you have to pay tax on that income to the province or territory where you earned it. To calculate your tax payable in such a situation, complete Form T2203, Provincial and Territorial Taxes for 2019 – Multiple Jurisdictions.

Federal non-refundable tax credits

These credits reduce your federal tax.

You can claim all of the federal non-refundable tax credits that apply to you on your return. However, under section 217 of the Income Tax Act, the amount of the credits you can use to reduce your tax may be limited.

Once you have completed Part A of Step 5 of your return, complete Part B of Schedule B to calculate the allowable amount of federal non-refundable tax credits.

Schedule B – Allowable Amount of Non-Refundable Tax Credits

The allowable amount of federal non-refundable tax credits depends on the portion of net world income (line 14 of Schedule A) that is included in net income (line 23600) on your section 217 return.

If you have included in your net income **90% or more** of your 2019 net world income, the allowable amount of federal non-refundable tax credits is the total from line 35000 of your return.

However, if you have included in your net income **less than 90%** of your 2019 net world income, the allowable amount of federal non-refundable tax credits is the **lesser** of a) and b) below:

- 15% of the eligible section 217 income paid or credited to you in 2019 (Section 217 income is identified on pages 5 and 6. Schedule C also identifies this type of income, and it gives more detail.)
- the total federal non-refundable tax credits you would be eligible for if you were resident of Canada for the full year, from line 35000 of your return, minus 15% of the total of the following amounts, if any:
 - volunteer firefighters’ amount (line 31220)
 - search and rescue volunteers’ amount (line 31240)
 - home buyers’ amount (line 31270)
 - adoption expenses (line 31300)
 - interest paid on student loans (line 31900)

Example 2

In example 1, Jeff determined his net world income was \$19,000. To calculate his tax payable, Jeff will enter on line 38 of his return whichever is **greater**:

- the net income he reported on line 23600 of his return \$18,000
- his net world income from line 14 of schedule A \$19,000

Jeff has included on his return 90% or more of his net world income. He calculated the percentage on Schedule B as follows:

$$\frac{\$18,000 \text{ (the net income on his return)}}{\$19,000 \text{ (his net world income on Schedule A)}} = 95\%$$

As a result, Jeff can claim all of the federal non-refundable tax credits (from line 35000 of his return) that would have applied to him if he had been resident in Canada throughout 2019.

Example 3

If Jeff also earned \$12,000 in interest from United States treasury bonds which he does not have to report on his Canadian return, he would no longer be including 90% or more of his net world income on his return:

$$\frac{\$18,000 \text{ (the net income on his return)}}{\$31,000 \text{ (his net world income on Schedule A)}} = 58\%$$

In this example, since Jeff has not included 90% or more of his 2019 net world income on his section 217 return, his allowable federal non-refundable tax credits are limited to whichever is the **lesser** of a) and b) below:

- a) \$2,700 (15% of his income eligible for the section 217 election, which is his pension income of \$18,000)
- b) the total federal non-refundable tax credits entered on line 35000 of his return minus 15% of the total of the following amounts, if any:
 - volunteer firefighters' amount (line 31220)
 - search and rescue volunteers' amount (line 31240)
 - home buyers' amount (line 31270)
 - adoption expenses (line 31300)
 - interest paid on student loans (line 31900)

Section 217 tax adjustment

If the amount you enter on line 38 of your return is your net world income after adjustments (line 16 of Schedule A), you need to calculate the section 217 tax adjustment.

Your net world income after adjustments may include foreign-source income, which is not taxable in Canada, and Canadian-source income, such as interest, dividends, or rental income, which is not included in the taxable income on this return. The adjustment reduces your federal tax by the portion of taxes applicable to this income.

Note

You will find the calculation for the section 217 tax adjustment in Part 2 of Schedule C.

Tax payable

The amount indicated on line 43500 of your return represents your tax payable if you make the election under section 217.

Refund or balance owing

Lines 46800 and 46900 – Eligible educator school supply tax credit

If you have included in your net income 90% or more of your 2019 net world income (line 14 of Schedule A), and you were an eligible educator, you can claim an amount for eligible supplies you purchased in 2019. For more information, see lines 46800 and 46900 in the Income Tax and Benefit Guide for Non-Residents and Deemed Residents of Canada.

What if the election is beneficial?

It is beneficial for you to file a section 217 return if the amount on line 43500 of your return is **less than** the tax you would otherwise pay (see “Is a section 217 election beneficial?” on page 5 to determine the tax you would otherwise pay).

If this is the case and you file your section 217 return on time, the CRA will refund any tax withheld that is more than the amount you owe. If the payer withheld less than the required amount of non-resident tax on your eligible section 217 income, you may have a balance owing, even if the election is beneficial. Make sure you include on line 43700 of your return the non-resident tax withheld on your eligible section 217 income from your information slips.

Note

Attach a completed Schedule A, Schedule B, and Schedule C to your return. If you do not attach these schedules, the processing of your return, and any refund you may be entitled to, may be delayed. Also attach a copy of your information slips.

What if the election is not beneficial?

It is not beneficial for you to file a section 217 return if the amount of the tax on line 43500 of your return is **equal to or greater than** the tax you would otherwise pay (see “Is a section 217 election beneficial?” on page 5 to determine the tax you would otherwise pay).

If it is not beneficial to file a section 217 return and the payer withheld non-resident tax on your eligible section 217 income **in excess** of the required amount, you can ask for a refund of the excess. To do so, use Form NR7-R, Application for Refund of Part XIII Tax Withheld.

If the payer withheld **less than** the required amount of non-resident tax, due to the fact that the CRA approved your Form NR5, or for any other reason, you have to pay an amount to the CRA. The amount to pay is the difference between the required amount of non-resident tax and the amount withheld. For more information, contact the CRA.

For more information

What if you need help?

If you need more information after reading this pamphlet, visit canada.ca/taxes or contact us. To find our address and telephone numbers, see “Contact the Canada Revenue Agency” at the back of this pamphlet.

Forms and publications

To get our forms and publications, go to canada.ca/cra-forms or call one of the following numbers:

- **1-800-959-8281**, from Canada and the United States
- **613-940-8495**, from outside Canada and the United States. We accept collect calls by automated response. Contact your service provider or operator to initiate the collect call. You may hear a beep and experience a normal connection delay

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999** (calls from Canada and the United States).

Contact the Canada Revenue Agency

By telephone

Calls from Canada and the United States1-800-959-8281

Regular hours of service

Monday to Friday (except holidays)
9:00 a.m. to 5:00 p.m. (local time)

Extended hours of service

From the end of February to the end of April 2020, except Easter weekend

From 9:00 a.m. to 9:00 p.m., (local time) on weekdays
From 9:00 a.m. to 5:00 p.m., (local time) on Saturdays

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From 9:00 a.m. to 5:00 p.m., Eastern time, on Saturdays

By mail

If you are a non-resident of Canada, send us your 217 election and any related documents as follows:

If your country of residence is:	Tax Centre:
Denmark France Netherlands United Kingdom United States	Winnipeg Tax Centre Post Office Box 14001, Station Main Winnipeg MB R3C 3M3 Fax number: 204-984-6497
From all other countries	Sudbury Tax Centre 1050 Notre Dame Avenue Sudbury ON P3A 5C2 Fax number: 705-671-0393

If you immigrated to Canada in 2019, send us your 217 election and any related documents as follows:

If you live in the following province or area of Ontario:	Send your correspondence to:
Alberta, British Columbia, Manitoba, Saskatchewan, Northwest Territories, Nunavut, Yukon Ontario: Belleville, Hamilton, Kingston, Kitchener, Waterloo, London, Ottawa, Peterborough, St. Catharines, Thunder Bay, Windsor	Winnipeg Tax Centre Post Office Box 14001, Station Main Winnipeg MB R3C 3M3 Fax number: 204-984-6497
New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Québec Ontario: Barrie, Sudbury, Toronto	Sudbury Tax Centre 1050 Notre Dame Avenue Sudbury ON P3A 5C2 Fax number: 705-671-0393