



NO.: 76-12R6

DATE: November 2, 2007

SUBJECT: **Applicable rate of part XIII tax on amounts paid or credited to persons in countries with which Canada has a tax convention**

This version is only available electronically.

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Application

This circular replaces Information Circular 76-12R5 dated November 26, 2001. The information in this circular relates to existing legislation and to conventions that are in force or that are signed but not yet in force, as of February 28, 2006.

General Information

Introduction

¶ 1. This circular is for the information and guidance of persons who pay or credit amounts subject to tax under Part XIII of the *Income Tax Act* (the “*Act*”) of Canada to residents in countries with which Canada has a tax convention; such residents are either the beneficial owners (see ¶ 4 below) of such amounts or are the non-resident agents or nominees of those beneficial owners. It is also intended for Canadian residents who pay amounts subject to Part XIII tax to a Canadian resident agent or nominee of the non-resident beneficial owners if the payer knows that the beneficial owners are non-residents in countries with which Canada has a tax convention.

It is the payer’s responsibility to withhold and remit Part XIII tax at the appropriate rate and the payer is liable to the Crown for any deficiency. Therefore, it is important for a payer to refer to the specific convention or protocol to determine its effective date (see Appendix E for effective dates) as well as to verify the applicable rate for applying and remitting the Part XIII withholding tax on amounts paid/credited.

Taxable amounts paid or credited to payees in countries with which Canada does not have a tax convention are subject to the withholding tax rates provided for in Part XIII of the *Act*. The same applies to payees in countries with which Canada has a tax treaty that is not yet in effect.

For instructions on how and when to: remit the withholding tax; report and reduce the amount of the withholding, and, obtain refunds, see Part II of the current version of Information Circular 77-16, *Non-Resident Income Tax*. (See also footnotes 48 to 50 for pension and annuity payments.)

Note – Since the release of the earlier version of this circular, the Department of Finance has adopted the practice of making Canada's tax conventions available online at http://www.fin.gc.ca/treaties/treatystatus_e.html. This development has significantly enhanced the ease with which taxpayers can access treaty information. The footnotes to the Appendices of this Circular have, in many cases, been shortened to reflect this new information source.

Rate of Tax to Be Withheld

¶ 2. Appendices A & C indicate the applicable withholding rates for various amounts paid or credited to persons who reside in countries with which Canada has a tax convention in force. Appendices B & D indicate the applicable withholding rates for amounts paid or credited to persons who reside in countries with which Canada has negotiated or renegotiated a tax convention that has been signed but has not entered yet into force. Appendix E provides the various relevant dates for the tax conventions in force, i.e. when a convention was signed, when it entered into force and when it took effect. Appendix F lists countries that are in the process of negotiating a tax convention with Canada or renegotiating an existing one. For a country listed in Appendix B, D or F, tax should generally be withheld at the rate of 25%, unless a tax convention between Canada and that country already exists and the appropriate rate is specified in Appendix A or C. See ¶ 3 also. **See the relevant statutory provisions of the Act for specific exemptions from the withholding tax.**

Negotiation and Renegotiation of Tax Conventions

¶ 3. It should be noted that the negotiation of new tax conventions and renegotiation of existing conventions between Canada and other countries is an ongoing process. Therefore, the Appendices may not reflect the current status of every convention, particularly Appendix F that may not list all the conventions in the process of being negotiated or renegotiated. *It should also be noted that in some cases, the provisions of the tax conventions may be effective retroactively.* As indicated in Appendix E, the entry into force of new and renegotiated conventions and the application date for the new withholding rates are announced by news releases issued by the Department of Finance. Refer to the Department of Finance website at http://www.fin.gc.ca/treaties/treatystatus_e.html, for the current status of convention negotiations.

Beneficial Ownership

¶ 4. The payer can accept the name and address of the payee as being that of the beneficial owner unless there is a reasonable cause to suspect otherwise. While not exhaustive, the presence of any of the following criteria will be regarded as reasonable cause to question whether the payee is the beneficial owner:

- (a) the payee is known to act, even occasionally, as an agent or nominee (other than an agent or nominee described in ¶s 9);
- (b) the payee is reported as "in care of" another person, or "in trust";
- (c) the mailing address provided for payment of interest or dividends is different from the registered address of the "owner"

In any doubtful case, a certificate, as described in ¶ 5(b), is required to be completed and forwarded to the payer by the payee in order that a lower rate of withholding tax, in accordance with a tax convention, can be applied. Otherwise the 25% rate will apply.

The Canada Revenue Agency (CRA) will accept the payee as beneficial owner of amounts paid to non-residents if the payee is an insurance corporation or pension trust that invests solely on its own behalf and includes such amounts in computing its revenue.

Certification

¶ 5. Certifications required by this circular should be forwarded to the payer to permit the withholding of tax at the lower convention rate. The suggested forms that follow illustrate the basic information that must be provided:

- (a) CERTIFICATION WITH RESPECT TO CANADIAN NON-RESIDENT WITHHOLDING TAX, BY A PERSON WHO IS AN AGENT OR NOMINEE PROVIDING FINANCIAL INTERMEDIARY SERVICE AS PART OF A BUSINESS

TO: _____ (payer)

RE: _____ (description of property)

I/We _____ (name of agent, nominee or registered holder) hereby certify that the income from all of the property described above, registered or to be registered in my/our name, is and will continue to be held solely for the beneficial ownership of persons resident of and (where required by the relevant convention) taxable in countries with which Canada has a convention that provides for a Canadian withholding tax rate of __% on amounts paid or credited in respect of such property.

I/We undertake to replace this certificate should there be a change in the country of residence or holdings affecting the withholding requirements for a subsequent payment.

I/We also undertake to provide to the Canada Revenue Agency, upon request, such information as may be necessary to substantiate the accuracy of the information contained herein.

Dated, _____, 20__.

(Authorized signature of agent, nominee or registered holder)

- (b) CERTIFICATION WITH RESPECT TO CANADIAN NON-RESIDENT WITHHOLDING TAX, BY A PERSON WHO IS A BENEFICIAL OWNER
- TO: _____ (payer)
- RE: _____ (description of property)
- I, _____ (name), hereby certify that I am a resident of and (where required by the relevant convention) taxable in _____ (country) and that I am the beneficial owner of the income from the property described above registered in my name. If my country of residence changes while I own any of the property or income described above, I hereby undertake to advise you immediately upon such change.

(signature)

(place and date)

Pension Payments – Conversion to Canadian Dollars

¶ 6. Tax conventions between Canada and certain countries contain pension articles that require a conversion of foreign currency into Canadian dollars in order to calculate the portion of the payment that is exempt from Canadian withholding tax. For conversion to Canadian dollars, the exchange rate in effect on the day the amount was paid or credited should be used. However, these calculations could become burdensome due to the daily fluctuation of currency conversion rates in case of the amounts being paid at various times throughout the year. Under such circumstances, the CRA will accept the applicable average annual exchange rate for the year as the conversion rate to be used in determining the exempt portion of a payment.

Reduced Treaty Rate Application

¶ 7. Because Appendices A and C are only guides to facilitate the correct withholding of Part XIII tax from payments made to non-residents of Canada, they do not reflect all the possible rates or the specific exemptions provided by some conventions. The *Act* also provides an exemption from non-resident withholding tax on certain payments, as discussed in detail in the current version of Information Circular 77-16. Therefore, it is suggested that reference be made to Part XIII of the *Act* and the appropriate tax convention articles where more than one rate is indicated or where the relevant schedule in the Appendices refers to a footnote. For additional information on withholding tax rates, contact the International Tax Services Office at the following address or telephone numbers:

International Tax Services Office
Canada Revenue Agency
2204 Walkley Road
Ottawa ON K1A 1A8

Telephone numbers:

1-800-267-5177 from anywhere in Canada and the United States

1-613-952-3741 from outside Canada and the United States

1-613-941-2505 fax

or visit our Web site at

<http://www.cra-arc.gc.ca/contact/international-e.html>

Limitation of Relief

¶ 8. Where pursuant to the provisions of a tax convention (e.g. convention with U.K), income from sources in a country (e.g. Canada) is either exempt from tax or taxed at a reduced rate in that country (Canada), and in the other country (U.K) the same income is not subject to tax by reference to the full amount of income but rather to the amount that is remitted to or received in that other country, then the exemption or reduction of tax to be allowed under the convention in the first-mentioned country (Canada) will also be limited to the amount of the income remitted to or received (or taxed) in the other country (U.K).

Exception – Switzerland

¶ 9. The instructions and requirements of this circular with regard to agents/nominees do not apply to agents or nominees residing in Switzerland. Consequently, the tax based upon the lower rates under the convention with Switzerland (see Appendices A and C) may be withheld from all amounts subject to Part XIII tax paid or credited to Swiss addresses. However, there might be some additional Canadian non-resident tax payable if the beneficial owners reside outside Switzerland. These amounts are to be withheld and remitted by those agents or nominees to the Federal Tax Administration of Switzerland for the purposes of forwarding it to the Canadian tax authorities.

Amounts (Other Than Pensions and Annuities) Subject to Part XIII Tax

The following comments pertain to Appendices A and B.

Interest or Dividends

Payable to a Non-Resident Agent or Nominee

¶ 10. When

- a taxable amount of interest or dividends is paid to a person in a country with which Canada has a tax convention, and
- an agent or nominee of the beneficial owner of the income provides financial intermediary services as part of a business,

the information supplied to the payer by the agent or nominee, pursuant to the following criteria, will establish whether the rates indicated in Part XIII of the *Act* or the rates given in the appropriate tax convention apply.

(a) Interest

If the agent or the nominee is in receipt of interest for more than one beneficial owner in respect of a particular debt issue of a resident of Canada, the rate of the tax to be applied has to be determined. It will be acceptable to determine the portion of the interest beneficially owned by residents of the countries with which Canada has a tax convention and calculate the tax accordingly. The portion of the interest that is beneficially owned by residents of the countries with which Canada does not have a tax convention will be subject to the statutory Part XIII withholding rates.

(b) Dividends

Where the agent or the nominee is in receipt of dividends for more than one beneficial owner in respect of a particular class of shares of a corporation resident in Canada, the dividends may be segregated into groups. One or more groups will consist of dividends beneficially owned by residents of countries with which Canada has a tax convention providing a particular preferential rate of Canadian tax. The remainder of the dividends beneficially owned by residents of countries with which Canada does not have a tax convention will be subject to the statutory Part XIII withholding rates.

These procedures should enable the non-resident nominee or agent to advise the payer, on a timely basis, as to the portion of interest or dividend payments subject to preferential tax rates, thereby enabling the payer to determine the proper amount of tax to be withheld from a particular payment. This information must be provided initially to the payer in the form of a certificate, as described in ¶ 5(a), for each interest or dividend payment. However, for subsequent payments, a replacement certificate is required only where there has been a change, other than in the amount of income to be paid or credited, that would affect the amount of Canadian tax to be withheld.

Payable to Foreign Governments

¶ 11. Interest and dividends paid to the government of another country might not be subject to the non-resident withholding tax either due to a standard provision in the tax conventions or according to the Doctrine of Sovereign Immunity. The current version of Information Circular 77-16 discusses how to obtain a written authorization from the CRA for the Doctrine of Sovereign Immunity exemption to apply.

Payable to Financial Intermediaries

¶ 12. Canadian payers or disbursing or withholding agents are required to withhold tax, at the statutory Part XIII rate of 25%, on interest and dividend payments made to the financial intermediaries located in foreign countries. A reduced rate of tax under an applicable tax convention between Canada and the beneficial owner's country of residence will only be applied where the Canadian payers or agents have received documentation from the foreign agents that certifies beneficial ownership and country of residence, prior to the payment of interest and dividends. The instructions and certification requirements set out in ¶s 4 and 5 are to be followed by the agents on behalf of their account holders to ensure proper withholding at source.

Management Fees

¶ 13. Under Part XIII of the *Act*, management or administration fees or charges are subject to a withholding tax of 25%. (Subsection 212(4) lists the amounts that are not included as management or administration fees or charges under this Part.) However, under most conventions, the business profits provisions are considered to encompass reasonable management fees and to exempt them from Part XIII withholding tax unless a specific convention provides otherwise. See the current version of Interpretation Bulletin IT-468, *Management or Administration Fees Paid to Non-Residents*, for CRA's views on what constitutes a management or administration fee or charge and the current version of Information Circular 75-6, *Required Withholding from Amounts Paid to Non-Resident Persons Performing Services in Canada* for management fees subject to Part I tax. Information Circular 87-2, *International Transfer Pricing* contains transfer-pricing rules with respect to transactions between related parties.

Appendix A **WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE** (see Footnotes to Appendices)

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees ⁶	Estate or Trust Income	Interest	Dividends	Film Royalties ²⁴⁽ⁱ⁾	Other Including Copyright Royalties ²⁴⁽ⁱⁱ⁾	Immovable Property ²⁵
Algeria	—	25	15 ⁵	15	15	Nil/15 ²⁶	25
Argentina	—	15 ^{4,7}	12.5 ⁵	10/15 ¹⁶	15 ²⁷	3/5/10/15 ²⁷	25
Armenia (see ¶ 8)	—	15 ^{4,7}	10 ⁵	5/15 ²¹	10	10	25
Australia	—	15 ⁴	10	5/15 ¹⁶	10	10 ³³	25
Austria	—	15	10 ⁵	5/15 ¹⁶	10 ³⁷	Nil/10 ³⁷	25
Azerbaijan	—	15 ^{4,7}	10 ⁵	10/15 ¹⁶	10 ²⁸	5/10 ²⁸	25
Bangladesh	—	25	15 ⁵	15	10	10	25
Barbados	15 ^{4,5}	15 ⁴	15 ^{4,5}	15	10 ⁴	10 ^{4,5}	25
Belgium	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁷	25
Brazil	—	25	15/25 ¹⁰	15/25 ¹⁶	15/25 ²⁹	15/25 ²⁹	25
Bulgaria (see ¶ 8)	—	15 ^{4,7}	10 ⁵	10/15 ¹⁶	10	10	25
Cameroon	—	25	15	15	15	15	25
Chile	—	15 ^{4,7}	10 ¹³	5/15 ¹⁸	10 ³⁰	10 ³⁰	25
China (PRC) ¹	—	25	10 ⁵	10/15 ¹⁶	10	10	25
Croatia	—	15 ^{4,7}	10	5/15 ¹⁶	10	10	25
Cyprus (see ¶ 8)	—	15 ⁴	15 ⁵	15	10	10	25
Czech Republic	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10	10	25
Denmark	—	15 ^{4,7}	10 ⁵	5/10/15 ¹⁹	10 ⁴⁷	Nil/10 ⁴⁷	25

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COUNTRY	GENERAL		INVESTMENTS			RENTS, ROYALTIES, ETC.		
	Management Fees ⁶	Estate or Trust Income	Interest	Dividends	Film Royalties ²⁴⁽ⁱ⁾	Other Including Copyright Royalties ²⁴⁽ⁱⁱ⁾	Immovable Property ²⁵	
Dominican Republic	—	18 ⁴	18 ^{4,5}	18	18 ⁴	18 ⁴	25	
Ecuador	—	15 ^{4,7}	15 ⁵	5/15 ¹⁶	15 ³¹	10/15 ³¹	25	
Egypt	—	15 ⁴	15/25 ^{5, 11}	15	15	15	25	
Estonia	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10	10	25	
Finland	—	15 ^{4,7}	10 ⁵	10/15 ¹⁶	10 ⁵	10 ⁵	25	
France	—	15 ^{4,7}	10 ⁵	5/10/15 ¹⁹	10 ^{4,5, 32}	Nil/10 ^{4,32}	25	
Germany	—	25	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁷	25	
Guyana	10	25	15 ⁵	15	10	10	25	
Hungary	—	15 ⁴	10 ⁵	5/10/15 ¹⁹	10	10	25	
Iceland	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁷	25	
India	—	15 ^{4,7}	15 ⁵	15/25 ¹⁶	15/20 ³⁴	10/15/20 ³⁴	25	
Indonesia	—	25	10 ⁵	10/15 ¹⁶	10	10	25	
Ireland (see ¶ 8)	—	15 ⁷	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁷	25	
Israel	—	15 ⁴	15 ^{4,5}	15	15 ⁴	15 ⁴	25	
Italy	—	25	15 ⁵	15	10	10 ⁵	25	
Ivory Coast	—	25	15	15	10	10	25	
Jamaica	12.5 ^{4, 5}	15 ⁴	15 ^{4,5}	15	10 ⁴	10/12.5 ^{4,35}	25	
Japan	—	25	10 ⁵	5/10/15 ¹⁹	10	10	25	

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COUNTRY	GENERAL		INVESTMENTS			RENTS, ROYALTIES, ETC.		
	Management Fees ⁶	Estate or Trust Income	Interest	Dividends	Film Royalties ²⁴⁽ⁱ⁾	Other Including Copyright Royalties ²⁴⁽ⁱⁱ⁾	Immovable Property ²⁵	
Jordan	—	25	10 ⁵	10/15 ¹⁶	10	10	25	
Kazakhstan	—	25	10 ⁵	5/15 ¹⁶	10	10	25	
Kenya	15	25	15 ^{4, 5}	15/25 ^{5, 16}	15 ⁴	15 ⁴	25	
Korea, Republic of	—	25	15 ⁵	15	15	15	25	
Kuwait	—	25	10 ⁵	5/15 ¹⁶	10	10	25	
Kyrgyzstan	—	15 ^{4, 7}	15 ⁵	15	10 ⁴¹	Nil/10 ⁴¹	25	
Latvia	—	15 ^{4, 7}	10 ⁵	5/15 ¹⁶	10	10	25	
Lithuania	—	15 ^{4, 7}	10 ⁵	5/15 ¹⁶	10	10	25	
Luxembourg	—	15 ^{4, 7}	10 ⁵	5/10/15 ¹⁹	10 ⁴⁷	Nil/10 ⁴⁷	25	
Malaysia (see ¶ 8)	—	15	15	15 ⁴	25	15	25	
Malta (see ¶ 8)	—	15 ⁴	15 ⁵	15	10	10	25	
Mexico	—	15 ⁴	10 ^{5, 12}	10/15 ¹⁶	10 ³⁸	Nil/10 ³⁸	25	
Moldova (see ¶ 8)	—	15 ^{4, 7}	10 ⁵	5/15 ¹⁶	10	10	25	
Mongolia(see ¶ 8)	—	15 ^{4, 7}	10 ⁵	5/15 ¹⁶	10 ³⁷	5/10 ³⁷	25	
Morocco	—	25	15 ^{4, 5}	15	10 ^{4, 39}	5/10 ^{4, 39}	25	
Netherlands	—	15 ^{7, 8}	10 ⁵	5/10/15 ¹⁹	10 ⁴⁷	Nil/10 ⁴⁷	25	
New Zealand	—	15 ⁴	15	15	15	15	25	
Nigeria	—	25	12.5 ^{4, 5}	12.5/15 ¹⁶	12.5 ⁴	12.5 ⁴	25	
Norway	—	15 ^{4, 7}	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁷	25	
Oman	—	15 ^{4, 7}	10 ¹⁵	5/15 ²²	10	Nil/10 ⁴⁷	25	
Pakistan	—	15 ⁴	15 ^{4, 5}	15	15 ⁴	15 ⁴	25	

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COUNTRY	GENERAL		INVESTMENTS			RENTS, ROYALTIES, ETC.		
	Management Fees ⁶	Estate or Trust Income	Interest	Dividends	Film Royalties ²⁴⁽ⁱ⁾	Other Including Copyright Royalties ²⁴⁽ⁱⁱ⁾	Immovable Property ²⁵	
Papua New Guinea	—	25	10 ⁵	15	10	10	25	
Peru	—	15 ^{4,7}	15	10/15 ¹⁶	15	15	25	
Philippines	—	25	15 ^{4,5}	15 ¹⁶	10 ⁴	10 ⁴	25	
Poland	—	15 ⁴	15 ⁵	15	10	10	25	
Portugal	—	15 ^{4,7}	10 ⁵	10/15 ¹⁶	10	10	25	
Romania (see ¶ 8)	—	25	10 ⁵	5/15 ¹⁶	10 ³⁷	5/10 ³⁷	25	
Russia	—	25	10 ⁵	10/15 ¹⁶	10 ³⁶	Nil/10 ³⁶	25	
Senegal	—	15 ^{4,7}	15 ⁵	15	15	15	25	
Singapore (see ¶ 8)	—	15 ⁴	15 ⁴	15	15 ⁴	15 ⁴	25	
Slovak Republic	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10 ⁴¹	Nil/10 ⁴¹	25	
Slovenia	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10	10	25	
South Africa	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10 ³⁷	6/10 ³⁷	25	
Spain	—	15 ⁴	15 ^{4,5}	15	10 ⁴	10 ⁴	25	
Sri Lanka	—	15 ⁴	15 ^{4,5}	15	10 ⁴	10 ⁴	25	
Sweden	—	15 ^{4,7}	10 ⁵	5/10/15 ¹⁹	10 ⁴⁷	Nil/10 ⁴⁷	25	
Switzerland ⁴²	—	15	10 ⁵	5/10/15 ¹⁹	10 ³⁶	Nil/10 ³⁶	25	
Tanzania	20	25	15 ⁵	20/25 ¹⁶	20	20/25 ⁴³	25	
Thailand	—	15	15 ⁵	15	15	15	25	
Trinidad and Tobago	10	25	10 ⁵	5/15 ¹⁶	10	10	25	

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COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees ⁶	Estate or Trust Income	Interest	Dividends	Film Royalties ²⁴⁽ⁱ⁾	Other Including Copyright Royalties ²⁴⁽ⁱⁱ⁾	Immovable Property ²⁵
Tunisia	—	15 ⁴	15 ^{4,5}	15	15/20 ⁴⁴	15/20 ⁴⁴	25
Ukraine	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10	10 ⁴⁵	25
United Arab Emirates	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁷	25
United Kingdom (see ¶ 8)	—	15 ⁷	10 ^{5,14}	5/15 ¹⁶	10 ⁴⁷	Nil /10 ⁴⁷	25
United States	—	15 ⁸	10 ⁵	5/15 ¹⁶	10 ⁴⁷	Nil/10 ⁴⁶	25
Uzbekistan	—	25	10 ⁵	5/15 ¹⁶	10 ³⁷	5/10 ³⁷	25
Venezuela	—	25	10 ⁵	10/15 ¹⁶	10 ³⁶	5/10 ³⁶	25
Vietnam	7.5	15 ^{4,7}	10 ⁵	5/10/15 ²⁰	10	10	25
Zambia	—	15 ⁴	15 ⁴	15	15 ⁴	15 ⁴	25
Zimbabwe	10	15 ⁹	15 ⁵	10/15 ¹⁶	10	10	25

Appendix B **WITHHOLDING TAX RATES ON AMOUNTS (OTHER THAN PENSIONS AND ANNUITIES) PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION SIGNED BUT NOT YET IN FORCE** (see *Footnotes to Appendices*)

The following are countries for which, as of February 28, 2006, a convention with Canada has been negotiated or renegotiated and signed but **has not yet entered into force**. The withholding tax rates that will apply under each convention are indicated.

COUNTRY	GENERAL		INVESTMENTS		RENTS, ROYALTIES, ETC.		
	Management Fees ⁶	Estate or Trust Income	Interest	Dividends	Film Royalties ²⁴⁽ⁱ⁾	Other Including Copyright Royalties ²⁴⁽ⁱⁱ⁾	Immovable Property ²⁵
Gabon	—	25	10 ⁵	15	10	10	25
Italy ⁶⁶	—	15 ^{4,7}	10 ⁵	5/15 ¹⁶	10 ²⁸	Nil/5/10 ²⁸	25
Lebanon	—	25	10 ⁵	5/15 ¹⁶	10 ³⁶	5/10 ³⁶	25

The entry into force of a tax convention between Canada and a country listed above will be announced in a news release issued by the Department of Finance. Until that announcement is made, a payment to a resident of this country is generally subject to withholding tax at the statutory rate, generally 25%, unless a convention between Canada and this country already exists, in which case the appropriate rate should be taken from Appendix A.

Pensions and Annuities Subject to Part XIII Tax

The following comments pertain to Appendices C and D.

Pensions and Annuities – Definitions

¶ 14. In order to better understand Appendices C and D, the following is a brief explanation of terms and expressions used in respect of payments that arise in Canada:

(a) **Pension** – For the purposes of the Appendices, pursuant to section 5 of the *Income Tax Conventions Interpretation Act* (ITCIA),

- (i) Where a tax convention **does not** include a definition of pension, pension means any payment under any plan, arrangement or contract that is:
 - (A) a registered pension plan;
 - (B) a registered retirement savings plan;
 - (C) a registered retirement income fund;
 - (D) a registered compensation arrangement;
 - (E) a deferred profit sharing plan;
 - (F) a plan that is deemed by subsection 147(15) of the *Act* not to be a deferred profit sharing plan;
 - (G) an annuity contract purchased under a plan referred to in (E) or (F) above;
 - (H) an annuity contract where the amount paid by or on behalf of an individual to acquire the contract was deductible under paragraph 60(I) of the *Act* in computing the individual's income for any taxation year (or would have been so deductible if the individual had been resident in Canada), and
 - (I) a superannuation, pension or retirement plan not otherwise referred to above.

According to this definition, pension includes payments under a RRIF, RRSP, etc. and includes payments under an annuity described in paragraph 60(I)(ii) of the *Act* (i.e. RRSP annuity payments as referred to in (H) above). Item (I) above refers to payments made under “a superannuation, pension or retirement plan not otherwise referred to” and would include such social security benefits as a pension, supplement or spouse's allowance paid under the *Old Age Security Act* (OAS) or any benefit paid under the *Canada Pension Plan Act* (CPP) as described in clause 56(1)(a)(i)(A) and (B) of the *Act*, respectively, or in a comparable provision of the *Quebec Pension Plan Act* (QPP).

- (ii) Where a tax convention **does** include a definition of pension, a pension payment is any payment that qualifies as a pension in accordance with the definition in the convention, in addition to all periodic pension payments listed in ¶ 14(b) (other than social security benefits—i.e. CPP, QPP and OAS payments).

(b) **Periodic Pension Payments** – This expression is also defined in section 5 of the ITCIA to mean any pension payment under a plan, arrangement or contract listed in 14(a)(i) above **other than** the following payments:

- (i) lump-sum payments or a payment that can reasonably be considered to be an instalment of a lump sum amount under a registered pension plan;
- (ii) payments before maturity, or full or partial commutation payments, under an RRSP;
- (iii) certain payments under a RRIF as determined under (c) of the definition of “periodic pension payment” in section 5 of the ITCIA, or
- (iv) certain payments from other plans as determined under (d) of the definition of “periodic pension payment” in section 5 of the ITCIA.

(c) **Annuity** – Under section 5 of the ITCIA, this term excludes any pension payment or a payment under a plan, arrangement or contract described in ¶ 14(a)(i)(A) to (a)(i)(I) above arising in Canada.

(d) **CPP/QPP** – This acronym refers to the Canada Pension Plan or the Quebec Pension Plan. For the purpose of tax conventions, CPP or QPP payments (i.e. social security payments) are considered to be pensions. However, CPP or QPP death benefits are considered to be lump-sum payments for purposes of the conventions.

CPP or QPP benefits in respect of self-employment are not considered to be pensions for past employment or past service under the definitions of pension contained in the tax convention with **Ireland**. See *footnote 59*.

(e) **OAS** – This acronym refers to the *Old Age Security Act* and the pension, supplement and spouse's allowance payments covered under that Act. For purposes of tax conventions, OAS payments (i.e. social security payments) are considered as pensions, but not as pensions that are payments for past service or past employment.

There is no withholding tax on “net federal supplements” (i.e. guaranteed income supplement and spouse's allowance) as such amounts are exempt from tax in Canada.

(f) **IAAC** – This acronym refers to an income-averaging annuity contract and refers to certain contracts between an individual and a person licensed or otherwise authorized under the laws of Canada or a province to carry on in Canada an annuities business or a corporation licensed or otherwise authorized under the laws of Canada or a province to carry on the business of offering to the public its services as trustee. For more information, see the definition of that expression in subsection 61(4) of the *Act*. However, note that the availability to purchase an IAAC was terminated on November 13, 1981 (or before 1982, if an agreement in writing was entered into before November 13, 1981).

Appendix C **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE** (see Footnotes to Appendices)

COUNTRY	PENSION PAYMENTS ^{2, 48}				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS ⁴⁸			ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Algeria	15 ^{50,51}	25	15 ^{50,51}	25	25	25	25	15 ⁵²	25
Argentina	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	25
Armenia (see ¶ 8)	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25	25	25
Australia	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	25
Austria	25	25	25	25	25	25	25	25	25
Azerbaijan ⁶⁷	15	25	15	25	15	25	15	25	25
Bangladesh	15	25	15	25	15	25	15	15 ⁵²	25
Barbados	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	25
Belgium	25	25	25	25	25	25	25	25	25
Brazil	25 ⁵³	25 ⁵³	25 ⁵³	25 ⁵³	25 ⁵³	25 ⁵³	25 ⁵³	25 ⁵³	25 ⁵³
Bulgaria (see ¶ 8)	15	25	15	25	15	25	15	10 ⁵²	25
Cameroon	25	25	25	25	25	25	25	25	25
Chile	25	25	25	25	25	25	25	15 ⁵²	25
China (PRC) ¹	25	25	25	25	25	25	25	25	25
Croatia	15 ⁵⁴	25 ⁵⁴	15 ⁵⁴	25 ⁵⁴	25 ⁵⁴	25 ⁵⁴	25 ⁵⁴	10 ⁵²	25
Cyprus (see ¶ 8)	15 ⁵⁵	25 ⁵⁵	15 ⁵⁵	25 ⁵⁵	15 ⁵⁵	25 ⁵⁵	15 ⁵⁵	15 ⁵²	25

Appendix C **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE (see Footnotes to Appendices)**

COUNTRY	PENSION PAYMENTS ^{2, 48}				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS ⁴⁸			ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Czech Republic	15	25	15	25	25	25	25	15 ⁵²	15 ⁵²
Denmark ⁵⁶	25	25	25	25	25	25	25	25	25
Dominican Republic	18 ⁵⁰	25	18 ⁵⁰	25	18 ⁵⁰	25	18 ⁵⁰	18 ⁵²	25
Ecuador	15 ^{50,57}	25	15 ^{50,57}	25	15 ^{50,57}	25	15 ^{50,57}	15 ⁵²	25
Egypt	25	25	25	25	25	25	25	25	25
Estonia	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25	10 ⁵²	25
Finland	20	25	20	25	20	25	20	15 ⁵²	25
France	25	25	25	25	25	25	25	25	25
Germany	15 ⁵⁰	25	15 ⁵⁰	25	15 ^{50,58}	25 ⁵⁸	15 ^{50,58}	15 ⁵²	25
Guyana	25	25	25	25	25	25	25	25	25
Hungary	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	10 ⁵²	25
Iceland	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25	15 ⁵²	25
India	25	25	25	25	25	25	25	25	25
Indonesia	15	25	15	25	25	25	25	15 ⁵²	25
Ireland ⁵⁹ (see ¶ 8)	15 ⁵⁷	25	15 ⁵⁷	25	15 ⁵⁷	25	15 ⁵⁷	15 ⁵²	25

Appendix C **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE** (see Footnotes to Appendices)

COUNTRY	PENSION PAYMENTS ^{2, 48}				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS ⁴⁸			ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Israel	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ^{50,52}		25
Italy	15 ^{50,60}	25 ⁶⁰	15 ^{50,60}	25 ⁶⁰	15 ^{50,60}	25 ⁶⁰	15 ^{50,60}		25
Ivory Coast	15	25	15	25	15	25	15		15 ⁵²
Jamaica	25 ⁵⁰	25	25 ⁵⁰	25	25 ⁵⁰	25	25 ⁵⁰		25
Japan	25	25	25	25	25	25	25		25
Jordan	25	25	25	25	25	25	25		25
Kazakhstan	15	25	15	25	25	25	25		25
Kenya	15	25	15	25	15	25	15		25
Korea, Republic of	25	25	25	25	25	25	25		25
Kuwait	15	25	15	25	25	25	25		15 ⁵²
Kyrgyzstan	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25		25
Latvia	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25		25
Lithuania	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25		25
Luxembourg	25	25	25	25	25	25	25		25
Malaysia (see ¶18)	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰		25
Malta (see ¶18)	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰		25

Appendix C **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE (see Footnotes to Appendices)**

COUNTRY	PENSION PAYMENTS ^{2, 48}				CANADA AND QUEBEC PENSION PLANS AND OLD AGE SECURITY PAYMENTS ⁴⁸			ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Mexico	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	25
Moldova(see ¶ 8)	15	25	15	25	25	25	25	15 ⁵²	25
Mongolia(see ¶ 8)	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25	15 ⁵²	25
Morocco	25	25	25	25	25	25	25	25	25
Netherlands	15	25	15	25	15	25	15	15/25 ⁶⁵	15/25 ⁶⁵
New Zealand ⁶¹	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15 ⁵⁰	15/25 ⁶¹	25 ⁶¹
Nigeria	25	25	25	25	25	25	25	25	25
Norway	15	25	15	25	15	25	15	15 ⁵²	25
Oman	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25	15 ⁵²	25
Pakistan	25	25	25	25	25	25	25	25	25
Papua New Guinea	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	25
Peru	15	25	15	25	15	25	15	15 ⁵²	25
Philippines	25 ⁶²	25	25 ⁶²	25	25 ⁶²	25	25 ⁶²	25	25
Poland	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	25
Portugal	15 ^{50, 57}	25	15 ^{50, 57}	25	15 ^{50, 57}	25	15 ^{50, 57}	15 ⁵²	25
Romania (see ¶ 8)	15 ^{63, 64}	25	15 ^{63, 64}	25	15 ^{63, 64}	25	15 ^{63, 64}	25	25

Appendix C **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE (see Footnotes to Appendices)**

COUNTRY	PENSION PAYMENTS ^{2, 48}					CANADA AND QUEBEC PENSION PLAN AND OLD AGE SECURITY PAYMENTS ⁴⁸			ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS			
Russia	25	25	25	25	25	25	25	25	25	25
Senegal	15 ⁶⁴	25	15 ⁶⁴	25	15 ⁶⁴	25	15 ⁶⁴	15/25 ⁶⁵	15/25 ⁶⁵	15/25 ⁶⁵
Singapore ^(see ¶18)	25	25	25	25	25	25	25	25	25	25
Slovak Republic	15 ⁵⁰	25	15 ⁵⁰	25	25	25	25	15 ⁵²	15 ⁵²	25
Slovenia	15 ^{50, 51}	25	15 ^{50, 51}	25	25	25	25	10 ⁵²	10 ⁵²	25
South Africa	25	25	25	25	25	25	25	25	25	25
Spain	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	15 ⁵²	25
Sri Lanka	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	15 ⁵²	25
Sweden	25	25	25	25	25	25	25	25	25	25
Switzerland	15	25	15	25	25	25	25	15 ⁵²	15 ⁵²	25
Tanzania	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	15 ⁵²	25
Thailand	25	25	25	25	25	25	25	25	25	25
Trinidad and Tobago	15	25	15	25	15	25	15	25	25	25

Appendix C **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION IN FORCE** (see Footnotes to Appendices)

COUNTRY	PENSION PAYMENTS ^{2, 48}				CANADA AND QUEBEC PENSION PLAN AND OLD AGE SECURITY PAYMENTS ⁴⁸			ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP	Periodic pension payments – OAS		
Tunisia	25	25	25	25	25	25	25	25	25
Ukraine	25	25	25	25	25	25	25	25	25
United Arab Emirates	25	25	25	25	25	25	25	25	25
United Kingdom (see ¶ 8)	Nil	25	Nil	25	Nil	25	Nil	10 ⁵²	25
United States	15	25	15	25	Nil	Nil	Nil	15 ⁵²	25
Uzbekistan	25	25	25	25	25	25	25	25	25
Venezuela	25	25	25	25	25	25	25	25	25
Vietnam	15	25	15	25	25	25	25	25	25
Zambia	15	25	15	25	15	25	15	15 ⁵²	25
Zimbabwe	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	25	15 ⁵⁰	15 ⁵²	25

Appendix D **WITHHOLDING TAX RATES ON PENSIONS AND ANNUITIES PAID TO RESIDENTS OF COUNTRIES WITH WHICH CANADA HAS AN INCOME TAX CONVENTION SIGNED BUT NOT YET IN FORCE (see Footnotes to Appendices)**

The following are countries for which, as of February 28, 2006, a Convention with Canada has been negotiated or renegotiated and signed but **has not yet entered into force**. The withholding tax rates that will apply under each Convention are indicated.

COUNTRY	PENSION PAYMENTS ^{2, 48}				CANADA AND QUEBEC PENSION PLAN AND OLD AGE SECURITY PAYMENTS ⁴⁸		ANNUITY PAYMENTS ⁴⁹	IAAC PAYMENTS ⁴⁹
	Periodic pension payments from registered pension plans	Lump sum pension payment from registered pension plans	Periodic pension payments from an RRSP, RRIF, etc.	Lump sum pension payment from an RRSP, RRIF, etc.	Periodic pension payments – CPP or QPP	Lump sum pension payment – CPP or QPP		
Gabon	25	25	25	25	25	25	25	25
Italy ⁶⁶	15 ^{50, 57}	25	15 ^{50, 57}	25	15 ⁵⁰	25 ⁵⁰	25	25
Lebanon	15	25	15	25	25	25	25	25

The entry into force of a tax convention between Canada and a country listed above will be announced in a press release issued by the Department of Finance. Until that announcement is made, a payment to a resident of this country is generally subject to withholding tax at the rate of 25% unless a convention between Canada and this country already exists, in which case the appropriate rate should be taken from Appendix C.

Footnotes to Appendices

General

- ¹ This convention does not apply to payments to residents of **Hong Kong**.
- ² Generally, war pensions and allowances (including pensions and allowances paid to war veterans or paid as a consequence of damages or injuries suffered as a consequence of a war) are exempt to the extent that both countries exempt them for their own residents. Some conventions expand the scope of this exemption further by removing one or more conditions mentioned above; e.g., the convention with **Croatia** does not require the pension to be exempt from tax if received by a resident of Canada. See the applicable convention for full details and other exemptions if any.
- ³ (Deleted)
- ⁴ This rate applies provided the payment is taxable in the country with which Canada has a tax convention; otherwise, the rate is 25%.
- ⁵ This rate may be further reduced in certain circumstances. For further details, see the appropriate article of the tax convention governing the type of payment or contact the International Tax Services Office.

Management Fees

- ⁶ Rates shown apply to residents of countries whose tax conventions with Canada include a management fee article (for residents of countries with which Canada does not have a tax convention withholding tax of 25% applies). Also see ¶ 13 of this Information Circular.

Estate and Trust Income

- ⁷ For the purposes of the trust article or other income article in the tax convention Canada has with this country, a trust does not include any arrangement whereby contributions made to the trust were deductible for the purposes of taxation in Canada.
- ⁸ Distributions of income from an estate or trust that is a resident of Canada may be exempt from tax in Canada on trust income from sources outside Canada. This exemption is provided in the **Netherlands and U.S.** conventions in respect of amounts paid, credited or required to be distributed to residents of the Netherlands and the U.S., respectively.
- ⁹ The rate of 15% applies to the gross amount of the income from an estate or trust if it is derived from sources within Canada by a resident of this country, provided that the income is taxable in the country of residence; otherwise, the rate is 25%.

Interest Income

- ¹⁰ If the recipient is a company which is the beneficial owner of the interest, the rate of tax so charged shall not exceed 15%; in all other cases it will be 25%. However, if the interest income is paid to the Government of **Brazil**, a political subdivision thereof, or any agency (including a financial institution) wholly owned by that government or a political subdivision, the withholding tax is nil.
- ¹¹ Interest on mortgages on immovable property or certain property related to immovable property is taxed at 25%.
- ¹² Although the Convention provides for a rate of 15%, the “most-favoured nation” provision in the *Protocol* to the **Canada-Mexico Income Tax Convention** applies so as to reduce the rate on any type of interest to 10%, effective January 1, 1999.
- ¹³ Under the “most-favoured nation” provisions in paragraphs 1 and 2 of the *Protocol* to the **Canada-Chile Tax Convention**, the withholding rate on interest described in paragraph 2 of Article 11 of the Convention was lowered effective January 1, 2004, from 15% to 10% on the interest derived from:
 - loans granted by banks and insurance companies;
 - bonds or securities that are regularly and substantially traded on a recognized securities market, and
 - sale on credit paid by the purchaser of machinery and equipment to a beneficial owner that is the seller of the machinery and equipment.
- ¹⁴ See ¶12 of this Information Circular concerning payments of interest or dividends to a Collecting Agent or Nominee.
- ¹⁵ For details on exemptions and other situations, see Article 11 (paragraph 3) and Article 13 of the **Canada-Oman Tax Convention**.

Dividends

- ¹⁶ The lower rate applies where the beneficial owner of the dividend is a company that owns or controls a certain equity percentage of the payer company (e.g., a parent company). For complete details on conditions and applications, see the appropriate article of the tax convention governing dividends or contact the International Tax Services Office.
- ¹⁷ (Deleted)
- ¹⁸ According to the “most-favoured nation” clause in the *Protocol* attached to the 1998 **Canada-Chile Income Tax Convention**, effective January 1, 2000, the lower rate applies where the beneficial owner of the dividend is a company that either directly or indirectly controls at least 25% of the voting shares of the payer company (e.g., dividends paid to a parent company). For details, see the

appropriate article of the Tax Convention governing dividends or contact the International Tax Services Office.

¹⁹ The rate of 5% applies to the gross amount of the dividends where the beneficial owner of the dividends is a company (other than a partnership) that owns or controls, directly or indirectly, a certain percentage of shares or voting power of the payer company. The rate of 10% applies to the gross amount of the dividends if the dividends are paid by a non-resident owned investment corporation (as defined in subsection 133(8) of the *Act*) that is a resident of Canada to a beneficial owner (to a company in the case of **France, Japan, Luxembourg, Netherlands and Hungary**) that is a resident of the other country and that owns or controls, directly or indirectly, a certain percentage of shares or voting power of the payer company. In all other cases, the rate is 15% of the gross amount of the dividends. For detailed information including the exact percentage of required ownership, see the appropriate article of the tax convention governing dividends or contact the International Tax Services Office.

²⁰ The rate of 5% applies to the gross amount of the dividends where the beneficial owner of the dividends is a company that controls at least 70% of the voting power in the payer company. The rate of 10% applies to the gross amount of the dividends where the beneficial owner is a company that controls at least 25% but less than 70% of the voting power in the payer company. In all other cases, the rate is 15% of the gross amount of the dividends.

²¹ Under the *Canada-Armenia Tax Convention*, the lower rate applies to the gross amount of the dividends if the beneficial owner of the dividends is a company that holds directly at least 25% of the capital of the company paying the dividends and the capital invested by the beneficial owner exceeds US\$100,000 (or its equivalent in the currency of either Contracting State) at the time the dividends are declared. The higher rate applies in all other cases.

²² Under the *Canada-Oman Tax Convention*:

- a) 5% of the gross amount of the dividends if the beneficial owner is a company which controls directly or indirectly, in the case of Canada, at least 10% of the voting power in the company paying the dividends and, in the case of the Sultanate of Oman, at least 10% of the capital in the company paying the dividends;
- b) 15% of the gross amount of the dividends in all other cases.

Also see Article 13 and paragraph 8 of Article 28 for exemptions.

²³ (Deleted)

Rents, Royalties etc.

²⁴⁽ⁱ⁾ The rates in the column apply to film royalties and not to acting services. Under Part XIII of the *Act*, a non-resident (actor) individual or a corporation related to such an individual shall pay an income tax of 23% on amounts paid, credited or provided as a benefit to or on behalf of the individual for providing in Canada the acting services of the actor in a film or video production. This withholding tax can further be reduced, see subsections 212(5.1) to (5.3) of the *Act* for details. Also, no tax is payable in the above regard under Part XIII by the non-resident recipient if the non-resident recipient files a return under Part I of the *Act* and makes an election under subsection 216.1 of the *Act*. However, withholding and remitting responsibilities of the payer remain the same. See the relevant sections for details.

²⁴⁽ⁱⁱ⁾ Others Including Copyright Royalties – Payments made for the use of, or the right to use, any copyright of scientific work, any patent, trade mark, design or model, plan, secret formula or process, or for the use of or the right to use industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience are subject to withholding tax at the rates indicated.

However, there is no withholding tax on royalties or similar payments for copyright in respect of the production or reproduction of any literary, dramatic, musical or artistic work other than a motion picture film, or a film, videotape or other means of reproduction for use in connection with television (unless solely in connection with and as part of a news program produced in Canada) that has been or is to be used or reproduced in Canada. (For reference, also see paragraph 212(1)(d) and subsection 212(5) of the *Act*).

Some conventions expand the scope of this exemption further by removing one or more conditions mentioned above; e.g. the convention with Belgium does not require the production/reproduction to be used/produced in Canada, to benefit from the exemption. See applicable convention for full details.

If the 25% tax in Part XIII of the *Act* applies to a payment to a non-resident for the use of or right to use computer software in Canada, and the payment is made to a resident of a country with which Canada has an income tax convention, the 25% tax may be reduced pursuant to the royalty article of the particular convention. Generally, such a payment to a non-resident of Canada is a “royalty” for the purposes of a particular income tax convention only if the definition of term ‘royalty’ specifically includes a payment for the use of computer software or if the definition includes a payment for the use of or the right to use “other intangible property” or “other like property” or a similar phrase. If a payment for the use of or the right to use computer software is a “royalty” and there is no specific computer software exception stated elsewhere in the particular convention or protocol, then the reduced

withholding rate specified in the royalty article will apply. If the payment is not a “royalty” then the payment is generally taxable in Canada if it is “business profits” being earned through a “permanent establishment” in Canada, pursuant to the business profit article of the particular income tax convention.

- ²⁵ Immovable Property – Payments made for the use of or the right to use real or immovable property including natural resources in Canada are subject to withholding tax at the rate indicated. This category also applies to timber royalties. However, similar to section 217 (see *footnote 48*), the non-resident may be able to save tax by electing under section 216 to file a Canadian income tax return and instead be taxed on the net income derived from these payments in a manner similar to that in which a resident of Canada would be taxed.

For more information, see the current version of IT-393, *Election Re: Tax on Rents and Timber Royalties Non-Residents*.

- ²⁶ Royalties for the use of, or the right to use, computer software or any patent (but not including any such information provided in connection with a rental or franchise agreement) are exempt from withholding tax.
- ²⁷ If the beneficial owner of the royalties is a resident of **Argentina**, the applicable tax shall not exceed:
- (a) 3% of the gross amount paid for the use of, or the right to use, news;
 - (b) 5% of the gross amount paid for the use of, or the right to use, copyright of literary, dramatic, musical or other artistic work (but not including royalties in respect of motion picture films and works on film or videotape or other means of reproduction for use in connection with television);
- However, as mentioned in *footnote 24(ii)*, subparagraph 212(1)(d)(vi) of the *Act* excludes from the application of Part XIII a royalty or similar payment on or in respect of a copyright for the production or reproduction of any literary, dramatic, musical or artistic work;
- (c) 10% of the gross amount paid for the use of, or the right to use, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial or scientific equipment, or for information concerning industrial or scientific experience, and includes payments for the rendering of technical assistance, and
 - (d) 15% of the gross amount of the royalties in all other cases, including royalties on motion picture films and works on film or videotape or other means of reproduction for use in connection with television.

- ²⁸ If the beneficial owner of the royalties is a resident of this country, the following rates apply:

- (a) the nil or lower rate of tax applies on the gross amount of royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience, excluding any such information provided under a rental or franchise agreement, and
- (b) 10% applies on the gross amount of the royalties in all other cases, including the following:
 - (i) royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
 - (ii) royalties for the use of, or the right to use, information concerning industrial, commercial or scientific experience provided under a rental or franchise agreement,

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

- ²⁹ If the recipient is an individual and a resident of **Brazil**, the withholding rate is 25%. When the recipient is a company that is the beneficial owner of the royalties or payments for films, the withholding tax rate is

- (a) 25% of the gross amount of royalties arising from the use of or the right to use trade marks, and
- (b) 15% in all other cases.

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

- ³⁰ Under the “most-favoured nation” provisions in paragraphs 1 and 2 of the *Protocol to the Canada-Chile Tax Convention*, effective January 1, 2004, the withholding rate on royalties described in paragraph 2 of Article 12 of the Convention was lowered from 15 % to 10 %.

- ³¹ If the beneficial owner of the royalties is a resident of Ecuador, the following rates apply:

- (a) 10% on the gross amount of the royalties for the use of, or the right to use, industrial, commercial or scientific equipment;
- (b) 15% of the gross amount of the royalties in all other cases.

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

- ³² If the beneficial owner of the royalties is a resident of **France**, the following rates apply:

- (a) nil rate of tax on the gross amount of the following royalties:
 - (i) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience, excluding any such

information provided in connection with a rental or franchise agreement;

- (ii) royalties arising in Canada and paid to the government of France or to an organization of France approved by the competent authorities of both countries, and
- (b) 10% on the gross amount of the royalties in all other cases, including on the following:
 - (i) royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
 - (ii) royalties for the use of, or the right to use, information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.
- (c) See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements. See the Convention for further details.

³³ This rate does not apply to payments or credits made as consideration for the supply of, or the right to use, source code in a computer software program, provided that the right to use the source code is limited to such use as is necessary to enable effective operation of the program by the user. If these payments are business profits, Article 7 of the *Canada-Australia Tax Convention* applies and the profits are taxable only if the business is carried on through a permanent establishment in Canada. Otherwise, Article 21 of the Convention applies and the applicable rate is 25%.

³⁴ If the beneficial owner of the royalties or fees for included services is a resident of **India**, the following rates apply:

- (a) (i) in the case of payments of any kind received as consideration for the use of, or the right to use, any copyright of a literary, artistic or scientific work, including cinematography films or work on film, tape or other means of reproduction for use in connection with radio or television broadcasting, any patent, trademark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience, including gains derived from the alienation of any such right or property which are contingent on the productivity, use or disposition thereof; and
- (ii) in the case of fees for included services (see the definition in paragraphs 4 and 5 of Article 12 of the Convention), other than services described in subparagraph (b) below:
 - (A) during the first five taxation years after January 1, 1998,
 - (I) 15% of the gross amount of the royalties or fees for included services, where the payer is the Government, a

political subdivision or a public sector company of Canada; and

- (II) 20% of the gross amount of the royalties or fees for included services in all other cases, and

- (B) during the subsequent years, 15% of the gross amount of the royalties or fees for included services.

- (b) (i) in the case of payments of any kind received as consideration for the use of, or the right to use, any industrial, commercial or scientific equipment, other than payments derived by an enterprise
 - from the operation of ships or aircraft in international traffic;
 - from the rental of ships or aircraft incidental to any activity directly connected with the transportation by sea or air respectively of passengers, mail, livestock or goods carried on by owners, lessees or charterers of ships or aircrafts, or
 - from the use, maintenance or rental of containers (including trailers, barges and related equipment for the transport of containers) used in connection with the operation of such an enterprise, and
- (ii) in the case of fees for included services that are ancillary and subsidiary to the enjoyment of the property for which payment is received under (b)(i) above,

10% of the gross amount of the royalties or fees for included services.

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

³⁵ The higher rate applies to the rental payment to a resident of **Jamaica** for the right to use movable property in Canada, including industrial, commercial or scientific equipment.

³⁶ If the beneficial owner of the royalties is a resident of this country, the following rates apply:

- (a) the lower or nil rate applies to the
 - (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work (but not including royalties in respect of motion picture films nor royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting), or
 - (ii) gross amount of the royalties if they are royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience, (excluding any such information

provided in connection with a rental or franchise agreement) if the payer and beneficial owner of the royalties are not related persons; and

- (b) 10% of the gross amount of the royalties in all other cases.

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

³⁷ If the beneficial owner of the royalties is a resident of **this country**, the following rates apply:

- (a) the lower or nil rate of tax applies on the gross amount of the royalties if they are copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including royalties in respect of motion picture films nor royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting), or royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience, excluding any such information provided in connection with a rental or franchise agreement, and
- (b) 10% applies on the gross amount of the royalties in all other cases, including the following:
 - (i) royalties in respect of motion picture films and works on film or videotape for use in connection with television broadcasting,
 - (ii) royalties for the use of, or the right to use, any information concerning industrial, commercial or scientific experience provided in connection with a rental or franchise agreement.

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

³⁸ If the beneficial owner of the royalties is a resident of **Mexico**, the following rates apply:

- (a) the nil rate of tax applies on the gross amount of copyright royalties and other like payments in respect of the production or reproduction of any cultural, dramatic, musical or other artistic work (excluding royalties in respect of motion picture films and works on film or videotape or other means of reproduction for use in connection with television) if paid to a resident of Mexico who is subject to tax thereon, and
- (b) 10%, in accordance with the “most-favoured nation” clause in the *Protocol* to the **Canada-Mexico Income Tax Convention**, applies on the gross amount of the royalties in all other cases, including on the following:
 - (i) royalties in respect of motion picture films and works on film or videotape or other means of reproduction for use in connection with television,

- (ii) gains derived from the alienation of any such right or property that are contingent on the productivity or use thereof.

³⁹ If the recipient is a resident of **Morocco** and provided that the royalties are taxable in Morocco, the tax will not exceed

- 5% of the gross amount of the copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (but not including royalties in respect of motion picture films and works on film or videotape for use in connection with television);
- 10% of the gross amount of the royalties in all other cases.

See *footnote 24(ii)* for royalties exempt from Part XIII withholding tax requirements.

⁴⁰ (Deleted)

⁴¹ If the beneficial owner of the royalties is a resident of this country, the following rates apply:

- (a) the nil rate of tax applies on the gross amount of copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work, excluding royalties in respect of motion picture films or royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting;
- (b) 10% applies on the gross amount of the royalties in all other cases, including royalties in respect of motion picture films and royalties in respect of works on film or videotape or other means of reproduction for use in connection with television broadcasting.
- (c) For **Kyrgyzstan**, the nil rate also applies to royalties for the use of, or the right to use, application software or any patent or for information concerning industrial, commercial or scientific experience (but not including any such information provided in connection with a rental or franchise agreement) where the payer and the beneficial owner of the royalties are not associated persons within the meaning of subparagraphs 1(a) or 1(b) of Article 9.

⁴² See ¶ 9 of this Information Circular concerning payments to nominees and agents resident in **Switzerland**.

⁴³ The rate of 25% applies to any amount paid to a resident of **Tanzania** as consideration for the right to exploit a mine, oil well or quarry, or any other place of extraction of natural resources.

⁴⁴ If the recipient is a resident of **Tunisia** and provided that the royalties are taxable in Tunisia, the tax that is applicable shall not exceed:

- (a) 20% of the gross amount of patent royalties and the royalties for the use of or the right to use trade marks,

motion picture films and films or videotapes for use in connection with television or for the use of, or the right to use industrial, commercial, scientific or harbour equipment,

- (b) 15% of the gross amount of the royalties in all other cases.

⁴⁵ Royalties paid for the use of, or the right to use, computer software are exempt from withholding tax if the beneficial owner of the royalties is a resident of **Ukraine**.

⁴⁶ If the beneficial owner of the royalties is a resident of the **United States**, the following rates apply:

- (a) nil rate of tax on the gross amount of the following royalties:
 - (i) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or artistic work (other than payments in respect of motion pictures and works on film, videotape or other means of reproduction for use in connection with television);
 - (ii) payments for the use of, or the right to use, computer software;
 - (iii) payments for the use of or the right to use any patent or any information concerning industrial, commercial or scientific experience, excluding any such information provided in connection with a rental or franchise agreement, and
 - (iv) payments with respect to broadcasting as may be agreed in an exchange of notes between both countries.
- (b) 10% on the gross amount of the royalties in all other cases.

⁴⁷ The following royalties arising in Canada and paid to a resident of this country (e.g., **Oman** or **Belgium**), who is the beneficial owner of the royalties, shall be taxable only in this country (**Oman** or **Belgium**):

- a) copyright royalties and other like payments in respect of the production or reproduction of any literary, dramatic, musical or other artistic work (but not including royalties in respect of motion picture films nor royalties in respect of works on film or videotape or other means of production for use in connection with television broadcasting),
- b) royalties for the use of, or the right to use, computer software or any patent or for information concerning industrial, commercial or scientific experience (but not including any such royalty provided in connection with a rental or franchise agreement).

Pensions and Annuities

⁴⁸ The *Act* provides for a withholding tax of 25% on Canadian pension benefits paid to a non-resident of Canada. The non-resident withholding tax deducted represents the final Canadian tax obligation on this type of

income. The rate of withholding tax may be reduced or eliminated by a tax convention between Canada and the individual's country of residence.

Under **section 217** of the *Act*, a non-resident may elect to file a Canadian income tax return, within six months of the end of the year in which Canadian benefits are received, reporting pension benefits and similar types of income received from Canada. This allows the non-resident to claim non-refundable tax credits, and to pay tax on that income at the same rates as applicable to the residents of Canada. The non-resident tax withheld from the elective income may be claimed as a tax credit on the return. If an individual makes an election under section 217, and the tax calculated on the return is less than the tax withheld, the excess will be refunded. For more information, see *T4145- Electing Under Section 217 of the Act*.

Furthermore, a non-resident may apply to reduce the amount of tax withheld on pension and similar types of income received from Canada. The application is made by submitting Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld*. The information on Form NR5 allows the CRA to determine if an election under section 217 of the *Act* is beneficial. If Form NR5 is approved, the CRA will advise the payer to reduce the rate at which tax is withheld. When non-resident tax is reduced based on Form NR5, the non-resident must file a Canadian income tax return within six months of the end of the taxation year in which the income is received. For more information, see relevant sections of the current version of the Information Circular 77-16 *Non-Resident Income Tax*.

No Part XIII tax need be withheld on certain pension amounts transferred directly by payers to a registered pension plan (RPP), a registered retirement savings plan (RRSP) or, after August 29, 1990, to a registered retirement income fund (RRIF) of a non-resident (form NRTA1- *Authorization for Non-Resident Tax Exemption*). For further information concerning this provision, refer to the current version of Information Circular 77-16, or contact the International Tax Services Office.

⁴⁹ The amount of an annuity or an IAAC payment (see ¶ 14(f)) subject to Part XIII tax is determined under paragraph 212(1)(o) or 212(1)(n) of the *Act*, respectively.

⁵⁰ The specified tax rate for these payments may be reduced to the rate of tax that would be payable under Part I of the *Act* in respect of such payments for a particular year as if the recipient had been a resident of Canada for the year, and, for residents of **Malta**, as if these payments were the recipient's only income for the year. In most cases, this reduced tax will be the same as the tax calculated under the section 217 election (see footnote 48); however, in limited circumstances, this reduced tax may provide for a lesser tax liability. In order to benefit from this reduced tax or to

claim a tax refund, the non-resident taxpayer must file a Part I income tax return.

⁵¹ Under the convention Canada has with this country, Canada may tax pensions (excluding CPP, QPP and OAS payments) paid to a resident of this country in this manner:

- (a) If the pension payments include only periodic pension payments, the Canadian tax payable on such payments is the lesser of:
 - (i) 15% of the gross amount of the periodic pension payments that exceeds \$12,000, and
 - (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.
- (b) If the pension payments include both lump sum and periodic pension payments, the Canadian tax payable is the total of:
 - (i) the lesser of:
 - 15% of the gross amount of the periodic pension payments that exceeds \$12,000, and
 - the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments,
 plus
 - (ii) 25% of the lump sum pension payment.

If periodic pension payments are \$12,000 or less, there is no tax payable on the periodic pension payments, and it will be necessary to calculate the tax payable on the lump sum pension payment(s) at 25%.
- (c) If the pension payments include only lump sum pension payments, the tax payable is 25% of the total amount of lump sum pension payments.

However, the term “pension” does not include benefits under the social security legislation in Canada or in this country. Consequently, CPP, QPP and OAS payments are not eligible for the \$12,000 exemption or the 15% rate provided by the convention on the periodic pension payments. You require a written authorization from the CRA to be able to apply the \$12,000 exemption; the 15% rate on the gross amount of the periodic pension payments can be applied without a written authorization. For information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

⁵² This rate does not apply to

- (i) certain lump sum payments (e.g. those arising on the surrender, cancellation, redemption, sale or other alienation of an annuity or to payments under certain annuity contracts) or,
- (ii) in case of residents of some countries (for example: **Oman, Germany, Argentina, Bulgaria, Algeria, etc.**), a payment of any kind under an annuity contract the cost of which was deductible, in whole or in part, in computing the income of any person who acquired

the contract. The rate to be applied in such cases is 25%. Check applicable convention for details

⁵³ Under the ***Canada-Brazil Tax Convention***, to the extent that the pension and annuity payments (excluding the pension and annuity payments described in the following paragraph) plus alimony paid to a resident of Brazil exceed \$4,000 in a calendar year, the excess payments are subject to tax at the rate of 25%. If the total amount of these payments in a calendar year is \$4,000 or less, the entire amount is exempt from Canadian tax.

Under this Convention, CPP, QPP and OAS payments are dealt with separately as social security pensions and are subject to tax in Canada at a rate of 25%. However, CPP, QPP and OAS benefits, which are paid to a recipient who is both a national and a resident of Brazil, are exempt from tax in Canada. Lump sum payments from an RRSP or RRIF and other plans which are not in consideration of past employment and lump sum annuity payments are not dealt with under the pension article of this Convention. All of these payments are subject to tax in Canada at a rate of 25% and such payments do not otherwise impact on the \$4,000 exemption described in the pension article.

You may not apply the exemption without written authorization from the CRA. For more information on how to request the \$4,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

⁵⁴ Under the ***Canada-Croatia Tax Convention***, Canada may tax pensions (excluding CPP, QPP and OAS payments) paid to a resident of Croatia, but only to the extent that the total amount of pension paid in any taxation year exceeds \$12,000 or its equivalent in Croatian currency. You may apply the 15% rate on the gross amount of the periodic pension payments without considering the exemption; but you require written authorization from the CRA in order to apply the exemption. For more information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

CPP, QPP and OAS payments are dealt with separately in the Convention as social security pensions and are subject to tax in Canada at the rate of 25%.

Lump sum payments are generally taxed at 25%. In the case of periodic pension payments, the Canadian tax cannot exceed 15% of the gross amount of the periodic pension payments that exceeds \$12,000.

For example:

- (a) If the total amount of pension payments is under \$12,000 in a taxation year, no tax is payable.
- (b) If the pension payments include only periodic pension payments and the gross amount of such payments in a taxation year exceeds \$12,000, the Canadian tax payable on the periodic pension payments is 15% of the amount by which the gross amount of the periodic pension payments exceeds \$12,000.

- (c) If the pension payments include both lump sum and periodic pension payments, the periodic pension payments are considered to have been paid first. If periodic pension payments exceeds \$12,000, the tax payable is the total of:

- (i) 15% of the gross amount of the periodic pension payments that exceeds \$12,000, and
- (ii) 25% of the lump sum pension payments.

However, if the periodic pension payments are \$12,000 or less, there is no tax payable on the periodic pension payments and it will be necessary to calculate the tax payable on the lump sum pension payments.

Assume a resident of Croatia is paid a lump sum pension payment of \$18,000 and periodic pension payments of \$7,000 in a taxation year. The tax payable on the periodic pension payments would be nil, and the tax payable on the lump sum pension payment would be \$3,250 which is calculated as: the lump sum pension payment of \$18,000, less the amount by which the \$12,000 exemption exceeds the periodic pension payments and then multiply the result by 25%. (In this example, the tax payable amount of \$3,250 is calculated as $(\$18,000 - [\$12,000 - \$7,000]) \times 25\%$.)

- (d) If the total amount of pension payments exceeds \$12,000 and includes only lump sum pension payments, the tax is 25% of the amount by which the lump sum pension payment exceeds \$12,000.

⁵⁵ Under the *Canada-Cyprus Tax Convention*, Canada may tax pensions paid to a resident of Cyprus, but only to the extent that the total amount of pensions paid in any taxation year exceeds \$10,000 or its equivalent in Cyprus pounds. You may apply the 15% rate on the gross amount of the periodic pension payments without considering the exemption, however, you require a written authorization from the CRA in order to apply the exemption. For more information on how to request the \$10,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

- **Lump-sum payments** are generally taxed at 25%. In the case of periodic pension payments, the Canadian tax cannot exceed the lesser of:

- (i) 15% of the gross amount of the periodic pension payments, and
- (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.

For example:

- If the total amount of the pension payments is under \$10,000 in a taxation year, no tax is payable.

If the pension payments include only periodic pension payments and the gross amount of such payments in a taxation year exceeds \$10,000, the Canadian tax payable on the periodic pension payments is the lesser of:

- (a) 25% of the amount by which the gross amount of the periodic pension payments exceeds \$10,000;
- (b) 15% of the gross amount of the periodic pension payments, and
- (c) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.

- If the pension payments include both lump sum and periodic pension payments, the lump sum pension payments are considered to have been paid first. If lump sum pension payments exceed \$10,000, the tax payable is the total of:

- (a) 25% of the amount by which the lump sum pension payments exceed \$10,000,

plus

- (b) the lesser of:
 - (i) 15% of the gross amount of periodic pension payments, and
 - (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.

- However, if the lump-sum pension payments are \$10,000 or less, there is no tax payable on the lump sum payments and it will be necessary to calculate the tax payable on the periodic pension payments.

Assume a resident of **Cyprus** is paid a lump-sum pension payment of \$8,000 and periodic pension payments of \$14,000 in a taxation year. The tax payable on the lump sum pension payments would be nil, and the tax payable on the periodic pension payments would be \$2,100, which is calculated as the lesser of:

- 25% of the amount by which the gross amount of the periodic pension payments exceeds \$2,000 (the remainder of the exemption of 10,000 less the lump-sum pension payments of \$8,000) [$\$14,000 - \$2,000 = \$12,000 \times 25\% = 3,000$].
- 15% of the gross amount of the periodic pension payments [$14,000 \times 15\% = \$2,100$]; and
- the amount determined by applying the reduced rate of tax (see *footnote 50*) on the periodic pension payments [assume for the purpose of this example that the amount exceeds \$2,100].

⁵⁶ Due to the coming-into-force provisions of the convention with **Denmark**, signed in 1997, the rates shown in Appendix C apply to amounts paid or credited after December 31, 1999. The rates for the period prior to January 1, 2000 are nil.

⁵⁷ Under the convention Canada has with this country, Canada may tax pensions (including CPP, QPP and OAS payments) paid to a resident of this country in this manner:

- If the pension payments include only periodic pension payments, the Canadian tax payable on such payments is the lesser of:
 - (a) 15% of the gross amount of the periodic pension payments that exceeds \$12,000 or its equivalent in the country's currency; and
 - (b) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.
- If the pension payments include both lump sum and periodic pension payments, the Canadian tax payable is the total of:
 - (a) the lesser of:
 - (i) 15% of the gross amount of the periodic pension payments that exceeds \$12,000 or its equivalent in the country's currency, and
 - (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments,
 - plus
 - (b) 25% of the lump sum pension payment.
- If the periodic pension payments are \$12,000 or its equivalent in the country's currency or less, there is no tax payable on the periodic pension payments, and it will be necessary to calculate the tax payable on the lump sum pension payments at 25%.
- If the pension payments include only lump sum pension payments, the tax payable is 25% of the total amount of lump sum pension payments.

You may not apply the exemption without written authorization from the CRA. For more information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

⁵⁸ Benefits under the social security legislation in Canada paid to a resident of **Germany** may be taxed in Germany, but the amount of any such benefits that would be excluded from taxable income in Canada if the recipient were a resident thereof shall be exempt from taxation in Germany.

⁵⁹ Under the old convention with **Ireland** (valid up to December 31, 2005), pensions and annuities derived by a resident of Ireland from sources in Canada are exempt from Canadian tax. The pension is defined in the Convention as periodic payments made in consideration of past services. CPP or QPP contributions for self-employment are not considered to be for past services and therefore the CPP or QPP payments in respect of self-employment contributions or lump-sum pension payments are taxable.

⁶⁰ Under the ***Canada-Italy Tax Convention***, Canada may tax pensions, including CPP, QPP and OAS payments, paid to a resident of Italy, but only to the extent that the total amount of pensions paid in any taxation year exceed the greater of \$10,000 or 6197.48 euros (the amount the reference to twelve million Italian liras in the Convention is now read as). You may apply the 15% rate on the gross amount of the periodic pension payments without considering the exemption, but you require written authorization from the CRA in order to apply the exemption. For more information on how to request the exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

Lump-sum payments are generally taxed at 25%. In the case of periodic pension payments, the Canadian tax can not exceed the lesser of:

- (i) 15% of the gross amount of the periodic pension payments and
- (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.

For example:

If the total amount of the pension payments is less than the greater of \$10,000 or 6197.48 euros in a taxation year, no tax is payable.

If the pension payments include only periodic pension payments and the gross amount of such payments in a taxation year exceeds the greater of \$10,000 or 6197.48 euros, the Canadian tax payable on the periodic pension payments is the lesser of:

- (a) 25% of the amount by which the gross amount of the periodic pension payments exceeds the greater of \$10,000 or 6197.48 euros;
- (b) 15% of the gross amount of the periodic pension payments, and
- (c) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.

If the pension payments include both lump-sum and periodic pension payments, the lump sum payments are considered to have been paid first. If lump sum pension payments exceed the greater of \$10,000 or 6197.48 euros, the tax payable is the total of:

- (d) 25% of the amount by which the lump sum pension payments exceed the greater of \$10,000 or 6197.48 euros,

plus

- (e) the lesser of:
 - (i) 15% of the gross amount of periodic pension payments, and
 - (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such periodic pension payments.

However, if the lump sum payments are less than the greater of \$10,000 or 6197.48 euros, there is no tax payable on the lump sum payments and it will be necessary to calculate the tax payable on the periodic pension payments.

Assume a resident of Italy is paid a lump sum pension payment of \$8,000 and periodic pension payments of \$14,000 in a taxation year, and assume that the greater of \$10,000 or 6197.48 euros is \$10,000. The tax payable on the lump sum pension payments would be nil, and the tax payable on the periodic pension payments would be \$2,100, which is calculated as the lesser of:

- 25% of the amount by which the gross amount of the periodic pension payments exceeds \$2,000 (the remainder of the exemption of \$10,000 less the lump sum pension payments of \$8,000) [$\$14,000 - \$2,000 = \$12,000 \times 25\% = \$3,000$];
- 15% of the gross amount of the periodic pension payments [$\$14,000 \times 15\% = \$2,100$]; and
- the amount determined by applying the reduced rate of tax on the periodic pension payments [assume for the purpose of this example that the amount exceeds \$2,100].

Any social security payment made to an individual who is a resident of Italy, shall be taxable only in Canada, provided that the income of the individual for the period that is taxable in Italy, in aggregate, excluding the social security payments, does not exceed the amount of \$24,000 or 13,944.34 euros (the amount the reference to twenty-seven million liras in the Convention is now read as), whichever is greater. For these purposes, the term “social security payment” means - any pension or benefit paid under the Old Age Security Act.

⁶¹ Under the *Canada-New Zealand Tax Convention*, Canada may tax pensions, including CPP, QPP and OAS payments, and annuities (other than lump sum annuity payments) paid to a resident of New Zealand, but only to the extent that the total amount of pensions and annuities paid in a taxation year exceeds \$10,000. If the total amount of pensions and annuities is \$10,000 or less, such amount is exempt from tax in Canada. You may apply the 15% rate on the gross amount of the periodic pension payments without considering the exemption, but you require written authorization from the CRA in order to apply the exemption. For more information on how to request the \$10,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

However, if the total amount of pensions and annuities exceeds \$10,000, the entire amount is taxable as follows:

- the tax on pensions shall not exceed the lesser of:
 - (i) 15% of the gross amount of the pension payments, and
 - (ii) the amount determined by applying the reduced rate of tax (see *footnote 50*) on such pension payments;

- the rate of tax on annuities (other than lump sum annuity payments and IAAC payments) is 15%, and
- the rate of tax on lump sum annuity payments and IAAC payments is 25%.

⁶² Under the *Canada-Philippines Tax Convention*, Canada may tax pensions including periodic CPP, QPP and OAS payments. Under this convention, the liability for the Canadian tax on all lump-sum pension payments is 25%. However, in the case of periodic pension payments, the total tax so charged cannot exceed 30% of the amount by which such periodic pensions paid in a taxation year to a resident of the Philippines exceeds \$5,000 or its equivalent in Philippine pesos. Thus, the Canadian tax on the gross amount of periodic pension payments in a taxation year is the lesser of:

- (a) 30% of the gross amount of the periodic pension payments in excess of \$5,000 or its equivalent in Philippine pesos and
- (b) 25% of the gross amount of the periodic pension payments.

If the total amount of periodic pension payments is \$5,000 or its equivalent in Philippines pesos or less in a taxation year, no tax is payable on the periodic pension payments. You may not apply this convention provision on the periodic pension payments without written authorization from CRA. For more information on how to request treaty relief, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

⁶³ The rate for periodic pension payments over and above \$12,000 (including periodic CPP, QPP and OAS payments) is 15%, if the recipient is a resident of **Romania**.

⁶⁴ Under the convention Canada has with this country, Canada may tax pensions paid to a resident of this country in the following manner:

- If the pension payments include only periodic pension payments, the Canadian tax payable on such payments is 15% of the gross amount of the periodic pension payments that exceeds \$12,000 or its equivalent in the country's currency.
- If the pension payments include both lump sum and periodic pension payments, the Canadian tax payable is the total of:
 - (a) 15% of the gross amount of the periodic pension payments that exceeds \$12,000 or its equivalent in the country's currency,
 - plus
 - (b) 25% of the lump sum pension payment.
- If the pension payments include only lump sum pension payments, the tax payable is 25% of the total amount of lump sum pension payments.
- In case of residents of **Netherlands**, the payments under the Old Age Security Act of Canada will be taxed in Canada according to the laws of Canada.

You may apply the 15% rate on the gross amount of the periodic pension payments without considering the exemption; but you require written authorization from the CRA in order to apply the exemption. For more information on how to request the \$12,000 exemption, refer to the explanation in the *Non-Resident Withholding Tax Guide*.

⁶⁵ The lower rate applies to the periodic payments of an annuity and of an income-averaging annuity contract; lump-sum payments are taxed at 25%. In case of residents of **Senegal**, the tax so charged on annuities will be on the portion of the amount of annuities that is subject to tax in Canada.

⁶⁶ Where any greater relief from tax would have been afforded by the provisions of the 1977 *Convention*, as amended by the 1989 *Protocol*, any such provision as aforesaid shall continue to have effect in Canada,

- (i) in respect of tax withheld at the source on amounts paid or credited to non-residents, on or before the last day of the calendar year next following that in which the Convention enters into force, and
- (ii) in respect of other Canadian tax, for taxation years ending on or before the last day of the calendar year next following that in which the Convention enters into force.

⁶⁷ The rate for periodic pension payments over and above \$12,000 (including periodic CPP, QPP and OAS payments) is 15%, if the recipient is a resident of **Azerbaijan**.

TAX CONVENTION DATES AND DEVELOPMENTS

Appendix E INCOME TAX CONVENTIONS IN FORCE (see Footnotes to Appendices)

(For similar information and citations of where to find the official versions of Canada's Income Tax conventions please visit the Department of Finance's website at the following link: http://www.fin.gc.ca/treaties/cndtxtreat_e.html)

Country	Date signed	Entry into Force	Effective Date
Algeria	28-02-1999	26-12-2000	01-01-2001
Argentina	29-04-1993	30-12-1994	01-01-1995
Armenia	29-06-2004	29-12-2005	01-01-2006
Australia	21-05-1980	29-04-1981	01-01-1976
Protocol	23-01-2002	18-12-2002	01-01-2003
Austria	09-12-1976	17-02-1981	01-01-1980
Protocol	15-06-1999	29-01-2001	01-03-2001
Azerbaijan	07-09-2004	23-01-2006	01-01-2007
Bangladesh	15-02-1982	18-01-1985	01-01-1982
Barbados	22-01-1980	22-12-1980	01-01-1976
Belgium	23-05-2002	6-10-2004	01-01-2004
Brazil	04-06-1984	23-12-1985	01-01-1986
Bulgaria	03-03-1999	25-10-2001	01-01-2002
Cameroon	26-05-1982	16-06-1988	01-01-1988
Chile	21-01-1998	28-10-1999	01-01-2000
China	12-05-1986	29-12-1986	01-01-1987
Croatia	09-12-1997	23-11-1999	01-01-2000
Cyprus	02-05-1984	03-09-1985	01-01-1985
Czech Republic	25-05-2001	28-05-2002	01-01-2003
Denmark	17-09-1997	02-03-1998	01-01-1999
Dominican Rep.	06-08-1976	23-09-1977	01-01-1977
Ecuador	28-06-2001	20-12-2001	01-01-2002
Egypt	30-05-1983	02-10-1984	01-01-1985
Estonia	02-06-1995	28-12-1995	01-01-1996
Finland	28-05-1990	20-08-1992	01-01-1993
France	02-05-1975	29-07-1976	01-01-1976
1 st Protocol	16-01-1987	01-10-1988	01-10-1988
2 nd Protocol	30-11-1995	01-09-1998	01-09-1998
Germany	19-04-2001	28-03-2002	01-01-2001
Guyana	15-10-1985	04-05-1987	01-01-1987
Hungary	15-04-1992	01-10-1994	01-01-1995
Protocol	03-05-1994	26-04-1996	01-01-1997
Iceland	19-06-1997	30-01-1998	01-01-1998
India	11-01-1996	06-05-1997	01-01-1998
Indonesia	16-01-1079	23-12-1980	01-01-1980
Protocol	01-04-1998	31-12-1998	01-01-1999
Ireland	08-10-2003	12-04-2005	01-01-2006
Israel	21-07-1975	27-07-1976	01-04-1976
Italy (with protocol.)	17-11-1977	24-12-1980	01-01-1980
2 nd Protocol	20-03-1989	22-02-1994	01-01-1988
Ivory Coast	16-06-1983	19-12-1985	01-01-1986
Jamaica	30-03-1978	02-04-1981	01-01-1977
Japan (with protocol)	07-05-1986	14-11-1987	01-01-1988
2 nd Protocol	19-02-1999	14-12-2000	01-01-2001
Jordan	06-09-1999	24-12-2000	01-01-2001
Kazakhstan	25-09-1996	30-03-1998	01-01-1996
Kenya	27-04-1983	08-01-1987	01-01-1987
Korea	10-02-1978	19-12-1980	01-01-1980
Kuwait	28-01-2002	26-08-2003	01-01-2003
Kyrgyzstan	04-06-1998	04-12-2000	01-02-2001
Latvia	26-04-1995	12-12-1995	01-01-1996
Lithuania	29-08-1996	12-12-1997	01-01-1998
Luxembourg	10-09-1999	17-10-2000	01-01-2001
Malaysia	15-10-1976	12-12-1980	01-01-1980

Country	Date signed	Entry into Force	Effective Date
Malta	05-08-1986	20-05-1987	01-01-1987
Mexico	08-04-1991	11-05-1992	01-01-1992
Moldova	04-07-2002	13-12-2002	01-01-2003
Mongolia	27-05-2002	20-12-2002	01-01-2003
Morocco	22-12-1975	09-11-1978	01-01-1978
Netherlands (with protocol)	27-05-1986	21-08-1987	01-01-1987
2 nd Protocol	04-04-1993	30-07-1994	01-01-1993
3 rd Protocol	25-08-1997	15-01-1999	16-12-1998
New Zealand	03-05-1980	29-05-1981	01-01-1976
Nigeria	04-08-1992	16-11-1999	01-01-2000
Norway	12-07-2002	19-12-2002	01-01-2003
Oman	30-06-2004	27-04-2005	01-01-2006
Pakistan	24-02-1976	15-12-1977	01-01-1977
Papua New Guinea	16-10-1987	21-12-1989	01-01-1990
Peru	20-07-2001	17-02-2003	01-01-2004
Philippines	11-03-1976	21-12-1977	01-01-1977
Poland	04-05-1987	30-11-1989	01-01-1990
Portugal	14-06-1999	24-10-2001	01-01-2002
Romania	08-04-2004	31-12-2004	01-01-2005
Russia	05-10-1995	05-05-1997	01-01-1998
Senegal	02-08-2001	07-10-2003	01-01-2004
Singapore	06-03-1976	23-09-1977	01-01-1977
Slovak Republic	22-05-2001	20-12-2001	01-01-2002
Slovenia	15-09-2000	12-08-2002	01-01-2003
South Africa	27-11-1995	30-04-1997	01-07-1997
Spain	23-11-1976	06-12-1980	01-01-1980
Sri Lanka	23-06-1982	09-06-1986	01-01-1986
Sweden	27-08-1996	23-12-1997	01-01-1998
Switzerland	05-05-1997	21-04-1998	01-01-1998
Tanzania	15-12-1995	29-08-1997	01-01-1998
Thailand	11-04-1984	16-07-1985	01-01-1985
Trinidad & Tobago	28-09-1966	01-03-1967	01-01-1966
	11-09-1995	08-02-1996	01-04-1996
Tunisia	11-02-1982	04-12-1984	01-01-1985
Ukraine	04-03-1996	29-04-1997	01-01-1998
United Arab Emirates	09-06-2002	25-05-2004	01-01-2004
United Kingdom	08-09-1978	18-12-1980	01-01-1976
1 st Protocol	15-04-1980	18-12-1980	01-01-1981
2 nd Protocol	16-10-1985	23-12-1985	01-02-1986
3 rd Protocol	07-05-2003	04-05-2004	01-01-2005
United States	26-09-1980	16-08-1984	01-10-1984
1 st Protocol	14-06-1983	16-08-1984	01-10-1984
2 nd Protocol	28-03-1984	16-08-1984	01-10-1984
3 rd Protocol	17-03-1995	09-11-1995	01-01-1996
4 th Protocol	29-07-1997	16-12-1997	01-01-1996
Uzbekistan	17-06-1999	14-09-2000	01-01-2001
Venezuela	10-07-2001	05-05-2004	01-01-2005
Vietnam	14-11-1997	16-12-1998	01-01-1999
Zambia	16-02-1984	28-12-1989	01-01-1989
Zimbabwe	16-04-1992	15-12-1994	01-01-1995

Appendix F *INCOME TAX CONVENTIONS UNDER NEGOTIATION OR RENEGOTIATION*

The following are countries with which, as of February 28, 2006, Canada was negotiating or renegotiating a tax convention or a protocol to a tax convention.

Barbados (Protocol)	Greece	Turkey
Bolivia	Korea, Republic of	United States (Protocol)
Colombia	Madagascar	
Costa Rica	Mexico	
Cuba	Namibia	
Egypt	Serbia and Montenegro	
Finland	Singapore	

The Department of Finance issues a news release once a tax convention between Canada and a country listed above has been signed. This news release should include a copy of the convention and will give information regarding the withholding tax rates provided for under the convention, the date on which the convention will enter into force and the date on which the rates will apply. Announcement of the entry into force of the convention will be made in a subsequent Department of Finance news release. Until such time as a convention enters into force and its provisions take effect, a payment to a resident of this country is generally subject to withholding tax at the rate of 25% unless a convention between Canada and this country already exists, in which case the appropriate rate should be taken from Appendix A or C.