



## Helping Clients Qualify for Reduced Non-Resident Withholding Taxes

Taking effect December 31, 2012, the Canada Revenue Agency (CRA) has increased the amount of information required to be obtained by financial institutions about clients who are non-residents of Canada. This will allow these clients to benefit from reduced treaty withholding tax rates on Canadian sourced dividends and other payments. In support of this initiative, the CRA has released three new forms:

- NR301 - Declaration of Eligibility for Benefits Under a Tax Treaty for a Non-Resident Taxpayer
- NR302 - Declaration of Eligibility for Benefits Under a Tax Treaty for a Partnership with Non-Resident Partners
- NR302 - Declaration of Eligibility for Benefits Under a Tax Treaty for a Hybrid Entity

These forms are tools that are available to financial institutions to help them collect and organize key information about their clients in order to confirm eligibility for reduced treaty withholding tax rates.

While the use of the available forms by Canadian financial institutions is optional, it is the collection of the specified information that is mandatory. How the client details are collected and stored is at the discretion of the financial institution. Financial institutions may already have some of the required information on file. In this case, they may only have to enhance their client records. What is important is that the financial institution is able to demonstrate that they have gathered the information necessary to support the preferred tax treatment.

Properly maintaining and updating client information is necessary to mitigate financial institutions' exposure to risk associated with audit findings. These risks can include penalties and the payment of withholding tax where the CRA later determines that the reduced withholding tax applied was not supported by the client information on file.



At **PAISLEY PARACHUTES INC.**, we have the expertise to help your organization apply these new requirements in a timely manner, effective December 31, 2012. Further, we can help your organization plan and implement the changes necessary to reduce your risks and provide better and more accurate payments and reporting to your clients. For more information on this and related topics, please contact us.

*JD Greenberg*