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## flash Alert

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**Canada – New Application Deadline for Nonresident Employers Wanting Withholding Exception**  
by KPMG LLP, Canada (a KPMG International member firm)

Following up on our earlier report<sup>1</sup>, Canada Revenue Agency (CRA) has revised the due date by which employers can file applications for an exception to the Regulation 102 withholding tax requirement.<sup>2</sup>

Non-Canadian resident employers who have nonresident employees working in Canada now have **until March 1, 2016**, to request that a new exception from withholding tax rules apply to them retroactively on January 1, 2016. Previously, as we noted in our earlier *Flash Alert* report, the deadline for these applications was February 1, 2016.

### Why This Matters

The Regulation 102 rules requiring employers to withhold Canadian tax on income earned in Canada by their nonresident employees can be burdensome and challenging. Under the new exception process, multinational employers sending assignees to work in Canada may see their withholding obligations eased for employees that meet the conditions for the exception. This exception takes effect January 1, 2016.

The deadline extension from February 1 to March 1, 2016, should give a little breathing space to employers that felt meeting the earlier deadline could be a stretch.

### Background

Regulation 102 requires nonresident employers to withhold Canadian income tax and Canada Pension Plan (CPP) and Employment Insurance (EI) on income earned in Canada by their nonresident employees, regardless of whether that income would ultimately be subject to Canadian tax.

The Canadian government introduced a new exception to the Regulation 102 withholding tax requirement in the 2015 federal budget.

Nonresident employers that have nonresident employees working in Canada can now apply to be eligible for the new exception from the withholding tax requirements under Regulation 102 of the Income Tax Act.

### KPMG Note

The CRA does not anticipate giving retroactive approvals, but as a transitional measure, all applications for employer eligibility the CRA receives **by March 1, 2016**, will be considered for a retroactive effective date of January 1, 2016. As such, employers that want to apply the exception to their eligible employees from January 1, 2016, must act quickly to meet the March 1 deadline to submit their applications.

*Footnotes:*

- 1 See GMS [Flash Alert 2016-009](#) (January 20, 2016).
- 2 See the CRA Web page: <http://www.cra-arc.gc.ca/tx/nrrsdnts/cmmn/rndr/mplyrcrtfctn-eng.html> .

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