

January 29, 2016
2016-019

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

flash Alert

A Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice

Following up on our earlier report¹, 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.²

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> .

* * * *

For further information or assistance, please contact your local GMS or People Services professional or the following professional with the KPMG International member firm in Canada:

Tom Nicolopoulos, tel. +1-416-777-3038, e-mail: tnicolopoulos@kpmg.ca

Edmund Wong, tel. +1-416-777-3810, e-mail: edmundwong@kpmg.ca

The information contained in this newsletter was submitted by the KPMG International member firm in Canada.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint ventures. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com> .