

# HR & Tax Alert



## Canada: Proposed Non-Resident Income Tax Exemption for 2010 Olympic and Paralympic Winter Games

November 2007

### Executive Summary

In March 2007, the Canadian federal government announced tax relief to be granted to non-residents providing services in Canada in respect of the 2010 Olympic and Paralympic games. In October 2007, the legislative proposals were issued to implement this initiative, as well as a number of other initiative proposed with the 2007 budget.

As expected, these proposals include an exemption from tax for certain non-residents with respect to income earned in Canada relating to the 2010 Olympic and Paralympic Winter Games. These proposals will be of particular interest to those in the media who will have representatives in Canada immediately prior to and during the games. In addition, non-resident persons who will be performing services in Canada that are directly related to the 2010 Olympic and Paralympic Winter Games will be interested in this exemption.

This alert gives an overview of the income that is exempt from tax, the persons to whom the exemption applies and the related changes to withholding tax requirements.

### Background

Generally, non-resident persons who perform services in Canada are subject to Canadian income tax on the earnings pertaining to these services, whether they are paid from Canada for these services or

not. In addition, the payer of the earnings is required to withhold tax from the payment as prescribed by the regulations.

### Income Exempt from Tax

The legislative proposals provide an exemption from Canadian tax for non-residents on income earned in Canada in respect of activities performed in Canada in connection with the 2010 Olympic Winter Games and the 2010 Paralympic Winter Games. This exemption is only available on income pertaining to activities performed in Canada in the period from January 1, 2010 to March 31, 2010, and only applies to a very restricted group of persons.

### Persons to Whom the Exemption Applies

The following non-residents will be eligible for the exemption:

- accredited foreign media organizations including employees and individuals (other than a trust) acting as a contractor to such an organization;
- employees, officers or members of the International Olympic Committee and the International Paralympic Committee and other individuals (other than a trust) providing services under contract with either of the Committees;
- athletes of the Games representing countries other than Canada;

- officially registered support staff associated with a team from a country other than Canada;
- games officials.

### **Exemption from Withholding Obligations**

An exemption will be provided in the Income Tax Act, such that the person making payments which are exempt from tax in Canada under this new provision will not be required to withhold on such payments.

### **Next Steps**

Non-resident persons who will be involved in the 2010 Olympic Winter Games or the 2010 Paralympic Winter Games as media representative, athletes or support staff should carefully examine the application of the proposed legislation to their situation to determine if they may benefit from the proposed exemption.

For further information, please contact your local Ernst & Young Human Capital professional, or in Canada:

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