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ACCOUNTING - ADVISORY - TAX

Non-Resident and Principal Residence Tax Issues

Presented by Jimmy Le-Tang, CPA, CA

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Disclosure

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- Boutique practice specializing in Real Property transactions and accounting and taxes related thereto;
 - Realtors® and Personal Real Estate Corporations;
 - Real estate investors;
 - Builders and developers;
 - Professional trades;
- Full-cycle accounting; tax compliance; corporate financial statements and tax return; tax and estate planning; other complex income tax and GST matters related to real property.

About Me

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1. Non-resident tax issues
2. Principal residence exemption and change of use rules
3. Questions and wrap-up

Agenda

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NON-RESIDENT TAX ISSUES

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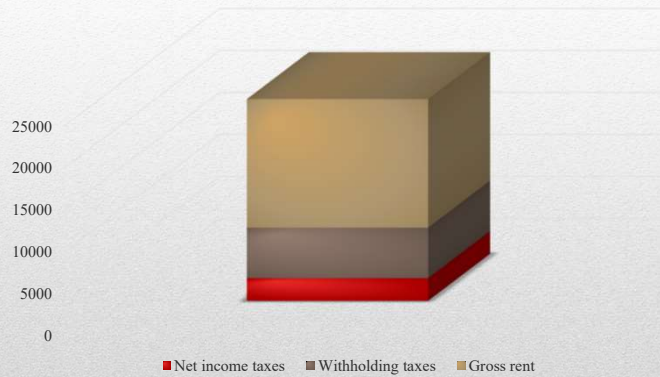
- Rental income
 - Canadian SIN or ITN number required
 - Withholding taxes apply on gross rent and remitted monthly
 - NR6 form allows for withholding taxes on net monthly rent
 - Section 216 return is optional and has a 2-year filing deadline

Non-resident tax issues

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Income Taxes on Non-Resident Rental Income

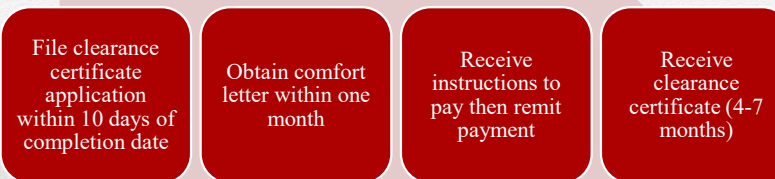


Non-resident tax issues

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Sale by non-resident

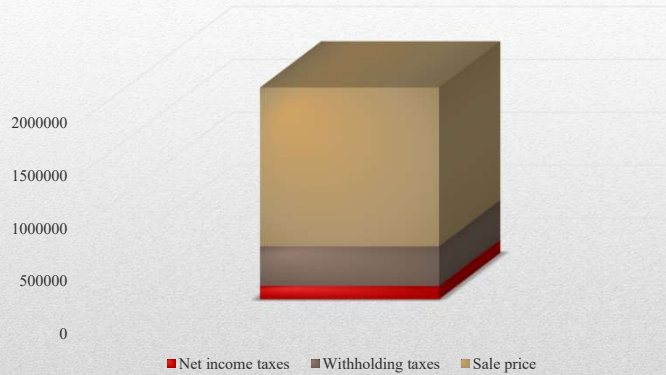


Non-resident tax issues

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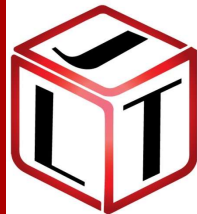
Income Taxes on Non-Resident Sale



Non-resident tax issues

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PRINCIPAL RESIDENCE EXEMPTION AND CHANGE OF USE

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- All dispositions of principal residences must be reported.
- If eligible the principal residence exemption must be claimed on the same tax return.
- Failure to report the sale and/or claim the principal residence exemption could result in a reassessment for taxes.
- Statute barred period is unlimited for real estate transactions

Principal Residence

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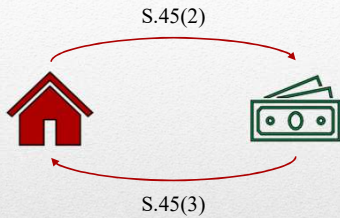


- Must be owned by taxpayer
- Must be ordinarily resided in by taxpayer, taxpayer's spouse or children of taxpayer
- Property must be designated as a principal residence on T1
- A family unit must designate the same property as their principal residence
 - Family unit is spouses and minor children

Principal Residence

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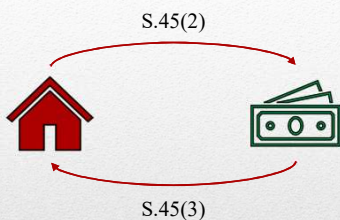


- Triggers accrued capital gain or capital loss and is reported in the year at the change in use occurred
- Partial change in use will trigger partial capital gain (i.e. building a laneway for rental purposes)
 - No partial change in use if rental portion is ancillary, no CCA claimed and no structural changes made
- Consider using S.45(2) or S.45(3) election to waive the change in use and defer the capital gain

Change in use

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- Triggered when part of home is changed from personal use to income producing use or vice versa.
- Deemed disposition on portion that changed use.
- Precludes full access to principal residence exemption.
- S45(2) or S45(3) election also available on partial change in use for changes on or after March 18, 2019.

Partial change in use

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- Basement suite being used for rental income purpose.
- Portion of home being used as a home office.
- Building a laneway for the purpose of earning rental income.

Examples

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- CRA's administrative practice is to not apply the deemed disposition rules on a partial change in use where:
 - Income-producing use is ancillary to the main use of the property as a residence.
 - No structural changes are made to the property; and
 - No Capital Cost Allowance is claimed as an expense on the property.

Exemption

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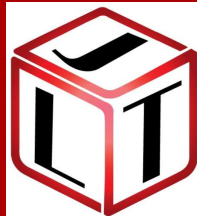


- If constructed for income-producing purposes, GST self-supply rules apply.
- Self-supply rules do not apply if built for personal use (occupancy by family).
- Elect under S45(2) to preserve full principal residence exemption on subsequent sale

GST Issue – Laneway homes

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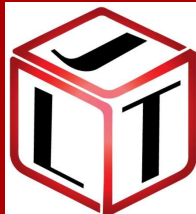
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QUESTIONS ???

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