Comment investir dans une propriété canadienne en tant que non-résident?

Know before you buy, rent or sell, to avoid surprises and maximize your investment.

Are you a non-resident thinking of buying a Canadian property to either use it personally or to rent out and eventually sell at a profit? The real estate market in Canada can be good investment for many but, unless you know how to navigate the Canadian tax system, you many wind up paying more Canadian taxes than you otherwise should – on both the rental income and capital gain at the time of sale. Ignoring certain facts might hurt you in the end and you will end up disappointed for not having done your due diligence or taken the right steps BEFORE signing your name at the bottom of that real estate offer. Here is why:

Tax Tips for Non-Resident Landlords

1. If you plan on using the property to generate rental income, know that 25% of your gross monthly rent must be remitted to the Canada Revenue Agency (CRA). This is the basic tax obligation in Canada. Otherwise, when you eventually sell the property, the CRA will assess you for back taxes plus interest and penalties for failure to do the remittances.
2. If 25% of the gross rental income seems excessive the good news is that you can elect to file a Canadian tax return at year-end, to report the net rental income (rent collected less expenses such as mortgage interest, repairs, condo fees, property taxes, etc.) and pay Canadian tax at a progressive rate. You will likely be able to recoup some of the 25% already paid. These simple additional steps could make quite a difference. It is also interesting AND important to understand capitalization and depreciation rules which have an impact on the net rental income to be declared to the CRA.
3. It is also possible to reduce the 25% tax paid up front, from 25% of the gross rent to 25% of the net rent (after expenses), if you can find a Canadian resident to act as your agent. However, doing so obliges you to file a Canadian tax return within six months of the end of the year. Otherwise, you will be liable for tax on the full 25% of gross rent.

Tax Tips for Non-Resident Sellers

1. As a non-resident, when you eventually sell the property, you have 10 days to file an application for what is commonly referred to as disposition certificates. Failure to do so will result in penalties of up to $2,500, $5,000 if the property is located in Québec.
2. Along with the application you will be required to pay an instalment of 25% (37.875% if the property is in Québec) of the gross plus-value. However, as part of your tax obligations to Canada, you are required to file a Canadian tax return to report the gain on sale and will be entitled to a refund of part of the instalment paid.
3. Finally, filing properly for capital gain tax certificates will ensure that when you decide to cash in, you will be in a good position to enjoy not only the profits of your sale, but a potential refund from the CRA, which will make your real estate transaction that more profitable, in the end.

Confused by it all? Please do not hesitate to reach out and ask questions BEFORE closing on your property, whether buying or selling. We will be pleased to make your real estate venture in Canada as soft as possible, both from a mental and a financial perspective.

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