



New Ban for Foreign Owners on Canadian Residential Properties

In the Federal budget on April 7, 2022, they announced a new ban on the purchase of any residential property by non-Canadians (Bill C-19), that should come in effect on January 1, 2023.

This ban is for a duration of two calendar years and should end on December 31, 2024, with possibility of renewal.

The new federal ban will apply to you if you are a foreign individual, trust, foreign corporation, or a Canadian corporation controlled by a foreign entity or individual.

You might be exempted if:

1. You are a Canadian citizen or a permanent resident of Canada (with a valid residency card), or an accepted refugee. Some other residents, under a student or work visa, might also be exempted.
2. You are buying the property in co-ownership with your Canadian citizen or permanent resident spouse (details on requirements to come).
3. You are purchasing a multiplex consisting of three dwellings or more, i.e.: triplex.
4. You are purchasing a commercial usage property, i.e.: an office space or a retail store.
5. You signed a purchase contract with the vendor prior to January 1, 2023 (pending confirmation from the government).
6. The property is situated in recreational areas, such as Mont-Tremblant and Whistler, that can only be used for vacation purposes (clarifications to come).

This means that ALL foreigners will be strictly forbidden from purchasing Canadian residential properties. At this time, we do not know who will have the responsibility of verifying citizenship and eligibility, but we assume it will be the title attorney (notary)– most likely at the time of closing. If there is a breach of the law, the buyer can be fined up to 10,000\$ CAN and be forced to resell the property, at a price equal to or lesser than acquisition cost in order to forbid them from making a profit.

Also announced in the latest federal budget is a new rule to ensure profits from flipping properties are taxed fully and fairly. Starting January 1, 2023, any individual who sells a property held for less than 12 months would be considered to be flipping properties and would be taxed 100% as business income. Therefore, the 50% capital gain exemption would not be granted. Exemptions could apply for Canadians who sell their home due to certain life circumstances, such as a death, disability, the birth of a child, a new job, or a divorce.

Our firm will continue to monitor the Canada Revenue Agency's publications on these matters and keep you informed.

We're Here to Help

Still have questions about the 2-year ban imposed by the Federal government on non-residents? Please do not hesitate to contact a member of our Real Estate Tax for Non-Residents team.

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