

by Hashim Awad, CPA

2026 EDITION

FOR CANADIAN LANDLORDS AND INVESTORS

All Your Real Estate Tax Questions: **Answered**

Keep more of every dollar your properties earn



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Keep more of every dollar your properties earn

by Hashim Awad, CPA

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This guide is general information only. It is not tax, legal or financial advice for your situation. Rules and figures are current as of October 2026.

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SECTION 1

Who is this guide for, and what matters most?



SHORT ANSWER

Owning a rental can build your wealth, but small tax mistakes can quietly eat into your profit. This guide shows you how to keep more of your rental income. You will learn which costs lower your tax, how to avoid the mistakes that cost owners the most, and what to ask your accountant to get the best result.

Who this guide is for

This guide is for Canadians who own one or more rental properties in their own name, and for anyone planning to buy their first. Whether you rent out a condo, a house, a basement unit, rooms or a cottage, you will find plain answers to the questions landlords ask us most.

How to use this guide

Each section answers one question that landlords ask us. Start with the 8 points below. Then go to the questions that fit you. At the end, do the self-check to see where you stand.

Each section ends with questions to ask your accountant. You do not need to know every rule. You need to know what to ask.

8 things every landlord should know

- 1. All rent counts as income.** You report every dollar on your yearly tax return. That includes rent paid in other ways, such as a tenant who clears the snow in exchange for lower rent. (Section 3)
- 2. You deduct the interest, not the whole mortgage payment.** Part of each payment is interest, the cost of borrowing. The rest pays back the loan. Only the interest comes off your income. (Sections 4 and 6)

- 3. Repairs lower your tax this year. Improvements do not.** Fixing a leak is a repair. A new kitchen is an improvement, and you claim it slowly over many years. (Section 4)
- 4. Depreciation is your choice, and it can come back.** It can lower your rental profit to zero, but not below. When you sell, the government may add it back to your income. (Section 5)
- 5. What you do with borrowed money matters.** If you borrow against your rental to pay for something personal, you cannot deduct that interest. (Section 6)
- 6. When you sell a rental, half of the profit is taxed.** The other half is tax-free. (Section 10)
- 7. Sell within 365 days of buying, and the whole profit is taxed.** Some life events, like a death or a job loss, are an exception. (Sections 2 and 10)
- 8. A short-term rental that breaks local rules loses its deductions.** If your city does not allow it, or you have no licence where one is needed, you cannot deduct its costs. (Section 9)

Words you will hear

Word	What it means
CRA	The Canada Revenue Agency, the federal tax office.
Deduct	Subtract a cost from your rental income, so you pay tax on a smaller amount.
Depreciation	A deduction for wear and tear on the building and things like appliances. CRA calls it "capital cost allowance" or "CCA".
Capital gain	The profit when you sell a property for more than it cost you.
Principal residence exemption	The rule that lets you sell the home you live in without tax on the profit.

You will find more words explained in the glossary at the back of this guide. The examples in this guide use simple numbers to show how the rules work. This guide is general information, not advice for your situation. Talk to a CPA (a professional accountant) before you buy, sell, or change who owns a property.

SECTION 2

What should I sort out before I buy a rental?



"Should the rental be in my name or my spouse's?" "Does it matter how much the land is worth?" "Can I get the HST back on a new condo?" These questions come up before almost every purchase. The answers are much easier to get right before you sign than after.

SHORT ANSWER

A few decisions before you sign can save you money for years. Choose whose name goes on title, and make sure it matches whose money pays. Know how much of the price is land and how much is building. If you buy a new home to rent out, you may get some or all of the sales tax back. And know the one rule that taxes the whole profit if you sell within a year.

Whose name should go on title?

The person whose name is on title (the official record of who owns the property) is the owner. Only the owner reports the rent. Only the owner can deduct the mortgage interest, even if a parent or friend co-signed the mortgage.

If two people own the rental, each one reports their share, based on how much each owns.

Who pays also matters. Say your spouse gives you the down payment, but only your name goes on title. The government can still tax the rent as your spouse's income. Section 8 explains this.

Thinking of buying through a company? Decide before you buy. Moving a rental into a company later can be costly. Section 11 explains why.

How much of the price is land, and how much is building?

It sounds like a strange question, but it matters. Land does not wear out, so you can never claim depreciation on it. Only the building part counts. The split also matters on the day you sell.

EXAMPLE: PRIYA

Priya buys a rental house for \$700,000. Her appraisal (a written estimate of value from a professional appraiser) says the land is 40% of the value and the building is 60%. Her lawyer charges \$2,500 to help her buy. The lawyer's fee is split the same way.

	Land	Building	Total
Price	\$280,000	\$420,000	\$700,000
Lawyer's fee	\$1,000	\$1,500	\$2,500
What Priya paid	\$281,000	\$421,500	\$702,500

If Priya claims depreciation, she can claim it only on the \$421,500 building cost. She keeps the appraisal in her records.

What happens to the extra costs you pay when you buy?

Some costs come off your rental income right away. Others are added to what you paid for the property. Those lower your tax later, mostly when you sell.

Cost	What happens to it
Land transfer tax	Added to what you paid for the property
Lawyer's fee to buy	Added to what you paid, split between land and building
Mortgage fees, such as broker, appraisal and mortgage insurance	Deducted from your rental income over 5 years, 20% each year
Fixing up a used home before the first tenant moves in	Added to what you paid for the building
Fridge, stove and furniture for the unit	Claimed a little each year, through depreciation

For example, if Priya pays \$3,000 in mortgage fees, she deducts \$600 a year for 5 years.

Buying a new home to rent out? You may get the sales tax back

When you buy a newly built home, you pay sales tax on the price. That is GST in Alberta and British Columbia, and HST in Ontario. A business can usually claim this tax back. A landlord who rents to long-term tenants cannot, because rent on a home has no sales tax on it.

There is good news. The government offers rebates on new homes that you rent out. To get them, the first person to live in the home must use it as their main home for at least a year. You apply yourself, within two years. The builder cannot take this rebate off your price, so you pay the full tax at closing and get it back later.

The federal rebate is small, and only for homes worth less than \$450,000. In 2026, Ontario added a much larger rebate for a limited time.

EXAMPLE: MARC (ONTARIO)

In June 2026, Marc signs to buy a new condo from a builder. The building started construction in 2025. The condo costs \$600,000. He closes in 2028 and rents it for a year to a tenant who lives there full time.

	Amount
HST Marc pays at closing (13%)	\$78,000
Federal rebate (condo is worth more than \$450,000)	\$0
Ontario rebates	\$48,000
Ontario new home affordability payment	\$30,000
Total Marc gets back	\$78,000

Marc gets back every dollar of the HST. If he had signed in March 2026, before Ontario's new program started, he would have got back \$24,000 at most.

The Ontario program has dates and value limits. It covers only agreements signed between April 1, 2026 and March 31, 2027. Ask your accountant and lawyer if you qualify before you sign.

Might you sell within a year?

If you sell a home or a rental within 365 days of buying it, the whole profit is taxed. Normally, only half the profit on a rental is taxed. And the profit on your own home is normally tax-free. This rule takes both of those away.

There are exceptions for life events, such as a death in the family, a new baby, a separation, a serious illness, a move for work or school, or losing your job. Selling your right to buy a pre-construction condo is also caught by the rule.

Common questions

My parents co-signed my mortgage. Can they deduct the interest?

No. Only an owner on title can deduct the interest.

Can I deduct the land transfer tax?

No. It is added to what you paid for the property. It lowers your tax when you sell.

The builder says the HST rebate is included in my price. Does that work if I rent the condo out?

Not always. Some builders set the price on the idea that you will claim a rebate meant for buyers who will live in the home. The rental rebate is different, and you must apply for it yourself. Ask your lawyer how your price handles HST before you sign.

I bought an older home. Can I deduct the work to fix it up before I rent it?

No. Work to get a home ready for its first tenant is added to what you paid for the building.

Questions to ask your accountant before you buy

- ✓ Whose name should go on title, given who is paying?
- ✓ Should I buy in my own name or through a company?
- ✓ How should we split the price between land and building, and what paper do I need?
- ✓ If I am buying new: do I qualify for the rental rebates, and how does my price handle HST?
- ✓ Could the 365-day rule apply to me?

SECTION 3

What counts as rental income?



"My tenant fixes things instead of paying full rent. Do I report that?" "My son pays me a little to live at home. Is that rent?" Most people know rent is income. The questions start with the cases that are not so clear.

SHORT ANSWER

Knowing what counts as rental income keeps you clear of surprises from CRA. Every dollar of rent you earn from January 1 to December 31 is income, and you report it with your yearly tax return. Some money you receive is not rent at all: money a family member gives you to help with groceries or bills is not reported.

What you must report

- **All rent your tenants pay.** Report the rent you earned in the year, even if a tenant paid you late.
- **Rent paid in work instead of money.** For example, a tenant paints the unit or clears the snow, and you take money off the rent. Report the fair value of that work as income. You can then deduct the same amount as a cost, so it often evens out.
- **Money for ending or changing a lease.** If a tenant pays you to end a lease early, that payment is income too.

EXAMPLE: OMAR

Omar rents out a house for \$2,000 a month. His tenant clears the snow all winter, and Omar takes \$100 off the rent for each of the 4 winter months.

	Amount
Rent Omar received in cash	\$23,600
Value of the snow clearing	\$400
Total rental income Omar reports	\$24,000
Snow clearing Omar deducts as a cost	\$400

Omar's tax is the same as if the tenant had paid full rent and Omar had paid someone \$400 to clear the snow.

When money is not rent

Say your adult son lives at home and gives you \$300 a month toward food and bills. That is not rent. You do not report it, and you cannot deduct any costs against it. The government sees this as family members sharing costs, not a rental.

Renting to family

You can rent to a family member. If you charge what you would charge a stranger and expect to make a profit, it is a normal rental. If you charge less than you would charge a stranger, you cannot claim a loss on that rental.

Is it a rental, or a business?

Most landlords provide basic things like heat, light, parking and laundry. That is a normal rental. If you also provide services like cleaning, meals or security, your rental may count as a business instead. A business is reported on a different form and has different rules. One difference: business income is subject to Canada Pension Plan (CPP) contributions. Normal rental income is not.

Common questions

I own the rental with my sister. Do we each report half the rent?

Each of you reports the total rent for the whole property, and then your own share of the profit or loss. Your share depends on how much of the property you own. Section 8 explains this.

My tenant stopped paying and moved out. Do I still report that rent?

If you already counted it as income and you can show it will never be paid, you can deduct it. Keep proof that you tried to collect.

I rent out my cottage for two weeks a year. Do I report that?

Yes. Rent for even a few nights counts as income. Short-term rentals also have their own rules. See section 9.

Questions to ask your accountant

- ✓ Is any of the money I receive from family members rent, or cost-sharing?
- ✓ Do the services I provide make my rental a business?
- ✓ How should I report rent that a tenant never paid?

SECTION 4

What costs can I deduct?



"Can I write off my car?" "What about the new roof?" "Can I pay myself for the work I do?" This is the question we hear most. The good news is that most normal costs of running a rental come off your rental income.

SHORT ANSWER

Most of what you spend to run your rentals lowers your tax. That includes mortgage interest, property tax, insurance, condo fees, repairs, and fees for a property manager or accountant. Only two things never count: the part of your mortgage payment that pays back the loan, and the value of your own time. Big improvements still lower your tax, just slowly over many years.

Costs you can usually deduct

Cost	Watch for
Mortgage interest	Only the interest, never the part that pays back the loan
Property tax	Only for the time the unit was ready to rent
Insurance	Only this year's part of a policy that covers several years
Condo fees	Your share of the upkeep of the building
Utilities	Only if you pay them under the lease
Repairs and maintenance	Materials and paid labour, but not your own time
Property manager and leasing fees	Fees to find tenants or collect rent
Advertising	Ads to find tenants
Accounting and legal fees	For bookkeeping, tax returns, leases or collecting rent. Fees to buy the property are handled differently (section 2)
Driving	Strict rules. See below

EXAMPLE: LENA

Lena owns one rental condo. Here is her year.

	Amount
Rent	\$30,000
Mortgage interest	\$12,000
Property tax	\$4,000
Condo fees	\$4,800
Insurance	\$1,200
Repairs	\$1,500
Accounting fee	\$800
Total costs	\$24,300
Rental profit Lena pays tax on	\$5,700

Lena's mortgage payments were much higher than \$12,000. But only the interest counts. The rest of each payment paid back her loan.

Repair or improvement?

This is where many owners get it wrong. The answer decides whether you deduct the cost this year or claim it slowly over many years.

A **repair** puts something back the way it was. You deduct it in the year you pay.

An **improvement** makes the property better than before, or adds something new. You claim it slowly, through depreciation (section 5).

Repair: deduct this year	Improvement: claim over years
Painting the outside of a wood house	Putting vinyl siding on it
Fixing wooden steps	Replacing wooden steps with concrete ones
Patching leaks in the roof	Adding a new deck
Fixing the old fridge	Buying a new fridge

Two more rules catch people:

- Fixing up a home you just bought, to get it ready for its first tenant, counts as an improvement. This is true even if the same work would be a repair later.
- Fixing things up to get a property ready to sell is added to what you paid for it. It is not deducted.

Can I deduct my car?

It depends on how many rentals you have.

- **One rental:** you can deduct driving only if the rental is near your home, you do repairs yourself, and you drive to bring tools and materials. Driving to collect rent does not count.
- **Two or more rentals:** you can also deduct driving to collect rent, check on repairs and manage the properties. The rentals must be in at least two places other than your home.

Keep a log of every trip: the date, where you went, why, and the kilometres. For a full A to Z list of rental costs and how each one is claimed, see the deduction checklist near the end of this guide.

Common questions

I did the painting myself. Can I deduct my time?

No. You can deduct the paint and supplies, but never the value of your own work.

I paid three years of insurance up front. Can I deduct it all now?

No. Deduct only this year's part. Deduct the rest in the years it covers.

I replaced the whole roof. Is that a repair?

It depends on the facts. Replacing a worn roof with the same kind of roof can be a repair. A much better roof than before may be an improvement. This is a good one to ask your accountant.

Questions to ask your accountant

- ✓ Which of my costs this year are repairs, and which are improvements?
- ✓ Can I deduct my driving, given how many rentals I have?
- ✓ Am I deducting only the interest part of my mortgage?

SECTION 5

Should I claim depreciation?



"My tax software claimed depreciation for me. Is that good?" "Why would anyone not claim a deduction?" Depreciation is the one deduction where saying yes is not always the best answer.

SHORT ANSWER

Depreciation can lower your tax every year you own a rental. Used with a plan, it is a real saving. Used without one, it can come back as a tax bill when you sell. It is your choice: each year you decide how much to claim, from nothing up to the limit. It can never create a rental loss. And if the property is, or might become, your own home, claiming it can cost you your home's tax-free status.

How it works

Buildings, appliances and furniture wear out. Depreciation lets you deduct part of their cost each year. CRA calls it "capital cost allowance" or "CCA".

- **The building:** most rental buildings are claimed at up to 4% a year of the amount not yet claimed.
- **Appliances and furniture:** up to 20% a year of the amount not yet claimed.
- **Land:** never. Land does not wear out.
- **The first year:** normally you can claim only half the usual amount. For property bought after 2024, the first-year limit is higher. On a building, it is up to 6% of the cost instead of 2%.
- **No losses:** depreciation can bring your rental profit down to zero, but never below. If you own more than one rental, you add up the profit and loss from all of them first.
- **If you skip a year:** you do not lose it. The amount you did not claim stays available for later years.

The catch: it can come back when you sell

If you sell the building for more than the amount you have not yet claimed, some or all of the depreciation you claimed is added back to your income. This is called **recapture**. It is taxed in full, in the year you sell.

EXAMPLE: SAM

Sam's building cost \$400,000. Over the years, he claimed \$50,000 of depreciation. He then sells, and the building part of the sale price is \$450,000.

	Amount
Building cost	\$400,000
Depreciation Sam claimed	\$50,000
Amount not yet claimed	\$350,000
Depreciation added back to Sam's income in the year he sells	\$50,000

Sam saved tax on \$50,000 while he owned the rental. In the year he sells, he pays tax on that \$50,000. He also has a profit on the sale, which section 10 explains.

The opposite can happen too. If the building sells for less than the amount not yet claimed, you get a deduction in the year you sell. CRA calls this a **terminal loss**.

So should you claim it?

It depends on your plans. Claiming can make sense if your income is high now and you plan to keep the rental for a long time. Skipping it can make sense if your income is low this year, or if you might move into the property later. Your accountant can run the numbers both ways.

Common questions

My tax software claims depreciation automatically. Is that a problem?

Not always, but you should decide, not the software. You can claim any amount from zero to the limit.

I rent out my basement. Should I claim depreciation on part of my house?

Usually not. Claiming it on part of your home can make that part lose its tax-free status when you sell. Section 9 explains.

I bought a used rental from a stranger in 2025. Do I get the higher first-year amount?

In most cases, yes. Ask your accountant to confirm, because some purchases between family members or related companies do not qualify.

Questions to ask your accountant

- ✓ Should I claim depreciation this year, given my income and my plans?
- ✓ How much tax could come back when I sell?
- ✓ Does the higher first-year amount apply to what I bought?

SECTION 6

What if my rental loses money, or I borrow against it?



"My rental costs more than it brings in. Does that help my taxes?" "Can I take money out of my rental mortgage and still deduct the interest?" With today's interest rates, many owners face these questions in their first years.

SHORT ANSWER

A rental that loses money can still help you. If you rent to make a profit, the loss can lower the tax on your other income, such as your pay from work. Depreciation cannot be used to create or grow that loss. When you borrow, what you use the money for decides whether the interest lowers your tax. Money used to buy or improve a rental: yes. Money used for something personal: no.

When a rental loss helps

A rental loss happens when your costs are more than your rent. If you rent to make a profit, you can use the loss to lower the rest of your income.

EXAMPLE: ANA

Ana earns a salary. She bought a rental condo last year.

	Amount
Rent	\$26,400
Mortgage interest, property tax, condo fees, insurance	\$29,400
Rental loss	\$3,000

Ana can subtract the \$3,000 loss from her other income. She cannot claim depreciation to make the loss bigger.

When a loss does not count

- **You rent to family for less than you would charge a stranger.** You cannot claim a loss.
- **The rental loses money year after year with no real hope of profit.** CRA may say it is not a real rental, and deny the losses.
- **It is cost-sharing, not a rental.** For example, a family member pays a little toward the bills. See section 3.

Borrowing: what you use the money for is what counts

The interest you can deduct depends on what the borrowed money paid for. It does not matter which property the loan is secured on.

- You use a line of credit on your own home to make the down payment on a rental. That interest can be a rental cost.
- You take money out of your rental's mortgage to pay for something personal, like a car, a vacation, or the down payment on your own home. You cannot deduct the interest on that money.

EXAMPLE: BEN

Ben's rental mortgage is \$300,000. He replaces it with a bigger mortgage of \$380,000 and uses the extra \$80,000 for the down payment on his own home. The interest on \$300,000 is still a rental cost. The interest on the extra \$80,000 is not, because Ben used that money for his own home.

Keep borrowed money for your rental separate from personal money. Mixing them makes it hard to prove what the money paid for. Section 7 explains a well-known way to turn more of your borrowing into deductible interest.

Other borrowing costs

- **Fees to get a mortgage** (broker, appraisal, mortgage insurance, legal fees for the mortgage) are deducted over 5 years, 20% a year.
- **A penalty to break your mortgage early** is usually spread over several years, not deducted all at once. Your accountant can work out the right timing for your situation.

Common questions

My rental has lost money for three years. Is that a problem?

Not by itself. Many rentals lose money at first. It helps to show you have a plan to make a profit, such as rising rents or a shrinking mortgage.

Can I deduct interest while my rental sits empty between tenants?

Yes, if you are trying to rent it. Keep your ads and records of showings.

I used a line of credit for both my rental and personal things. What now?

Only the interest on the part used for the rental can be deducted. Ask your accountant to help you separate it.

Questions to ask your accountant

- ✓ Can my rental loss lower the tax on my other income this year?
- ✓ How much of my interest is deductible, given how I used the money?
- ✓ Should I set up separate loans for rental and personal use?

SECTION 7

What is the Smith Manoeuvre, and is it right for me?



"I heard you can make your home mortgage tax-deductible. Is that true?" "Can my rental help me pay off my home faster?" The Smith Manoeuvre is one of the most talked-about tax ideas in Canada. Done right, it turns interest you cannot deduct into interest you can. Done wrong, it adds debt with no tax saving.

SHORT ANSWER

Done right, the Smith Manoeuvre can turn your home mortgage, slowly, into a loan whose interest lowers your tax. Each time you pay down your home mortgage, you borrow the same amount back and invest it to earn income. Your total debt stays the same, but more of the interest becomes deductible each year. It works only if you follow the rules closely, and it is not for everyone.

How it works

- 1. Get the right mortgage.** You need a mortgage that lets you borrow back what you pay off. Lenders call it a readvanceable mortgage. It joins your mortgage with a line of credit. As your mortgage goes down, the room on the line of credit goes up.
- 2. Borrow back what you pay down.** Each time a payment lowers your mortgage, you borrow that amount from the line of credit.
- 3. Invest it to earn income.** Put the money into something that can pay you income, such as shares that pay dividends, or use it for your rental.
- 4. Deduct the interest.** The interest on that part of the line of credit can now lower your tax. Many people put the tax refund toward the mortgage, which speeds things up.

EXAMPLE: JASMINE

Jasmine's home mortgage is \$400,000. This year her payments lower it by \$12,000. She borrows that \$12,000 back from her line of credit and buys investments that pay dividends. Say the interest on the line of credit comes to \$700 for the year.

	Start of year	End of year
Home mortgage (interest does not lower tax)	\$400,000	\$388,000
Investment loan (interest lowers tax)	\$0	\$12,000
Total debt	\$400,000	\$400,000
Interest Jasmine can deduct this year		\$700

Jasmine owes the same total. But \$12,000 of it now has interest she can deduct. If she keeps going every year, more and more of her debt turns into deductible debt.

A version for landlords

If you own a home and a rental, there is a related idea, sometimes called cash damming:

- Put all your rent toward your home mortgage.
- Pay your rental costs, such as property tax, condo fees and repairs, from a separate line of credit.

Interest on money borrowed to pay rental costs can be a rental expense. For example, if your rent is \$24,000 a year and your rental costs are \$15,000, all \$24,000 goes to your home mortgage, and the \$15,000 of costs goes on the line of credit. Your home mortgage shrinks faster, and the new debt has interest you can deduct.

How to do it right

- **Keep it separate.** Use a line of credit, or a separate part of one, only for investing or rental costs. Never pay personal bills from it. Mixing even once makes it hard to prove what the money paid for.
- **Invest for income.** The money must go into something that can earn income, such as dividend-paying shares or a rental. Interest on money borrowed for an RRSP or TFSA does not lower your tax.
- **Keep the money invested.** If you sell the investments and spend the cash on personal things, the interest on that part stops being deductible.

- **Keep records.** Keep the statements that show each time you borrowed and what you bought with it.
- **Plan for higher rates.** Line of credit rates usually move with the market. Make sure you could still afford the payments if rates went up.

What to watch for

- **Your debt does not go away.** You still owe the full amount. The plan pays off only if your investments grow over time.
- **Investments can fall.** If the market drops, you could owe more than your investments are worth.
- **It takes years.** It works over the life of your mortgage, not in a few months.
- **It is not for everyone.** It suits people with steady income, emergency savings, and comfort carrying debt for a long time. Talk to a licensed financial advisor about which investments fit you.

Common questions

Is the Smith Manoeuvre legal?

Yes. It uses the normal rule that interest on money borrowed to earn income can be deducted. The risk is in how it is done. Mixed spending and poor records are the main reasons these deductions get denied.

Should I fill my RRSP and TFSA first?

Many people do. Your accountant and a licensed financial advisor can compare the options for your situation.

Can I use the money for a down payment on a rental?

Yes. That is one of the most common uses. The interest can be a rental cost. See section 6.

Questions to ask your accountant

- ✓ Does the Smith Manoeuvre make sense for my income and my plans?
- ✓ How should I set up my accounts so the interest stays deductible?
- ✓ What records do I need to keep each year?

SECTION 8

Can I own a rental with my spouse, family or a partner?



"My spouse earns less than me. Can we put the rental income in their name?" "My brother and I bought a place together. Who reports what?" Owning with someone else is common. The tax rules follow who owns it and whose money paid for it.

SHORT ANSWER

Owning a rental with family or a partner works well when it is set up right from the start. Each owner reports their share, based on how much of the property they own. You cannot simply move the income to whoever earns less. If one spouse gives or lends the other the money to buy, the income can be taxed back to the spouse who paid. You can pay family members a fair rate for real work on your rental, and deduct it.

Two or more owners

If you own a rental with your spouse, a sibling or a friend, you are usually co-owners. Owning a rental together does not, by itself, make you business partners.

- Each owner reports the total rent for the whole property, then their own share of the profit or loss.
- Your share is based on how much of the property you own. It is not based on who paid which bill.
- Keep the same split every year, unless the ownership changes.

EXAMPLE: RAVI AND MEI

Ravi and Mei own a rental 50/50. This year it made a profit of \$10,000. Ravi earns more than Mei, so they would like to report most of the profit in Mei's name.

	Ravi	Mei
Ownership	50%	50%
Share of the \$10,000 profit each must report	\$5,000	\$5,000

They cannot choose a different split to save tax. Each reports half, because each owns half.

When the money came from your spouse

Say Mei earns less, so they put the rental only in Mei's name. But Ravi gave Mei the money for the down payment. CRA can tax the rental income as Ravi's income, because Ravi's money bought it. These are called attribution rules. They stop couples from moving income to the lower earner just by changing whose name is on title.

There are proper ways to plan around this, such as a loan between spouses at an interest rate CRA sets. These need to be set up correctly from the start. Ask your accountant.

Paying family members to help

You can pay your spouse, your children or other relatives for real work on your rental, such as cleaning between tenants or doing repairs. To deduct the pay:

- the work must be real
- the pay must be fair for that work, about what you would pay someone else
- you run payroll and take off the required deductions, such as CPP and EI where they apply
- you keep records of the hours and the work

You can never deduct the value of your own time.

Renting to family

If you rent to a family member at the normal market rent, it is a regular rental. If you charge less than market rent, you cannot claim a loss on that property. See section 3.

Common questions

Only my name is on the mortgage, but my spouse is on title too. Who deducts the interest?

The owners on title deduct it, based on their share. Only an owner can deduct mortgage interest, even if someone else guaranteed the loan.

Can I add my adult child to the title to help them later?

Adding someone to title can have tax results, including being treated as a sale of part of the property. Talk to your accountant and lawyer before you do it.

My partner and I are not married. Do the spouse rules apply?

They can. Many tax rules treat common-law partners the same as married spouses. Ask your accountant how they apply to you.

Questions to ask your accountant

- ✓ Whose money paid for the rental, and does that change who should report the income?
- ✓ Is our ownership split set up the way we want, and is it in writing?
- ✓ If I pay a family member, what do I need for payroll and records?

SECTION 9

What if I rent part of my home, or rent short-term?



"We rent out our basement. What can we claim?" "Will renting a room cost me the tax-free sale of my home?" "Do I need to charge GST on Airbnb?" Renting part of your home, or renting for short stays, comes with its own rules.

SHORT ANSWER

Renting part of your home can cover part of your costs and lower your tax, and your home can usually stay tax-free when you sell. You deduct the costs of the rented part, plus a fair share of costs for the whole house. To protect your home's tax-free status, do not claim depreciation on it. A short-term rental must follow your city's and province's rules, or you lose its deductions. If your short-term rentals bring in more than \$30,000 over a year, you must also register for GST/HST (sales tax).

Renting a basement or rooms in your home

You can deduct:

- **100% of costs only for the rented part**, such as repairs inside the basement unit or ads for a tenant.
- **A share of costs for the whole house**, such as property tax, insurance, heat and hydro. Split them by floor area or by number of rooms.

EXAMPLE: NADIA

Nadia rents out her basement unit. It is 30% of the floor area of her house.

Cost	Total for the house	Nadia's rental share
Property tax	\$5,000	\$1,500 (30%)
Home insurance	\$2,000	\$600 (30%)
Heat and hydro	\$3,000	\$900 (30%)
Repair inside the basement unit	\$700	\$700 (100%)
Total Nadia deducts		\$3,700

Nadia does not claim depreciation on her house. That keeps it simple when she sells.

Will it affect the tax-free sale of my home?

Usually not, if all three of these are true:

- the rental is small compared to your use of the home
- you made no major structural changes to create it
- you do not claim depreciation on the home

If you build a separate suite, or claim depreciation, part of your home may lose its tax-free status. In some cases, you can file a special choice with CRA, called an election, that helps. Ask your accountant before you renovate or claim depreciation.

Short-term rentals

CRA treats a rental as short-term when guests stay less than 90 days in a row. These rentals have three extra things to check.

1. Follow local rules, or lose your deductions. Many cities and provinces now limit short-term rentals or require a licence or registration. British Columbia, for example, has required hosts to register with the province since May 1, 2025. If your rental is not allowed where it is, or you do not have the licence or registration required, you cannot deduct any of its costs for those days. That includes mortgage interest. This rule applies to costs from 2024 on.

2. GST/HST may apply. Stays of less than a month that cost more than \$20 a day are subject to GST/HST. If these rentals, plus your other sales that carry GST/HST, add up to more than

\$30,000 over any 12 months in a row (four calendar quarters), you must register and charge the tax. If you are not registered, booking platforms such as Airbnb collect the tax on your bookings.

3. Rental or business? If you offer hotel-style services, such as daily cleaning or meals, your rental may count as a business. Business income has different rules, including CPP contributions.

Common questions

I rent out my whole home on Airbnb when I travel. Is that taxable?

Yes. The rent is income, and you can deduct a fair share of your costs for those days. Check your city's rules first.

My city does not require a licence. Am I fine?

If your city and province do not require a licence or registration, and allow short-term rentals where you are, the denial rule does not apply. Check both levels of government, and check again each year.

I have a basement tenant on a one-year lease. Is that short-term?

No. A lease of 90 days or more is not a short-term rental for this rule.

Questions to ask your accountant

- ✓ What share of my home costs can I deduct?
- ✓ Will my rental, or any renovation I plan, affect the tax-free sale of my home?
- ✓ Do I need to register for GST/HST for my short-term rental?
- ✓ Does my short-term rental meet my city's and province's rules?

SECTION 10

What happens when I sell?



"How much tax will I pay when I sell my rental?" "I used to live in it. Is it still tax-free?" Selling is where the biggest tax bills happen, and where planning ahead helps the most.

SHORT ANSWER

A little planning before you sell can lower your tax bill. When you sell a rental for more than it cost you, only half of the profit is taxed. The home you live in is usually tax-free. If you claimed depreciation, some or all of it may be added back to your income. You must report every sale, even a tax-free one. Talk to your accountant before you list, not after you sign.

Three things can show up on your tax return the year you sell

- 1. A capital gain.** This is the sale price, minus your selling costs, minus what the property cost you. Half of the gain is taxed.
- 2. Recapture.** The depreciation you claimed may be added back to your income, taxed in full (section 5).
- 3. A terminal loss.** If the building sells for less than the amount you have not yet claimed, you get a deduction instead.

What the property cost you includes the price you paid, the land transfer tax, your lawyer's fee to buy, and the cost of any improvements.

Selling costs include the real estate commission and your lawyer's fee to sell.

EXAMPLE: GRACE

Grace bought a rental for \$500,000. She paid \$10,000 in land transfer tax and legal fees, and spent \$30,000 on a new kitchen. She never claimed depreciation. Years later she sells it for \$700,000 and pays \$30,000 in commission and legal fees.

	Amount
Sale price	\$700,000
Minus selling costs	\$30,000
Minus what the property cost her (\$500,000 + \$10,000 + \$30,000)	\$540,000
Capital gain	\$130,000
Half of the gain, added to Grace's income	\$65,000

Grace pays tax on \$65,000 at her normal tax rate, in the year she sells. If she had claimed depreciation, she would also have recapture to report.

Selling the home you live in

The profit on the home you live in is usually tax-free. This is called the principal residence exemption. A family can claim only one home for each year. You must still report the sale on your tax return for the year you sell. If you forgot to report a past sale, ask your accountant to help you fix it with CRA as soon as you can.

If you moved out and rented your home

When you turn your home into a rental, CRA treats it as if you sold it and bought it back at its value that day. In many cases you can make an election to delay this. With the election, your former home can stay tax-free for up to 4 years while you rent it out, as long as you do not claim depreciation on it. The election is a letter filed with your tax return. Ask your accountant about it in the year you move out.

If you moved into your rental

Moving into a former rental is also treated as if you sold it that day. Any depreciation you claimed can come back as income. There is an election that can help, but only if you never claimed depreciation on that property.

The 365-day rule

If you sell any home or rental within 365 days of buying it, the whole profit is taxed, not half. Your own home loses its tax-free status too. Some life events are an exception. See section 2.

Common questions

When is the tax due?

With your tax return for the year of the sale. Set money aside when you sell, so the bill is not a surprise.

Can I sell one rental and buy another to avoid the tax?

No. Canada has no rule for that. See section 13.

Does it matter whether I sell in December or January?

It can. The sale falls in a different tax year, which can change your tax rate and when the tax is due.

Questions to ask your accountant before you list

- ✓ How much tax will I owe if I sell at this price?
- ✓ Will depreciation come back as income?
- ✓ Can I use the principal residence exemption for any years?
- ✓ Is there a better time to sell?

SECTION 11

Should I own my rentals through a company?



"My friend said I should put my rentals in a company to save tax. Is that true?" We hear this often. For some owners, a company is the right move. For many with one or two rentals, it adds cost and paperwork without saving tax. The answer depends on your numbers and your plans.

SHORT ANSWER

The right ownership choice can save you money. The wrong one adds cost and paperwork with no tax saving. A company does not get the low small business tax rate on rental income, unless it has more than five full-time employees. Rent earned in a company is taxed at a high rate, and part of that tax is refunded when the company pays you a dividend (a payment of the company's profit to its owner). Moving a rental you already own into a company can trigger tax and other costs. Get advice before you buy, not after.

Why a company often does not save tax on rent

Many people have heard that small companies pay a low tax rate. That low rate is for active businesses, like a store or a consulting firm. Rental income is treated as investment income in a company. It does not get the low rate, unless the company has more than five full-time employees working in the rental business.

Instead, rent earned in a company is taxed at a high rate. Part of that tax is refunded to the company when it pays you a dividend. The system is designed so that, in the end, the total tax is roughly the same as if you had earned the rent yourself. It is rarely much lower.

What a company costs you

- **A separate tax return every year**, plus bookkeeping for the company.

- **Legal and setup costs.**
- **Harder financing.** Lenders may ask for personal guarantees or offer different terms.
- **Moving a property in later can be costly.** Moving a rental you already own into a company is treated as selling it to the company. That can trigger tax, unless special elections are filed, plus legal fees and possibly land transfer tax.

When a company can make sense

A company may be worth a look if you:

- own several rentals and plan to buy more
- want to keep profits in the company to buy the next property, instead of taking them out
- want help passing the properties to your children over time
- already own a company that earns business income and are planning how to invest its profits

Even then, the right structure depends on your full picture. This is a decision to make with a CPA and a lawyer.

Common questions

Will a company protect me if a tenant sues?

It may limit some risks, but it is not a full shield. Good landlord insurance is usually the first step. Ask a lawyer about your situation.

I already own two rentals. Is it too late?

Not always, but moving them in later costs more. Ask for the numbers before you decide.

Questions to ask your accountant

- ✓ Would a company lower my total tax, given my income and plans?
- ✓ What would it cost each year to run?
- ✓ If I already own rentals, what would it cost to move them in?
- ✓ Should my next purchase be in my name or a company's?

SECTION 12

What other taxes and rules should I watch for?



"I got a letter from the city about a vacancy declaration. Do I need to answer?" "I am moving abroad. Can I keep renting my condo?" Income tax is not the only tax that touches a rental. A few others catch owners by surprise.

SHORT ANSWER

A few simple filings protect you from surprise bills. Some cities charge a tax on homes left empty, and many ask every owner to file a yearly declaration, even if the home is rented. If you live outside Canada, special rules apply to your rent and to selling. The federal Underused Housing Tax is gone from 2025 on, but past years can still apply to some owners.

City vacancy taxes

Some cities charge an extra tax on homes left empty for about half the year or more. Toronto and Vancouver are two examples, and others have followed. British Columbia also has a provincial Speculation and Vacancy Tax in many areas.

The part that catches landlords: many of these cities ask **every** owner to file a declaration each year, even if the home is rented all year. In Toronto, for example, if the city does not get your declaration on time, it treats the home as empty and sends a bill.

Watch your mail and your property tax bill for the declaration. File it every year, on time.

If you live outside Canada

If you move abroad and keep renting your Canadian property, different rules apply.

- **Tax is held back from your rent.** Your tenant or property manager must hold back 25% of the gross rent (the full rent, before any costs) and send it to CRA.

- **You can lower this.** By filing a special form and a special yearly tax return, you can pay tax on your rent after costs instead of on the full rent. This often means less tax.
- **Selling takes extra steps.** When you sell, you need a clearance certificate from CRA, a letter that confirms the tax on the sale is paid or covered. Until you get it, the buyer may hold back part of the price.

If you plan to move abroad, talk to your accountant before you leave.

The Underused Housing Tax

This was a federal tax on some homes left empty or underused. It applied mainly to owners who are not Canadian, and to some companies, partnerships and trusts. Most Canadians who own a home in their own name never had to file. The tax was ended for 2025 and later years. The rules still apply to 2022, 2023 and 2024. If you were required to file for those years and did not, the penalties can still apply.

Common questions

My rental is occupied all year. Do I still need to file the city declaration?

In many cities, yes. Check your city's website or your property tax bill.

I own my rental with my spouse, and we both live in Canada. Did the Underused Housing Tax apply to us?

For most Canadian couples who own a home in their own names, no. If the home was owned through a company, partnership or trust, ask your accountant.

Questions to ask your accountant

- ✓ Does my city have a vacancy tax, and do I need to declare each year?
- ✓ If I move abroad, what do I need to file for my rental?
- ✓ Did I have to file an Underused Housing Tax return for 2022 to 2024?

SECTION 13

Which US tax tips do not work in Canada?



You may have watched a video that promised you could "wipe out" your taxes with real estate. Or asked an AI tool about rental taxes and got an answer full of terms like "1031 exchange". Most of that advice is American. Many of those rules do not exist here. Using them in Canada can mean a denied claim, plus interest and penalties.

SHORT ANSWER

Canada has its own rules, and one big advantage over the US. If you rent to make a profit, a rental loss can lower the tax on your job income. Some popular US ideas have no Canadian version at all. Knowing the difference keeps you clear of denied claims, interest and penalties.

EXAMPLE: DEV

Dev earns a salary and owns one rental condo. This year he collects \$24,000 in rent. His interest, property tax, condo fees and repairs add up to \$27,000.

	Amount
Rent	\$24,000
Costs	\$27,000
Rental loss	\$3,000

Dev can use the \$3,000 loss to lower the income he pays tax on, including his salary. What he cannot do is claim depreciation to make the loss bigger. In Canada, depreciation can bring a rental profit down to zero, but never below zero.

The US ideas you will hear most

"Real estate professional status" In Canada: there is no such status, and you do not need it. Dev's example shows how losses already work here.

"Cost segregation" and "bonus depreciation" In Canada: the government sets the depreciation rate for each type of property. Most rental buildings are 4% a year. Fridges, stoves and furniture are 20% a year. Property bought after 2024 gets a larger claim in the first year. But depreciation still cannot create a loss. (Section 5)

"1031 exchange" In Canada: there is no rule that lets you sell a rental and buy another without tax. If you sell for a profit, you normally pay tax for the year you sell. (Section 10)

The "Augusta rule" (rent your home for up to 14 days, tax-free) In Canada: there is no such rule. Rent for even a few nights is income. (Section 9)

"Put your rentals in an LLC" In Canada: there is no LLC. You can own a rental yourself, with other people, or through a company. Each is taxed differently. (Sections 8 and 11)

"Buy rentals with your retirement account" In Canada: an RRSP, TFSA or FHSA cannot own a rental property. If one of these accounts buys real estate, you face a tax equal to half the property's value.

"Hire your kids to cut your taxes" In Canada: you can pay family members for real work on your rental, at a fair rate, through payroll. You cannot pay them for work they do not do, and you can never deduct your own time. (Section 8)

"Spend enough hours on your short-term rental to unlock its losses" In Canada: there is no hours test. A short-term rental follows the same rules as any rental. If it breaks your city's rules, you lose its deductions. (Section 9)

Common questions

I saw a Canadian video that used these terms. Is it wrong?

Not always. But if it uses US terms without saying how the Canadian rule differs, check with an accountant before you act on it.

Can AI tools give me reliable tax answers?

They can help you learn the words. They often mix US and Canadian rules. Use them to prepare your questions, not to make the decision.

Questions to ask your accountant

- ✓ I heard about a strategy online. Does it exist in Canada, and does it fit my situation?
- ✓ Can my rental loss lower the tax on my other income this year?
- ✓ If I hire a family member, what records and payroll do I need?

SECTION 14

What records should I keep, and what mistakes do people make most?



"How long do I keep receipts?" "What does CRA ask for in a review?" Good records are the cheapest tax protection you can have. If you cannot prove a cost, CRA can deny it.

SHORT ANSWER

Good records protect every deduction you claim. If you cannot prove a cost, CRA can deny it. Keep your records for six years after the end of the tax year they relate to. Keep the papers from when you bought a property for as long as you own it, and for six years after you sell. Do not send your records with your tax return. Keep them in case CRA asks.

What to keep

- ☐ Purchase papers: the agreement, your lawyer's closing statement, and the land transfer tax
- ☐ Leases, and a record of rent received each month
- ☐ Mortgage statements that show the interest paid each year
- ☐ Property tax bills and insurance policies
- ☐ Receipts and invoices for every repair and improvement
- ☐ Condo fee and property manager statements
- ☐ A log of your driving, if you claim it
- ☐ Your past tax returns, including any depreciation you claimed
- ☐ Any letters or elections you filed with CRA

A simple system

- Use one bank account and one credit card only for your rentals.
- Save every receipt as a photo or PDF the day you get it.
- Keep one folder for each property and each year.
- Write a short note on each receipt: what it was, and whether it was a repair or an improvement.

The mistakes we see most

- 1. Deducting the whole mortgage payment** instead of only the interest.
- 2. Deducting an improvement as a repair**, such as a new kitchen or new appliances in one year.
- 3. Claiming depreciation without knowing it can come back** as income when you sell.
- 4. Deducting interest on money used for personal things**, after refinancing the rental.
- 5. Splitting income with a spouse by who earns less**, instead of by who owns what and whose money paid for it.
- 6. Renting to family below market rent and claiming a loss.**
- 7. Running a short-term rental without the licence or registration required**, then claiming its costs.
- 8. Claiming the value of your own time** spent on repairs.
- 9. Not reporting the sale of your home**, even when it is tax-free.
- 10. Missing receipts** when CRA asks for them.

Common questions

CRA sent me a letter asking for receipts. What should I do?

Do not ignore it. Note the deadline, gather what they ask for, and send only what they ask for. If you are unsure, ask your accountant to help you reply.

I lost some receipts. Can I still claim the cost?

Bank and credit card statements help, but they may not be enough on their own. Ask the supplier for a copy of the invoice.

Questions to ask your accountant

- ✓ Is my record-keeping enough if CRA reviews my return?
- ✓ Which past costs should I check before I file this year?

CHECKLIST

Rental deduction checklist: A to Z



Use this list each year when you gather your rental papers. Tick each cost you paid, and give the list to your accountant with your receipts. Only the share used for your rentals counts.

What the answers mean:

- **This year:** comes off your rental income in the year you pay it.
- **Over many years:** claimed a little each year through depreciation (section 5).
- **Added to what you paid:** lowers your tax when you sell (section 10).
- **Never:** cannot be deducted at all.

✓	Cost	How you claim it
☐	Accounting and bookkeeping fees	This year
☐	Advertising to find tenants	This year
☐	Appliances, such as a fridge, stove, washer or dryer	Over many years
☐	Bank charges on your rental account	This year
☐	Building (not the land)	Over many years
☐	Cleaning between tenants	This year
☐	Condo fees	This year
☐	Driving	This year, only in some cases (section 4)
☐	Fixing up a home before its first tenant	Added to what you paid
☐	Furniture for a furnished unit	Over many years
☐	Improvements, such as a new kitchen or a better roof	Over many years
☐	Insurance	This year, for this year's coverage only
☐	Interest on money borrowed for your rental	This year
☐	Land	Never
☐	Land transfer tax	Added to what you paid
☐	Landscaping	This year
☐	Lawn care and snow removal	This year
☐	Lease: paying a tenant to cancel it	Spread over what was left of the lease
☐	Legal fees for leases, evictions or collecting rent	This year
☐	Legal fees to buy	Added to what you paid
☐	Legal fees and commission to sell	Lower your profit when you sell
☐	Mortgage fees, such as broker, appraisal or mortgage insurance	Over 5 years, 20% a year

✓	Cost	How you claim it
☐	Mortgage penalty for breaking your mortgage early	Spread over several years (ask your accountant)
☐	Mortgage principal (the part that pays back the loan)	Never
☐	Office supplies and postage for your rentals	This year
☐	Personal share of costs, such as the part of your home you live in	Never
☐	Pest control	This year
☐	Property management and leasing fees	This year
☐	Property tax	This year, for the time the unit was ready to rent
☐	Rent you reported but never collected	This year, if you can show it will never be paid
☐	Repairs and maintenance (materials and paid labour)	This year
☐	Short-term rental costs where the rental breaks local rules	Never (section 9)
☐	Utilities you pay under the lease	This year
☐	Wages for real work on your rentals, including family members	This year, through payroll (section 8)
☐	Your own time	Never

Not sure where a cost fits? Note it on the list and ask your accountant.

SELF-CHECK

How do I know if I am on track?



Answer each question with yes, no or not sure. There is no score. Each "no" or "not sure" points to the section that will help, and gives you a question to take to your accountant.

Buying

Question	Yes	No	Not sure	If no or not sure, read
I know whose money paid for the rental, and it matches whose name is on title.	☐	☐	☐	Sections 2 and 8
I have a paper that shows how the price splits between land and building.	☐	☐	☐	Section 2
If I bought a new home, I applied for the rental rebate on time.	☐	☐	☐	Section 2

Owning

Question	Yes	No	Not sure	If no or not sure, read
I report all rent, including rent paid in work instead of money.	☐	☐	☐	Section 3
I deduct only the interest part of my mortgage payments.	☐	☐	☐	Section 4
I know which of my costs are repairs and which are improvements.	☐	☐	☐	Section 4
I decide each year whether to claim depreciation, instead of letting software decide.	☐	☐	☐	Section 5
All the borrowed money I deduct interest on was used for my rentals or investments.	☐	☐	☐	Section 6
If I borrow against my home to invest, that money stays in its own account.	☐	☐	☐	Section 7
Each owner reports their share based on what they own.	☐	☐	☐	Section 8
If I rent part of my home, I have not claimed depreciation on it.	☐	☐	☐	Section 9
If I rent short-term, I have every licence or registration my city and province require.	☐	☐	☐	Section 9
I file my city's vacancy declaration every year, if my city has one.	☐	☐	☐	Section 12
I keep receipts and records for at least six years.	☐	☐	☐	Section 14

Selling and planning

Question	Yes	No	Not sure	If no or not sure, read
I know roughly how much tax I would owe if I sold this year.	☐	☐	☐	Section 10
I know whether owning through a company would help me or not.	☐	☐	☐	Section 11

Take each "no" or "not sure" to your accountant as a question.

WORK WITH US

How can Concept help you keep more of your rental income?



You now know the questions to ask. The next step is to have a CPA answer them for your properties, your income and your plans.

Concept Accounting focuses on real estate. We work with Canadian real estate agents, teams and investors.

What we do for landlords and investors

Your yearly tax return. We prepare your personal tax return with all your rentals on it. We claim every cost you are entitled to, and we decide on depreciation based on your plans, not by default.

Advice before big decisions. Buying, selling, moving in or out, adding someone to title, or setting up a company. We run the numbers before you sign, while you still have choices.

A review for owners with several properties. If you own more than one rental, or you are thinking about a company, we start by reviewing how your properties are owned and taxed. Then we show you what we would change, and why.

How the yearly return works

1. You fill in one short online form for each property and upload your papers.
2. Our team prepares your return.
3. A CPA reviews every return before it is filed.
4. You know your price before we start: a fixed fee for each property.



Who you will work with

Hashim Awad, CPA, has spent 20 years in finance, working with some of the biggest names in banking and asset management, including Deloitte, CIBC Capital Markets, J.P. Morgan and BMO. He is licensed as a CPA in Canada and the United States, and holds a Master of Finance from Queen's University.

Today he puts that experience to work for Canadian landlords and real estate investors. As the founder of Concept Accounting & Advisory, he helps them keep more of what their properties earn, with clear answers and careful planning before every big decision.

Talk to us

Bring your self-check answers and tell us about your properties. We will tell you straight whether we can help, and what it would take.

Book a free discovery call

conceptaccounting.ca · (226) 789-9591 · 675 Riverbend Dr., Kitchener, Ontario

GLOSSARY

Glossary: the words in plain English



Word	What it means
365-day rule	If you sell a home or rental within 365 days of buying it, the whole profit is taxed, not half. Some life events are an exception.
Appraisal	A written estimate of a property's value from a professional appraiser.
Attribution rules	Rules that can tax rental income back to the spouse whose money paid for the property.
Capital cost allowance (CCA)	CRA's name for depreciation.
Capital gain	The profit when you sell a property for more than it cost you. Half of it is taxed.
Cash damming	Putting all your rent toward your home mortgage and paying your rental costs from a separate line of credit.
Clearance certificate	A letter from CRA that a non-resident needs when selling. It confirms the tax on the sale is paid or covered.
Co-owners	Two or more people who own the same property. Each reports their share.
CPP	The Canada Pension Plan. Contributions apply to business income, not to normal rental income.
CRA	The Canada Revenue Agency, the federal tax office.
Deduct	Subtract a cost from your rental income, so you pay tax on a smaller amount.
Depreciation	A deduction for wear and tear on the building and things like appliances. It is optional.

Word	What it means
Dividend	A payment of a company's profit to its owner.
Election	A choice you file with CRA, often a letter with your tax return, that changes how a rule applies to you.
GST/HST	Sales tax. GST is the federal sales tax. HST is the combined federal and provincial sales tax in provinces such as Ontario.
Improvement	Work that makes a property better than before, or adds something new. It is claimed slowly over many years.
Principal residence exemption	The rule that lets you sell the home you live in without tax on the profit.
Readvanceable mortgage	A mortgage joined with a line of credit. As you pay the mortgage down, the room on the line of credit goes up.
Recapture	Depreciation you claimed that is added back to your income when you sell.
Rental loss	What you have when your rental costs are more than your rent.
Repair	Work that puts something back the way it was. It is deducted in the year you pay.
Short-term rental	A rental where guests stay less than 90 days in a row.
Smith Manoeuvre	A way to slowly turn your home mortgage into a loan whose interest you can deduct, by borrowing back what you pay down and investing it.
Terminal loss	A deduction you get if the building sells for less than the depreciation you have not yet claimed.
Title	The official record of who owns a property.

SOURCES

Where does this information come from?



Everything in this guide comes from the Government of Canada, the Canada Revenue Agency, and provincial and city governments. These are the main pages, if you want to read more.

- [CRA guide: Rental Income](#)
- [CRA guide: GST/HST rebate for new rental homes](#)
- [CRA: Selling your home and the principal residence exemption](#)
- [CRA: Housing tax measures, including short-term rentals and the 365-day rule](#)
- [Prime Minister of Canada: The share of a capital gain that is taxed stays at half](#)
- [Ontario: New home affordability payment](#)
- [CRA: GST/HST on short-term rentals booked through platforms](#)
- [CRA: End of the Underused Housing Tax](#)
- [British Columbia: Short-term rental host registration](#)

What this guide covers: rental homes that Canadians own in their own name, outside Quebec. It does not cover stores or offices, Quebec's own provincial rules, people who build homes to sell, or rentals that a company already owns. Section 11 explains the basics of owning a rental through a company.

The rules and numbers in this guide are current as of October 2026. Tax rules change often. Check with your accountant before you act.

This guide is general information only. It is not tax, legal or financial advice for your situation. Concept Accounting & Advisory Professional Corporation is not responsible for actions taken based on this guide without advice from a professional.

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