

## SALE OF A HOUSE COULD IMPACT YOUR TAXES

By Ivana Karac



**D**uring the past year, you may have read or heard about the housing bubble in parts of Canada and how it is affecting the residents of our region.

Perhaps you have been personally impacted by it, if you or a loved one has purchased or sold a home recently. Home prices have been spiraling, causing bidding wars, with many homes being sold for far above the asking price.

For those who sold their principal residence to downsize, it has certainly been a financially rewarding year.

But, if you are one of these individuals, your story doesn't end there.

In October, a major announcement was made by the federal government that you should be aware of. The announcement concerns administrative changes to reporting requirements relating to the sale of a principal residence. You may not have heard of this, since it has not received much media attention, but it will have a major impact for anyone who sold a home in 2016 and future years.

This announcement is one part of

a series of measures that the federal government is taking to address and control the rising home prices and improve compliance and administration of the tax system.

So, how does this impact you?

The principal residence exemption is

a benefit that has been around for decades and allows individuals to sell their homes free of tax. In the past, no special reporting was required for standard situations. These new rules mean that you are now required to report the sale of your principal residence on your personal tax return in the year of sale.

If you do not report the sale of your principal residence, you are not electing to treat this sale as being free of tax. Canada Revenue Agency has expressed that it will accept late-filed designations, but may charge penalties, which are quite high -- the lesser of \$8,000, or \$100 per month from the due date until the date it was filed.

This impacts you even if you did not actually sell the property, but instead are deemed to have disposed of it, including cases such as change in use from principal residence to rental property.

This change is not something that will impact your tax filings each year, but when it does, it may have substantial implications.



Chris Laitar CPA, CA, M.Acc., Ivana Karac, CPA, CA, BBA,  
Georg Fritsch, CPA, CA, BA (ret.).

PERSONAL AND CORPORATE  
TAX PLANNING AND PREPARATION

BUSINESS ADVISORY

SMALL BUSINESS ACCOUNTING  
AND ASSURANCE

NON-RESIDENT TAXATION

At Fritsch Laitar & Karac we pride ourselves in working closely with our clients and listening carefully to their ideas and goals in order to ensure our advice fits their requirements.



(519)746-7220

[chris.laitar@flkcpa.com](mailto:chris.laitar@flkcpa.com)

[ivana.karac@flkcpa.com](mailto:ivana.karac@flkcpa.com)

[www.flkcpa.com](http://www.flkcpa.com)



Call Acumax for your bookkeeping,  
payroll and Quickbooks® training  
needs. (519)746-2806 [www.acumax.ca](http://www.acumax.ca)