



The Rental Property Tax Booklet

By Neel E. Roberts



Revised March 2008

© 2008 PTC Canada

Table of Contents

Chapter 1	Is This Booklet for You?	2
Chapter 2	What This Booklet Will Show You	4
Chapter 3	Getting Prepared: What You Will Need Before Getting Started	5
Chapter 4	Tax Worksheets for Your Rental Property	7
Chapter 5	Sample Worksheets for You to Follow	18
Chapter 6	Tax Tips, Strategies, and Recommendations for Rental Properties	29
Chapter 7	Other Booklets, Worksheets, References and Guides, Services, and Contact Information	38
	Survey and Feedback: Will you help us serve you better?	43
	Appendix: Tax Organization Checklist	44

Chapter 1

Is This Booklet for You?

Welcome. This unique and well-thought-out booklet is for the rental property owner. There is nothing like it in the tax industry. While I am flattered that many of my competitors have wanted to adapt it for their own use, it is my gift to you to use appropriately. Whether you have been a client for many years, or are just browsing for information and insight, this booklet will give you the edge when it comes to Canadian rental property taxes.


Whether we sent this booklet to you personally, or you came across it in some other way, we encourage you to take full advantage of it. Taxpayers shopping around for tax service have become our clients because they were impressed with one-of-a-kind publications like this one. They have passed it on to help others. Thanks to the generous feedback from clients and experts in the business, this booklet is here for your benefit.



Consider these two questions:

1. Are you an unincorporated landlord, do you own property that generates rental income for the purpose of profit, and is your entity *not* limited?
2. Have you determined that this is a rental situation and not a business?

If you answered yes to these two questions, then this booklet is for you. If you are not sure of the first question, CRA defines rental income as the following:

 Rental income is income you earn from renting property that you own or have use of. You can own the property by yourself or with someone else. Rental income includes income from renting:

- houses
- apartments
- rooms
- space in an office building
- other real or movable property

Rental income can be either income from property or income from business. Income from rental operations is usually income from property.

If you are not sure of the second question, consider reviewing CRA's [Interpretation Bulletin IT-434, Rental of Real Property by Individual](#). There are certain criteria that need to be assessed before you can determine whether your activity is rental or business. If it turns out that you are in business and not operating a rental property, refer to our [Small Business Tax Booklet](#) for assistance, as you will need to follow the instructions there.

Chapter 2

What This Booklet Will Show You

This booklet consists of three main parts. First are the **tax worksheets** (chapter 4) that we will require to complete your taxes. It is important that all the information be complete and accurate. The last page of the worksheets is a disclosure that needs to be signed and dated, with your social insurance number.

The second part is **sample completed worksheets** (chapter 5). Follow the example for the worksheet you are filling out. If you need to, you may refer to the reference books and guides we recommend in chapter 7.

The third part is a collection of **tax tips, strategies, and recommendations** (chapter 6) designed to accommodate and help most rental property owners. I strongly suggest you investigate the ones that seem appropriate to you and implement them accordingly.

The rest of the booklet is **additional information to help you** with your rental property and other tax and financial issues. The booklet is intended for those who have little or no accounting or tax background; however, an understanding of the English language and basic math is required. The information complies with current CRA regulations and is designed to maintain the integrity of your return while legally minimizing your tax obligation.

This booklet is also designed to help you prepare your taxes in the most cost-effective manner. The more preparation you can comfortably do yourself, the less your costs will be of hiring a professional. If, after reading this booklet, you decide not to fill out the worksheets or gather the required information, but you still need your information compiled, we can assist you. Please contact us for instructions, or refer to the bottom of Tip #21 at the middle of page 35.

Chapter 3

Getting Prepared: What You Will Need Before Getting Started

Before you start to fill out the worksheets, you will need the following for *each year* you are filling out:

1. Last year's income tax return
2. Last year's notice of assessment or reassessment
3. All receipts, records, logbooks, and day-timers from this tax year
4. Personal information such as name, mailing address, and social insurance number for all persons involved in the rental activities
5. Legal mailing address, purchase date/price, sold date/price (if these took place during the tax year you are doing) of the rental property
6. All T-slips and other relevant tax information
7. Calculator (preferably with tape printout), paper, pencil, and pen
8. If you are completing this on computer, I recommend MS Excel for your daily record keeping. Also, you may fill this in and save it under your name and social insurance number and e-mail it to us.
9. Any letters from CRA or ones you feel we need to review
10. [Personal Consent Form](#), [Business Consent Form](#), and [Engagement Letter](#) filled out, signed, and in our hands before we will consider your file
11. Retainer, usually minimum of \$1,000 cash or bank draft in our hands before we will proceed. Confirm details with us if you have not personally discussed this with us.
12. Any other relevant information required to complete this accurately

Do not be overwhelmed by the size of this document! It is designed to address almost every possible scenario. Most rental property owners (90%) do not need to be concerned with the bulk of this booklet and can complete the tax worksheets (chapter 4, pages 8 to 17) in less than a day, provided accurate records have been maintained. If you are missing receipts or are unsure of certain transactions, please contact us for directions. While CRA absolutely requires that you have source documentation and a clear paper trail of all transactions, in certain cases you may be able to estimate some figures, pending CRA's approval and legal right to refuse such estimates.

Submission for Preparation

When you have completed the worksheets, submit them to us by the following method with items 1, 2, 4, 5, 6, 9, and 10, and arrange payment to:

1. E-mail: taxes@ptccanada.com
2. Fax: 866-485-2761
3. Mail or courier (Canada Post only please):
Box 1347, Vulcan, Alberta, Canada T0L 2B0
4. Telephone: 866-485-2683

Please place your name and social insurance number on the file and/or cover page. **Note:**

- GST is charged on all invoices and quotes.
- Currently, there is no PST or HST charged.

Chapter 4

Tax Worksheets for Your Rental Property

The tax worksheets in this chapter contain all the information we will need from you to complete your taxes. Please fill in pages 8 to 17. As a bonus, we have inserted the recommended **Tax Tips** (chapter 6) for certain categories. We trust these will help you!

Thanks to all your comments we have created an electronic form for you to use if you prefer. You can fill in and return it to us via email (you will need to contact us for a password if you do not have a digital signature), or you can print the form and return it. The electronic form includes the **Tax Tips** and also examples for you to use as a reference for filling in the form, **please do not enter any of the example information in your form.**

You can access the electronic form here it will open in a new window to allow you have the booklet open for any info you may require. You may also save a copy to your computer for the convenience of entering the information in stages, and not all at once.

**Please don't hesitate to ask for help!
We are here for you!**

Good Luck!

Section I General Rental Information

1. For which taxation year are you filing this return?
2. How many rental properties do you own or are you active in?
3. What is the full address of your rental property?
4. Is this the first year you have been in rental activities?
5. If yes, what date did you start and what was the purchase price?
6. Was this your last year of rental activities?
7. If yes, what date did you sell and what was the sale price?
8. How many units are in the rental property?
9. What is your GST or business number (must be 9 digits with no letters), if you have one?
10. Are you the only owner/active person? (Tip #1, page 29)

11. If no, please complete the following information:

Partner #	First Name	Last Name	SIN	Address	% Ownership/Activity
1.					
2.					
3.					
4.					
5.					
6.					

If you require more room, please use another sheet and attach.

12. Is there any information regarding your rental properties that you feel we should know, whether relevant to the above or not? (Tips #20 & #21, page 35)

Section II

Income and GST Collected on Your Rental Property

1. What is the total rent you collected, **including GST, PST, and HST**?
2. Did you have other rental-related income, in addition to the rent in question #1? If yes, how much? Please explain.
3. How much GST, PST, and HST (**please list separately**) did you collect in question #1?
4. How much GST and HST did you pay on **eligible expenses**? If you are not sure, please indicate.
5. Is there any information regarding your GST, PST, HST, or rental income that you feel we should know, whether relevant to the above or not?

Section III

General Rental Expenses

Please tell how much you spent on the appropriate expenses. All amounts are business only and **do not include personal, in-home office/business, or motor vehicle expenses.**

1. Advertising (Tips #2 & #3, page 29)	
2. Insurance (except for motor vehicles and in-home office) (Tip #13, page 33)	
3. Interest and bank charges (Tip #4, page 30)	
4. Maintenance and repairs (except motor vehicle and in-home) (Tip #9, page 32)	
5. Management and administration fees (Tips #6 & #8, pages 30 and 31)	
6. Office expenses (Tip #24, page 36)	
7. Legal, accounting, and other professional/consulting fees (Tip #5, page 30)	
8. Property taxes (except for in-home office)	
9. Salaries, wages, and benefits (Tips #9 & #12, pages 32 and 33)	
10. Travel expenses	
11. Utilities	
12. Condo Fees	
13. Other expenses (please specify) (Tip #19, page 35)	

Section IV
Assets, Equipment, Furnishings, and Other Physical
Items Used in the Rental Property

A) Did you purchase any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. appliances, furniture) and purchase price.

Item	Purchase Price
1.	
2.	
3.	
4.	
5.	

B) Did you sell or dispose of/scrap/donate any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. appliances, furniture) and purchase price.

Item	Sold price (\$0 if scrapped)	Original or last year's tax value
1.		
2.		
3.		
4.		
5.		

C) What are the current assets, furnishings, and equipment you use in the rental property (you may consult your previous year's tax return if necessary)?

Item	Fair Market Value
1.	
2.	
3.	
4.	
5.	

D) Is there any information regarding your assets, equipment, and furnishings that you feel we should know, whether relevant to the above or not? (Tax Tip #7, page 31)

Section V Motor Vehicle Expenses

To be filled out for each vehicle used in the rental property

A) Vehicle mileage and value (we recommend using a logbook to keep track of your mileage)

1. Total kilometres driven (including personal) during the year	
2. Total rental only, kilometres driven during the year	
3. Fair market value of vehicle at beginning of year from last year's tax return (or you may consult the blue book, a local car dealer, or newspaper ads for evaluation). Make, model, and year of vehicle.	

B) Total expenses, including personal amount

1. Fuel and oil	
2. Insurance	
3. Interest on car loan (check original loan agreement and fill in interest section D below)	
4. Lease payments (check original lease and fill in lease section C below)	
5. License and registration	
6. Maintenance and repairs	
7. Washes	
8. AMA (motor league)	
9. Parking	
10. Other (please specify)	

C) If you lease the vehicle, please fill in the following:

1. Manufacturer's suggested retail price or purchase price	
2. Total paid towards the lease since the beginning	
3. Date acquired	
4. Date terminated	
5. Total number of days this vehicle was leased this year	
6. Did you receive any interest on a refundable deposit? If yes, how much and when?	
7. Were you reimbursed in any way for your lease? If yes, how much and when	
8. Any other leasing information?	

D) If you had a car loan on which you paid interest, please fill in the following:

1. Date interest payments started this year	
2. Date interest payments stopped this year	
3. Total interest paid in year	
4. Date vehicle was purchased	
5. Any other information you feel we should know	

E) If you purchased any vehicles during the year, please fill in the following:

Vehicle	Purchase Date	Amount
1.		
2.		
3.		
4.		

F) If you sold any vehicles during the year, please fill in the following:


Vehicle	Sold Date	Amount Received
1.		
2.		
3.		
4.		

G) Is there any information regarding your vehicles that you feel we should know, whether relevant to the above or not? (Tax Tip #19, page 35)

Section VI
 In-Home Business Expenses
 (if you use a space in your home for business/office)

A) Space and/or rooms used

1. What is the area or number of rooms used for business in your home?
2. What is the total area or rooms in the home?

 **Note:** If you changed in-home office spaces during the year due to moves, etc., please fill in this section VI for each in-home office and average out.

B) Expenses: Please list the total for the year, **including personal portion.**

1. Heat	
2. Electricity	
3. Insurance	
4. Maintenance	
5. Mortgage interest	
6. Property taxes	
7. Condo fees	
8. Rent	
9. Other expenses (please specify)	

C) Is there any information regarding your in-home business/office expenses that you feel we should know, whether relevant to the above or not? (Tip #20, page 35)

Section VII Disclosure

I, _____, Social Insurance Number _____,
(your full name) (your SIN)
have read, understood, and completed all relevant procedures required for tax preparation. I have conducted all necessary research and sought all required assistance, and all data submitted is true and accurate to the best of my knowledge. I will not hold PTC Canada or its associates liable in any way or at any time, and I accept responsibility for all information supplied.

Signature _____

Date _____

✓ Please don't forget our survey on page 43!

Chapter 5

Sample Worksheets for You to Follow

Use the model on pages 19 to 28 to help you fill out the tax worksheets in chapter 4. If you need further information, please refer to the books and guides listed in chapter 7.

Please
don't
copy
any
of
this
information!

It
is
only
for
your
reference!

Section I General Rental Information

1. For which taxation year are you filing this return?
2008
2. How many rental properties do you own or are you active in?
3
3. What is the full address of your rental property?
52-135 Landlord Drive S.W., Calgary, Alberta, Canada T2T 1A1
4. Is this the first year you have been in rental activities?
Yes
5. If yes, what date did you start and what was the purchase price?
February 01, 2008. \$132,000
6. Was this your last year of rental activities?
Yes
7. If yes, what date did you sell and what was the sale price?
October 31, 2008. \$140,000
8. How many units are in the rental property?
2
9. What is your GST or business number (must be 9 digits with no letters), if you have one?
N/A
10. Are you the only owner/active person?
No

11. If no, please complete the following information:

Partner #	First Name	Last Name	SIN	Address	% Ownership/Activity
1.	<i>Ruth</i>	<i>Less</i>	<i>123-456-789</i>	<i>35 Lee Ave. S.W. Calgary, Ab</i>	<i>50%</i>
2.					
3.					
4.					
5.					
6.					

If you require more room, please use another sheet and attach.

12. Is there any information regarding your rental properties that you feel we should know, whether relevant to the above or not?

Partner #1 is taxpayer's spouse

Section II

Income and GST Collected on Your Rental Property

1. What is the total rent you collected, **including GST, PST, and HST**?
\$12,000
2. Did you have other rental-related income, in addition to the rent in question #1? If yes, how much? Please explain.
\$3,000 – utilities
3. How much GST, PST, and HST (**please list separately**) did you collect in question #1?
N/A
4. How much GST and HST did you pay on **eligible expenses**? If you are not sure, please indicate.
N/A
5. Is there any information regarding your GST, PST, HST, or rental income that you feel we should know, whether relevant to the above or not?
N/A

Section III General Rental Expenses

Please tell how much you spent on the appropriate expenses. All amounts are business only and **do not include personal, in-home office/business, or motor vehicle expenses.**

1. Advertising	\$275.25
2. Insurance (except for motor vehicles and in-home office)	\$400
3. Interest and bank charges	\$6,547.98
4. Maintenance and repairs (except motor vehicle and in-home)	\$105
5. Management and administration fees	\$350
6. Office expenses	\$250
7. Legal, accounting, and other professional/consulting fees	\$100
8. Property taxes (except for in-home office)	\$1,200
9. Salaries, wages, and benefits	\$300
10. Travel expenses	\$500
11. Utilities	\$3,000
12. Condo Fees	\$1,567.09
13. Other expenses (please specify)	Cable – \$650.00

Section IV
Assets, Equipment, Furnishings, and Other Physical
Items Used in the Rental Property

A) Did you purchase any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. appliances, furniture) and purchase price.

Item	Purchase Price
1. <i>Fridge</i>	\$500
2. <i>Stove</i>	\$600
3. <i>Washer</i>	\$300
4. <i>Dryer</i>	\$250
5. <i>Air conditioner</i>	\$1,000

B) Did you sell or dispose of/scrap/donate any assets, equipment, or furnishings during the year? If yes, please list the name (e.g. appliances, furniture) and sold price.

Item	Sold price (\$0 if scrapped)	Original or last year's tax value
1. <i>Washer</i>	\$0 (<i>scrapped</i>)	\$300
2. <i>Dryer</i>	\$100	\$250
3.		
4.		
5.		

C) What are the current assets, furnishings, and equipment you use in the rental property (you may consult your previous year's tax return if necessary)?

Item	Fair Market Value
1. <i>Furniture</i>	\$1,000
2.	
3.	
4.	
5.	

D) Is there any information regarding your assets, equipment, and furnishings that you feel we should know, whether relevant to the above or not?
Fridge, stove, and air conditioner given with property when sold

Section V Motor Vehicle Expenses

To be filled out for each vehicle used in the rental property

A) Vehicle mileage and value (we recommend using a logbook to keep track of your mileage)

1. Total kilometres driven (including personal) during the year	25,000
2. Total rental only, kilometres driven during the year	5,000
3. Fair market value of vehicle at beginning of year from last year's tax return (or you may consult the blue book, a local car dealer, or newspaper ads for evaluation). Make, model, and year of vehicle.	2008 Kia SUV \$5,000

B) Total Expenses, including personal amount

1. Fuel and oil	\$1,000
2. Insurance	\$650
3. Interest on car loan (check original loan agreement and fill in interest section D below)	\$750
4. Lease payments (check original lease and fill in lease section C below)	\$5,500
5. License and registration	\$55
6. Maintenance and repairs	\$275
7. Washes	\$200
8. AMA (motor league)	\$85
9. Parking	\$300
10. Other (please specify)	Towing/storage \$150

C) If you lease the vehicle, please fill in the following:

1. Manufacturer's suggested retail price or purchase price	<i>\$17,500</i>
2. Total paid towards the lease since the beginning	<i>\$10,000</i>
3. Date acquired	<i>May 01, 2007</i>
4. Date terminated	<i>December 30, 2008</i>
5. Total number of days this vehicle was leased this year	<i>364</i>
6. Did you receive any interest on a refundable deposit? If yes, how much and when?	<i>Yes, \$100 from dealer</i>
7. Were you reimbursed in any way for your lease? If yes, how much and when	<i>Yes, \$200 termination program from government</i>
8. Any other leasing information?	<i>N/A</i>

D) If you had a car loan on which you paid interest, please fill in the following:

1. Date interest payments started this year	<i>January 01, 2008</i>
2. Date interest payments stopped this year	<i>December 31, 2008</i>
3. Total interest paid in year	<i>\$750.00</i>
4. Date vehicle was purchased	<i>July 04, 2008</i>
5. Any other information you feel we should know	<i>N/A</i>

E) If you purchased any vehicles during the year, please fill in the following:

Vehicle	Purchase Date	Amount
1.		
2.		
3.		
4.		

F) If you sold any vehicles during the year, please fill in the following:

Vehicle	Sold Date	Amount Received
<i>1. 2000 Fiat</i>	<i>May 2008</i>	<i>\$3,000</i>
2.		
3.		
4.		

G) Is there any information regarding your vehicles that you feel we should know, whether relevant to the above or not?

N/A

Section VI
 In-Home Business Expenses
 (if you use a space in your home for business/office)


A) Space and/or rooms used

1. What is the area or number of rooms used for business in your home?

1

2. What is the total area or rooms in the home?

4

 **Note:** If you changed in-home office spaces during the year due to moves, etc., please fill in this section VI for each in-home office and average out.

No changes

B) Expenses: Please list the total for the year, **including personal portion.**

1. Heat	<i>\$2,000</i>
2. Electricity	<i>\$1,500</i>
3. Insurance	<i>\$400</i>
4. Maintenance	<i>\$250</i>
5. Mortgage interest	<i>\$11,000</i>
6. Property taxes	<i>\$1,345</i>
7. Condo fees	<i>\$1,234</i>
8. Rent	<i>\$0</i>
9. Other expenses (please specify)	<i>Security system fees -- \$500</i>

C) Is there any information regarding your in-home business/office expenses that you feel we should know, whether relevant to the above or not?

N/A

Section VII Disclosure

I, Bob Less, Social Insurance Number 951-357-852,
(your full name) (your SIN)

have read, understood, and completed all relevant procedures required for tax preparation. I have conducted all necessary research and sought all required assistance, and all data submitted is true and accurate to the best of my knowledge. I will not hold PTC Canada or its associates liable in any way or at any time, and I accept responsibility for all information supplied.

Signature Bob Less

Date February 23, 2008

Chapter 6

Tax Tips, Strategies, and Recommendations for Rental Properties

How you can plan better to legally reduce your tax bill

These tips and strategies are based on years of tax-preparation experience and the current rental environment. I recommend you always check things out and look before you leap. You would be amazed how much a little research can pay off. Whether you choose all or only a few, I trust you will find this information as useful as many others have.

1. **Income splitting**

If your spouse, family, friends, or associates are active in the rental property, you may be eligible to treat the rental property as a partnership, rather than a sole proprietorship. At a certain level, income divided rather than paid as wages is tax beneficial, provided all have been active in the rental property in some way. People can be active in different ways; they do not have to be on the front line of the rental property. One way to test is to ask this question: “If this person were not here, would I have to pay someone to do this?”

2. **Finder’s fees**

Has someone brought you tenants or a buyer for your property? Consider paying them a finder’s fee. This is actually a method of advertising. You can even compensate someone who is actively trying to recruit renters or buyers within reason, even if the tenants/sales have not shown up yet.

3. **Advertising**

This comes in many forms, including newspapers, flyers, brochures, business cards, fridge magnets, signs, coupons, literature books, calendars, bookmarks, and more. These are all deductible. You can make them up yourself or have a professional do it for you.

4. Using borrowed money

Most rental properties will have a mortgage, and the interest is deductible. Some taxpayers may wish to use a line of credit or other means of financing to fund repairs or other needs. Provided your finances are in good shape and you can well afford to meet your obligations, all interest and finance charges incurred in your rental property are deductible. This is especially handy for expansions and using leverage. You should discuss this with a reputable mortgage broker. I recommend Mr. Brian Barnett in Alberta at 877-771-7788, www.bricksandmortgage.com.

5. Legal and professional fees

Consider having a lawyer draw up leases and do the majority of the legal work. The small fee they will charge is worth the headache you will save down the road with a bad tenant, etc. They can also advise you on buying and selling and handling the more complex deals. I recommend Mr. Chris Moser of Tingle Merrett LLP at 403-571-8012, cmoser@tinglemerrett.com.



6. Hire experts for difficulties and help with repetitive tasks

It is important that your rental property be well run and that you get the right people to help you out. Hiring an expert is not only an effective tax strategy (because the costs are deductible), but it is also an excellent time management method. Look for a list of consultants in the Yellow Pages, and delegate appropriate tasks to free up your time for other things.

One type of consultant to consider is an efficiency expert (or someone good) in your field. The first meeting is usually free, and if you have all the relevant information, the expert can generally tell you what they can do for you and what it will cost. In most cases, it will be well worth it! You can do the same for sales, marketing, customer service, coaching, and anything involving your rental property. The rule of thumb here is, if you don't need or want to do a task, or you don't know how to do it, start looking. Everyone has only 24 hours in a day, no matter how you use them.

Continued...

Also, it has become common for rental property owners to hire coaches and/or real estate consultants. A coaching service teaches you everything from the ground up and can involve ongoing seminars and support. Real estate consultants tend to be more into the pre-packaged sale of hands-off land-lording. What you choose depends on your goals and lifestyle. For real estate coaching in Alberta, I recommend the REIN Group, 1-888-824-7346, www.albertarein.com. For real estate consulting, I recommend Mr. Stefan Schulhof 20/20 Properties, 1-403-208-0770, stefan.schulhof@2020properties.com.

7. Leasing versus purchasing

In most cases, you can deduct the non-personal portion of the lease, whereas you can only claim a portion of purchases. Some items you may want to lease include vehicles, equipment, furniture, appliances, computers and electronics, and other assets. For example, compare purchasing \$10,000 of appliances to leasing them over a 2-year period. Assuming a 10% lease rate, your payments would be \$12,100 and deductible, compared to only a \$3,200 deduction on a purchase (better known as depreciation). As a bonus with leases, you usually have the option to purchase at the end for personal use at a reasonable price. In recent years, leases have become more versatile, with low/no down, easy qualifications, and low risk. If you want to speak to a lease specialist, I recommend Mr. Ken Sands in Calgary, Alberta, at 403-253-0600.

8. Property management

If your schedule demands your time away from your rental property, or you feel management is not for you, you can hire a property management company to do all the legwork. These fees are all deductible. Once you have the company in place, you will hardly ever get a phone call again and will be free to do as you please. They handle the maintenance and tenants, and make recommendations on many things. They can even sell your property. Power Properties, www.powerproperties.net, in Calgary comes highly recommended from my rental clients. You can contact Mr. Myles Matichuk at 403-509-0040, 403-606-7226, mmatichuk@shaw.ca.

9. Maintenance and repairs

Your rental property will need general upkeep, and you may be considering a major renovation. These may be treated differently when it comes to taxes. General upkeep, minor repairs, and replacement of failed equipment, etc. are usually 100% deductible in the year they were done. However, major renovations that substantially improve the property are considered capital costs and are depreciated over time, rather than being fully deductible in the year they were done. You should carefully consider both scenarios before spending a sizeable amount of money. Also, get a reliable contractor who does a proper job and is in business for the long run. Poor work will cost you more and may even jeopardize the safety of your tenants. In Calgary, I recommend Mr. Adrian Sealy of Sealy Construction, -403-663-1672, 620-8735, Adrian@sealyconstruction.com.

10. Property value

Nothing beats a property appraisal done by a certified and reputable professional. An expert should not only be able to tell you in writing, for your lender, what a piece of property is worth, but should also be able to tell you what type of neighbourhood it is in and how easy it will be to rent for a certain amount. A realtor's "Free Evaluation" is just that, and it is only good as a starting point. A small investment in a genuine appraisal can save you a lot of money and hassle. In Alberta, I recommend Mr. Mike Neville at 403-329-9000, e-mail: lpa1979@telusplanet.net.

11. Property inspection

Unless you know you are buying a property that needs a lot of repair, no purchaser should be without a written inspection report done by a certified professional who guarantees their work in writing. This gives the purchaser a substantial advantage on the offering price and budgeting for repairs. Some realtors may pressure you into putting a "minimum amount" for work required by the inspection, but you do not have to agree to this. After all, you are the buyer, and you can set whatever conditions you wish. In Alberta, I recommend Home Crafters, 888-881-8191, www.homecrafters.net/index.htm.



12. Employment Insurance (E.I.) and relatives

As a sole proprietor or partner, you should not have to contribute to E.I. This is also true if you have relatives working for you. Not only can this reduce your payroll expenses, but also employees who are related to you may be able to claim all past contributions and get a big refund. Relatives include spouse, sons and daughters (including step and grand), parents, brothers, sisters, in-laws, and common laws. To find out more, contact Mr. Jake Blums of [Grants International Inc.](#) at 1-888-999-2221.

13. Insurance

Make sure your policy offers full coverage and is specifically for rental property, not a personal residence. Also, check to see that you will be compensated for rental income and your tenants will be handled in the event that something like a fire puts your property out of commission for a while. You may have to pay a premium for this type of coverage, but it gives you assurance in case the worst happens. In Alberta, I recommend Mrs. Carla Spaeth of Wes Fulton Agencies, 1-888-244-4838, carla.spaeth@westernfinancialgroup.net.

14. Tenants, rent, and work around the property

Sometimes a landlord and tenant may agree on a lower-than-market rent, provided the tenant does a certain amount of work on the property. Depending on your relationship with the tenant, this may be beneficial for both of you. However, be careful on the tax side of things. If the amount is sizable, CRA may see this as the tenant trying to earn tax-free income. For example, the landlord reduces the market rent of \$800 to \$775 per month if the tenant mows the lawn. This would be reasonable. Now, if the same tenant is given a free apartment for looking after all of the landlord's properties, this changes the situation, and CRA will consider this break in rent to be taxable income. In an ideal situation, charge the market rent, pay the tenant for all work performed, and get a receipt. This way, you as a landlord are accountable.



15. Cash flow and reserves

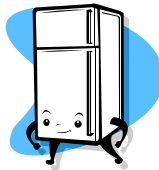
As with any other business, one of the purposes of your rental property is to make a profit. It is recommended that you keep a good reserve fund for contingencies and vacancies. The money in the bank is not taxable, except on the interest it earns. Ideally, you should have six months of expenses in cash reserve for each property.

16. Profits versus capital gains

Once your property is running smoothly and you have a sufficient reserve fund, it is recommended that you keep your net income low in order to keep your taxes low. If you are considering expanding, there are many ways to creatively finance new ventures, such as using equity on the present property. When you sell your rental property, the net amount you make is subject to capital gains; it is not regular income. Regular income is 100% taxable, and capital gains currently are 50% taxable, so that is a substantial saving. Depending on your priorities, I recommend discussing your situation with your consultants to make the most suitable decision. In Alberta, I recommend Mr. Darren Dietz at 800-661-2817, [Deitz Financial](mailto:deitzd@deitzfinancial.com), deitzd@deitzfinancial.com.

17. Losses on the sale of assets

If you sell or dispose of a depreciable asset for considerably less than you paid for it and it is worth less than its depreciated value, the loss is deductible. For example, say you bought a fridge two years ago for \$2,000 and its depreciated value is \$1,400. On the market, you are only able to get \$500. Your terminal loss of \$900 is deductible.



18. Make good use of the calendar year regarding expenses

All unincorporated rental properties are on a calendar year and accrued-expenses method. Therefore, most purchases are deemed expensed on the day of the transaction, not delivery or anything else. Depending on your financial situation, you may want to consider making a lot of purchases at the end of the calendar year to keep your net income low and lower your taxes. Again, weigh all the variables before proceeding this way. If you want to see whether your expense may need to be prorated regardless of when the item was purchased, you can look up [CRA Interpretation Bulletin \(I-T\) 417-Prepaid Expenses and Deferred Charges](#).

19. Maximize deductions for your motor vehicle expenses

See pages 24 to 26 of the sample worksheets for an example of what could be available to you. Generally, any use you make of your personal vehicle for business is considered deductible. I recommend joining the motor league. Not only is this deductible, but it is also a great investment. The cost is small, and it will pay for itself the first time you use it. Get the good package, as it doesn't cost much more and provides lots of benefits for members.

20. Keep track of your in-home expenses

See page 27 of the sample worksheets. Generally, the Income Tax Act does not allow for in-home business expenses; but do keep track of them and present them to us. Depending on your situation, there may be opportunity for you. Most people overlook regular maintenance and upkeep of their residence. This includes the cost of cleaning, lawn care, clearing snow, etc. A good rule of thumb is to keep receipts of everything you spend on your home and decide later if you can use them.

**21. Using losses in your rental property**

Most rental property owners can use reported net losses for two things: first, to offset other net income, such as employment; and second, to carry forward into other years' income. Keep in mind that this should not be a recurring thing, and your rental property should have a reasonable expectation of profit. CRA uses the three-year time frame as a rule of thumb, but that can depend on your capital, skill, and time requirements.

22. Personal time, assets, and resources versus rental property ventures and deductions

If there was ever a reason to go into rental properties, this is it. CRA allows you to deduct a portion of your vehicle and expenditures, provided they are for your rental property. In other words, the things you have to spend money on personally can be deducted for rental property dealings. You must support this with receipts and documentation. A logbook or day-timer is recommended to support your claims.

23. Keep track of cash expenses that don't have receipts

Sometimes, you may have difficulty getting receipts. Parking, car washes, gratuities, and meals at a hot dog stand are examples of the many situations that may leave you without hard proof. CRA understands this, as long as your claim is reasonable. I recommend buying a day-timer and marking down as much as you can.

24. Save every receipt, transaction, and record possible

You can never have too much relevant information! Develop a simple, yet effective filing system (and it shouldn't cost much) where you have a receipt and record for everything. If, at the end of the year, you have a pile of receipts that do not seem relevant, keep them anyway. Create a separate folder that indicates you are not using them for your return but choose to store them. You never know when they might come in handy. Sometimes, a taxpayer isn't aware that something is deductible and a few years later finds out that indeed it is. CRA is always changing the rules, and these changes can be retroactive. You can request tax adjustments up to 15 years. I can easily help if you have receipts! Become a pack rat with every possible receipt, record, invoice, expense, income, day-timer, logbook, transaction, and statement. Even if you have to pay someone to sort and file, the investment could be well worth it in the short and long run. In short, don't throw anything out, ever! Don't worry about what your friends think—you'll be ahead of the game while they are behind the eight ball. If you need a bookkeeper who is good in this field, I recommend Ms Carla Miller at 403-255-7367, miller.carla@telus.net.

**25. To incorporate or not to incorporate**

Many rental property owners ponder this question for various reasons. We have an excellent article, called [The Journey to Incorporation](#), by Doug McLeod, CA at KPMG in Lethbridge, on our website. Generally speaking, incorporation becomes advantageous when the combined taxes paid by the corporation and the individual are the same as the individual would pay if operating as a sole proprietor. Also, there are certain legal and liability protections. The disadvantage is that the costs of maintaining the corporation can be substantial, and the advantages will not help you unless you are at a certain income level.

26. Do you wish to learn rental property taxes in detail?

There is lots of reading material on this subject, but you don't want to spend too much time or money trying to hunt down the relevant facts. Check out chapter 7 of this booklet for our recommendations.

Take the time to do your homework. Research before you retain. While PTC Canada is absolutely committed to your taxes, you know your rental properties best. Make sure you have discussed everything with us and your trusted experts before attempting the suggested strategies. I strongly encourage you to explore the ideas that many others have used to their advantage. While some of the ideas may not be for everyone, I believe most property owners will benefit with minimum risk. I wouldn't have it any other way!

Chapter 7

Other Booklets, Worksheets, References and Guides, Services, and Contact Information

May we offer you help with other tax booklets and/or services?

Other Tax Booklets

We offer other tax booklets, worksheets, and information that may be helpful to you. These include:

1. [Canadian Tax Secrets Guide](#)
2. [Employment and Commission Expense Tax Booklet](#)
3. [Investment Tax Booklet](#)
4. [Small Unincorporated Business Tax Booklet](#)
5. [Farming Income](#)
6. [Personal Tax Checklist](#) (Everyone can use this.)
7. [Corporate Tax Checklist](#) and many other [forms and worksheets](#)
8. Plus our [10 Ways series](#) (for example [10 Ways to Cut Your Tax Bill](#))

You can download these and much more from our website (www.ptccanada.com under Resources) or we can arrange to have them sent to you.

Tax Guides from CRA

Every year, CRA publishes a variety of [Tax Guides](#). For rental properties, I recommend the [Rental Income guide, form T4036](#) for the appropriate year. I suggest you get these at the end of each tax year when they go online, or you can have them mailed to you by calling the Forms Centre at 1-800-959-2221.

Reference Books and Guides

I always recommend getting free stuff first and hope this booklet and other PTC Canada publications have been helpful. CRA also publishes a variety of [Tax Guides and Pamphlets](#) every year, which you can get by mail by calling the Forms Centre at 1-800-959-2221. You can also access their list of [forms and publications](#).

Here are a few more things worth looking into:

1. PTC Canada has a free *Canadian Tax Secrets Guide* that you can download from our website at www.ptccanada.com, or contact us and we will send it to you.
2. I also recommend Tim Cestnick's *Winning the Tax Game 20__* (for whatever year you are doing), available at your local bookstore or www.chapters.ca for about \$25. The cost is deductible, and I believe you will find more than enough information to recover your investment of time and money. Go to [Tim's website](#), or contact Tim at tim@timcestnick.com if you wish to discuss his work or other strategies.
3. Another book for about the same price is *The 30-Minute Tax Solution* by tax expert Evelyn Jacks of the [Knowledge Bureau](#). You can get it at your local bookstore or by calling Evelyn at 1-866-953-4769.

Other Services by PTC Canada

At PTC Canada, we are a network of Canadian tax and financial professionals who are specialists in our fields. We are committed to providing you with tax and financial expertise and assistance if you are affected by CRA (formerly Revenue Canada). Our goal is to provide insight and help to the taxpayer so that our clients can make informed decisions. Our philosophy is commitment to integrity and win/win solutions. Our services now consist of:

1. All types of tax preparation, planning, and consulting
2. Corporate tax returns
3. General accounting
4. Book and record keeping
5. Financial planning and investment services
6. U.S. and Quebec tax returns
7. Bankruptcy and debt consultation
8. Legal tax matters
9. Client representation to CRA
10. Overseas taxes and relocation assistance
11. Later-filer preparation
12. Previous years' corrections and adjustments up to 15 years

Our Free Services

1. Tax booklets, guides, worksheets, and preparation assistance
2. Seminars and information meetings
3. Investment opportunities
4. Mail and e-mail updates
5. 24/7 support via phone, fax, e-mail, courier, and mail
6. Internet filing and interactive website
7. Mobile tax services in certain areas



Tip: If you are not a client but want regular updates, you can join our complimentary update service. Contact us and we'll start you today. There is no cost or obligation, and we love giving away free stuff!

Contact Information

In the **Tax Tips and Strategies** (chapter 6), I have given you some contact information, depending on what may interest you. In this section, I will give you mine and CRA's. If you were looking for something else, please contact me.

My contact information:

Neel Roberts, President and Founder
PTC Canada
Box 1347
Vulcan, Alberta, Canada
T0L 2B0
Tel: 866-485-2683
Fax: 866-485-2761
E-mail: Neel_Roberts@ptccanada.com
Website: www.ptccanada.com



CRA Contacts

Service	Toll Free Number
General Services	1-800-959-8281
Refund Enquiries	1-800-959-1956
Business Number Enquiries	1-800-959-5525
Child Tax Benefits	1-800-387-1193
GST Credit-Personal	1-800-959-1953
Forms	1-800-959-2221
Collections	1-800-332-1312
All other Government of Canada Services	1-800-622-6232
Alberta Family Employment Tax Credit	1-800-959-2809
Fax Number-Depending on your location	Call General Services
Web Site	www.cra-arc.gc.ca
Overseas Tax Services-Ottawa	1-800-267-5177
Overseas Tax Services-Outside Canada	Collect 613-952-3741
Local Tax Center	Call General Services

✓ **Note: Toll free numbers work across Canada.**

Survey and Feedback

As a favour to us, we would greatly appreciate it if you would take a few minutes to give us your thoughts. Your contribution will help others and make us better at what we do. **Thank you for your time!**

Please rate the following items from 1 to 5, where **1 is strongly disagree** and **5 is strongly agree**.

1. I found this guide to be generally helpful. _____
2. This guide was too long _____, too short _____, just right. _____
3. I learned something new and practical. _____
4. I will implement a few ideas discussed. _____
5. I would recommend this to people I care about. _____
6. The guide was well organized and easy to follow. _____
7. The materials made sense to me. _____
8. I was able to understand the general messages introduced. _____
9. I feel enlightened on the subject of taxes. _____
10. I would like to see more publications like this. _____
11. I will refer to this guide again in the future. _____
12. I will bring this guide with me when I'm doing research. _____

I found the following subjects useful:

I would like to see more on the following:

General comments and feedback:

Thank you for your valued response! Kindly send this to me by whatever method you wish. My contact information is on page 41. I look forward to meeting you soon!

Neel

Appendix

Tax Organization Checklist


Part 1 of 4 – Personal Information

1. Are you a first-time client to PTC Canada?
2. If you are a first-time client, how did you find out about PTC Canada? (referred, where, when, how?)
3. Tax years to be filed (we recommend doing a separate checklist for each year to be filed)
4. Full legal name (as on social insurance card) and the name you used in the tax year filed (i.e. Cameron John Smith, Cam; or Susan Ashley Brown, Sue)
5. Current residential mailing address. If moving soon, use new address.
6. Home telephone number. Also, work, pager, cell, and other contact numbers. Please include e-mail addresses, fax numbers, and web addresses, if applicable.
7. Marital status. If married or common law and not filing together, please include your spouse's first name, social insurance number, and net income (line 236 of their return).
8. Your social insurance number
9. Your date of birth in the following format: day/month/year
10. Were you or your spouse self-employed at any time this tax year? If yes, in which province?
11. Were you involved in bankruptcy? If yes, please state entrance and/or discharge date.
12. Is the taxpayer deceased? If yes, please state date of death. Please also provide details of legal hearings, proceedings, etc.
13. Did you leave or re-enter Canada this year? If so, please provide departure and/or entrance date(s).
14. Do you wish to have your name added to the voters' list through your tax return?
15. Are you applying for the GST credit?
16. Do you have any children/dependants under 19 or 19 and older certified infirm by a doctor? If yes, please state their full legal name(s), social insurance number(s), and net income (line 236 of their return). If they require a tax return completed by us, please have them use a separate PTC Canada checklist.
17. Do you own foreign property worth over \$100,000 Canadian?
18. Please tell us any other personal information we may need.

Part 2 of 4 – Income

What are the sources of your income? Please note, this includes income from all over the world, not just Canada.


1. Employment
2. Sales or commissions
3. Odd jobs, casual labour, tips
4. Old Age Security Pension
5. Canada or Quebec Pension Plan
6. Other pensions or superannuation
7. Disability benefits
8. Employment insurance benefits
9. Taxable dividends from Canadian corporations
10. Interest or investment income
11. Income/losses from a limited/non-active partnership
12. Taxable capital gains
13. Support payments received
14. RRSP income
15. Workers' compensation income
16. Social assistance
17. Net Federal Supplements
18. Did you start, participate in, or end a business(es), rental property(ies), farm(s), fishing operation(s), or profession(s) of which you were either a sole proprietor, partner, or co-owner? If yes, please click on the appropriate items and state the applicable partners' names, social insurance numbers, mailing addresses, and percentage of activity level (from 1% to 99%).
19. Foreign income
20. Any other income we need to know about.

 **Please note:** If you had income but were not issued a T-slip for it, you must discuss this with the issuer. **As a taxpayer, you, not your income provider, PTC Canada, or CRA, are ultimately responsible for researching, tabulating, and reporting all your income.**

Part 3 of 4 – Deductions from Income

Which of the following deductions apply to you?

1. Registered Pension Plan contributions not on T4 slips
2. RRSPs
3. Saskatchewan Pension Plan
4. Annual union or professional dues
5. Universal Child Care Benefit (UCCB) repayment
6. Child care expenses
7. Child fitness tax credit
8. Attendant Care expenses
9. Live-in dependants under 18 or over 65
10. Business investment losses
11. Moving expenses or any carried over from last year
12. Spousal or child support payments made
13. Carrying charges and interest expenses
14. Exploration and development expenses
15. Authorized employment expenses
16. Cleric's residence deduction
17. Canadian Forces personnel and police deduction
18. Canada employment amount
19. Employee home-relocation deduction
20. Stock options and shares deductions
21. Limited losses of other years' deductions
22. Non-capital losses of other years
23. Net capital losses of other years
24. Capital gains deductions
25. Northern residence deduction
26. Disability claim
27. Interest paid on student loan this year and interest paid in previous years not claimed
28. Tuition amounts claimed by student/taxpayer and any amount carried over from previous years
29. Tuition amount transferred by parent
30. Amounts transferred from your spouse
31. Medical expenses not covered by a drug plan
32. Public transit passes
33. Donations not claimed up to 5 years
34. Tax paid by instalments in advance
35. Federal or provincial tax credits
36. Losses or any other deductions carried over from last year
37. Any other deduction you feel we should know about

 **Please note:** All deductions claimed by the taxpayer are subject to CRA approval. *You, the taxpayer, must pursue all rejected or disputed deductions at your own expense. PTC Canada assumes no responsibility or liability for rejected or disputed deductions.*

Part 4 of 4 – Miscellaneous

A. For the completion of your return, please review the following:

1. Would you like direct deposit of your refund, GST payment, or child tax benefits?
2. Are you planning to enclose any payment to CRA with this return?

B. One of the services PTC Canada offers is assistance with negotiations with CCRC and any challenges you may face with your taxes. All answers to the following questions will be kept strictly confidential! If you would prefer to speak to us directly, please indicate.


1. Do you currently have a debt outstanding with CRA that you would like to discuss?
2. Do you currently have any outstanding issues with CRA?
3. Have you ever been audited? If yes, how many times and when? Please provide details.

C. PTC Canada's growth has been largely due to clients referring their friends, family, and associates. PTC Canada pays referral bonuses and awards discount fees upon completion of a new client's return. We invite you to take advantage of this.

1. Do you know someone who might require our assistance or services? If yes, please provide name, phone number, relationship, and details. May we use your name when contacting this person?

D. Please enclose the following information with these documents and all your receipts:

- a) Last year's tax return
- b) Last year's notice of assessment
- c) Signed consent form (T1013). If you do not have this, we can provide it.
- d) Spouse's or common law spouse's tax information
- e) Dependants' tax information
- f) Anything else you feel we should know about

 **Please note:** Tips on this form or webpage are for information only and are not legal advice. Those seeking legal advice must obtain counsel from professionals practicing in that field. **PTC Canada will not be held responsible for any liability incurred by anyone using this information form or webpage.**