



Taking Advantage of Taxes

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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Ontario homeowners have begun to receive updated property assessments in their mailboxes this fall and given that the average increase is five per cent, many are concerned about the impact, should municipalities hike property taxes in 2009. While property tax is a significant cost of homeownership, there are a number of tax benefits to be gained by owning real estate.

The most notable tax benefit of owning a home is the capital gains tax exemption. Simply put, when you sell your principal residence, you are not required to pay tax on the profit you make from the sale.

Another key benefit is the GST exemption on all resale homes. New homes are subject to the GST however; rebates for houses up to \$450,000 are available. (In the Greater Toronto Area most builders include the GST in the price of the house and therefore any rebate is assignable to them.)

If you're planning to buy a home for the first time, you are eligible to receive rebates of the provincial and Toronto land transfer taxes. The maximum provincial land transfer tax (LTT) rebate for first-time buyers is \$2,000 and the maximum Toronto LTT rebate for first time buyers is \$3,725.

Every first-time homebuyer can also make a tax-free withdrawal of up to \$20,000 from RRSPs that have been owned for at least 90 days, provided the funds are repaid into an RRSP within 15 years. Some existing homeowners can also utilize this benefit, called the Homebuyers' Plan, provided they are purchasing a home that is more accessible or suited to the care of a disabled dependent relative who qualifies for the disability tax credit.

Seniors with an income threshold of \$23,820 and others with low to moderate incomes can get a break on their housing costs by claiming the property tax credit on their federal income tax returns. This applies to Ontario residents at least 16 years of age (for whom the Canada Child Tax Benefit is not being received) paying, or having paid for them, rent or property tax on a principal residence in the province. The amount you receive depends on your age and income.

If you're planning to buy an additional property for investment purposes, the rental income you achieve is taxable however; the expenses of operating your rental property are deductible from your rental income. Expenses such as property taxes, insurance and repairs on the property can all be deducted.

When it comes time to sell your investment, any profit you make will be taxed as a capital gain however; from a tax perspective, a capital gain is a preferred form of income. The taxable portion of a capital gain is significantly lower than income earned by employment, business, interest or dividends.

As there are many provisions to most tax rules, be sure to consult your REALTOR® and your financial advisor for full details. As well, for information on more government programs for homeowners and homebuyers, visit www.TorontoRealEstateBoard.com

Maureen O'Neill is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area. For more information please visit www.TorontoRealEstateBoard.com.