Building Rental Form

All expenses must be reasonable, related to your business activities and supported by proper documents.

1. General information

Building address:	
Period (maximum one year):	
Type (sole proprietor, joint ownership, etc.):	
If co-ownership, names of shareholders, NAS and %:	
If the owner lives in the rented building, the % of personal use is based on the occupied floor area, including the basement.	
Have you changed your use over the years (renting a property that you used to live in personally or personally living in a property that you previously rented)?	
If so, in what year?	
Number of housing units	

2. Rents

Gross rental income		$

3. Current expenses

Current business expenses incurred during the year: (a current expense aims to bring the building back to its normal value)

Advertisement		$
Insurance premiums - building		$
Interest costs related to the property		$
Office expenses		$
Legal fees		$
Accounting fees and professional fees		$
Management and administration fees		$
Maintenance and repairs		$
Maintenance and repairs (100% rental)		$
Property taxes (municipal and school taxes)		$
Travel expenses		$
Utilities (electricity), example: common areas		$
Gardening		$
Snow removal		$
Supplies		$
Training costs directly related to existing activity (example: courses on building management)		$
CORPIQ (Quebec Real Estate Owners Corporation) fees		$

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Amount paid to the tenant to leave the accommodation		$
Motor vehicle expenses without Capital Cost Allowance (CCA)		$
Labor costs		$
CMHC/Genworth fees and/or notary fees related to the preparation and registration of the mortgage deed. These fees are deductible over 5 years (20% per year).		$
Professional fees (evaluator, notary, etc.) for refinancing within a year of purchase. These fees are deductible over 5 years (20% per year).		$
Spending without an invoice	Non-deductible	
Owner's time costs	Non-deductible	
Gift cards given to tenants (50% deductible like other entertainment expenses)		$
		$
		$

4. Capitalizable expenses incurred during the year

	Amount ($)	%	Date
Furniture			
Computer			
Heat pump			
Equipment (over $500)			
Improvements (e.g. adding a room) for premises other than the home			
Cost of installing and repairing a new production machine			

5. Information on capital expenditure incurred during the year: (this increases the value of the building beyond its initial value)

Extension (for example, adding a fireplace or garage)	NO	Add to the**PBR**. PBR is not influenced by inflation or market value.
Transfer tax account (welcome tax)	NO	
Real estate broker to do land searches	NO	
Cost of decontaminating land	NO	
Cost of the location certificate	NO	
Cost to remove asbestos from building	NO	
Property survey or appraisal costs	NO	
Notary fees related to the purchase of the property	NO	
Building inspection fees	NO	
Initial engineering or accounting costs	NO	
Major renovations carried out shortly after acquisition (e.g. replacement of an aluminum-clad wall with a brick-clad wall)	NO	

Expense incurred not for the purpose of earning income	NO
Unreasonable expenditure in the circumstances (building still at a loss)	NO
Personal expense	NO

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If the item was purchased from a private individual (e.g., garage sale or Kijiji), keep a signed receipt from the seller with their contact information. You can take a photo of the item purchased and a copy of the ad.

If it is for a service (e.g. plumbing) by a self-employed worker, the invoice must include the person's social insurance number so that the owner can issue them a T4A or TP-1086 form at the end of the year.

You must keep your invoices in a ziplock bag for 7 years and in the dark. Save invoices and records online as PDFs.

If it is vacant land, any undeducted portion of interest and property taxes is added to the cost of the land to reduce the capital gain on sale, only if it is held for rental or business income (not for personal use or as a long-term investment to obtain a capital gain).

Caution: If you are making a rental loss because you are renting at a low price to a family member, there must be an expectation of profit. So beware of preferential rental rates between dependents (children - parents).

Deductible expenses are those directly related to the property. Interest paid on a property refinance to purchase a cottage, a primary residence, or a personal-use property is not deductible. Similarly, interest paid to mortgage one's home to provide a down payment on a rental property is deductible. The link between the interest and the rental property must be established by facts. See the cash segregation technique.

Before submitting the file to me, you must roughly calculate the rental profit per building (income minus expenses). If the loss per building is $10,000 or more, there is an increased likelihood of an audit by the Revenue Agency. Check whether the expenses should be depreciated or added to the building's ACB (Adjusted Cost Base). If in doubt, call me.

If a tenant is carrying out work in the building, it is preferable for the landlord not to reduce the rent, but rather for the tenant to invoice him, because the value of the building is based on the gross rents. For the tenant, it is preferable to have a rent reduction, because if he receives income from the landlord, he will have to tax himself as self-employed.

The GST and QST taxes on the purchase of a cottage are recoverable if the cottage is used for short-term rentals (Airbnb style), for less than 31 days.

Home office expenses

To deduct home office expenses, your name must be on the lease or deed for the property.

1. Home information

Living area		ft2
Company area		ft2
Number of hours of home office use per week		h
Number of months home office was used during the year		m
Part of the home that is used for personal purposes, also taking into account the number of hours of use		%
Is it a dedicated room or do you work in common areas (e.g. on the kitchen table)		

2. Current expenses

Home office expenses **totals of the year. Do not multiply by a percentage. Must be related to your business activities.**

Heating		$
Electricity		$
Firewood		$
Hydro-Solution		$
Home insurance premiums		$
Maintenance and repairs related in whole or in part to the home office, specify the %		$
Mortgage interest		$
Condo fees		$
Rent, if tenant		$
Property taxes (municipal taxes)		$
Property taxes (school taxes)		$
Telephone - home, if used in whole or in part for business, specify the %		$
Alarm system		$
Extermination		$

3. Conditions for having a home office

The home office is your primary workplace (more than 50% of the time). Therefore, no rented space outside the residence.

Or

The office is used exclusively (90%, so it is not used for any other purpose) to earn employment income and to meet regularly and continuously with clients or other people in the context of work.

4. Example of usage percentage

A daycare uses 100% of the house for 50 hours/week
100% of the house X 50h/168h = 30%

Note: if the room is used exclusively for the business, the percentage of use of the room is considered to be 100% (168h/168h)

5. Deductible home office expenses

	Autonomous	Commissions	Employee
Electricity and heating	YES	YES	YES
Maintenance (cleaning products and minor repairs)	YES	YES	YES
Rent	YES	YES	YES
Property taxes	YES	YES	
Home insurance	YES	YES	
Rent or mortgage interest	YES		
Telephone (residential line)	YES		
Renovations: changing doors and windows	YES		

6. Conditions for not having a capital gain (non-exempt) when selling the residence

Motor vehicle expenses

If you used two vehicles for business, do not mix mileage and expenses. Use two tabs. You cannot deduct expenses that are paid by someone else (e.g., a car that belongs to a friend).

1. General information

Period of use (maximum one year):	

Must have a logbook (see corresponding tab). If there is no logbook, the percentage must be realistic and credible. Be careful if more than 75% for business purposes

Mileage traveled for the company		km
Total mileage traveled (company + personal)		km
Vehicle model		
Vehicle make		

2. Vehicle purchased

Date of purchase of the vehicle		
Vehicle purchase cost		$
Approximate value of the vehicle as of January 1		$

3. Rented vehicle

Rental fees during the period		$
Start date of the rental contract		
End date of the rental contract		
Value of the leased car (list price)		$

4. Motor vehicle expenses incurred totals of the year. Do not multiply by a percentage.

Fuel costs		$
Insurance premiums		$
Registration		$
Driving license		$
Car Loan Interest Charges		$
Maintenance and repairs (tire changes, car washes, windshield wipers, cleaning, etc.)		$
Parking Fee		$
Tolls (example Highway 25)		$
Purchase GPS		$
Snow removal		$
Car shelter (tempo)		$

Note: Car accident and parking fees are not based on the "business" percentage, but rather on the time of occurrence. If an accident occurs while traveling on business, all expenses related to that event will be considered 100% business.

Fines and tickets are not deductible.

Note: Car expenses based on a mileage allowance (e.g. $0.45/km) are not acceptable. You must calculate the expenses and multiply by the percentage used for business.

Current or capital expenses

The decision to classify an expense as current or capital is a matter of fact, not choice.

A **current expenditure** is usually to be redone after a more or less short period of time. For example, the costs you incur to have the wood siding of a building repainted are current expenses. Other examples of current expenses that are normal annual maintenance: snow removal, lawn mowing, etc. Also, re-roofing with the same quality as the original roof is considered a current expense. An expense cannot be partly current and partly capital.

A **capital expenditure** generally provides a long-term benefit. For example, you are incurring a capital expense if you replace wood siding on a building with vinyl siding, or an asphalt shingle roof with metal roofing. A central (4%) or individual wall-mounted (20%) heat pump is a capital expense. Capital expenditures are added to the cost of the property and can be depreciated at a rate of 4% per year (except for the first year at 2%), like the rest of the building. Land is not a depreciable asset. Depreciation is a possible depreciation (a current expense) for the year. Depreciation is optional and cannot create a loss. It is used to defer the tax payable at the time of sale because depreciation increases the capital gain. Depreciation can only be taken when the asset can be put into service and not when it is paid for.

Renovations and major expenditures you make to extend the useful life of a property or improve it beyond its original condition are usually capital expenditures. However, the increase in the market value of the property after you have made the expenditure is not a major factor in determining whether an expense is a current expense or a capital expense. Instead, you must answer the questions in the table below.

Criteria for determining whether it is a capital expenditure or a current expenditure

Criteria	Capital expenditure	Current expenses
Does the expenditure provide a lasting benefit?	capital expenditure usually provides a long-term benefit. For example, you are making a capital expenditure if you replace the wood siding on a building with vinyl siding.	current expense usually occurs again after a relatively short period of time. For example, the cost of having the wood siding of a building repainted is a current expense.
Is the expense for the maintenance or improvement of your property?	An expense that improves a property beyond its original condition is probably a capital expense. If you replace wooden steps with cement steps, you are making a capital expense.	An expense you incur to restore an item to its original condition is normally a current expense. For example, expenses you incur to reinforce wooden steps are current expenses.
Does the expense apply to part of a property or to a separate property?	If the replaced property is itself a separate asset, it will be a capital expenditure. For example, purchasing a refrigerator that you use in your rental business is a capital expenditure, since the refrigerator is a separate asset and not part of the building.	An expense incurred to repair a property by replacing part of it is usually considered a current expense. For example, the electrical system of a building is considered part of the building. Expenses incurred to replace it are usually considered current expenses if they do not improve the property beyond its original condition.
What is the value of the expense? (Answer this question only if the previous questions do not allow you to determine the type of expense.)	Compare the amount of the expense to the value of the property for which you made the expenditure. Generally, if it is considerably high compared to the value of the property, it is a capital expenditure.	This question is not necessarily a determining factor. If you spend a large sum all at once on maintenance and repair work that was not done when necessary, you can deduct these maintenance expenses as current expenses.
Was the repair expense incurred to restore a used item acquired to a good condition so that it could be used?	The repair expense incurred to restore used property purchased for use in your business to a good condition is considered a capital expense, even if in other circumstances the expense would be treated as a current operating expense. Example: buying a building at a lower price when the roof needs to be replaced. The roof will then be considered a capital expense.	A repair expense incurred for the normal maintenance of an asset you already own in your business is generally a current expense.
Was the expense of repairing a property made with a view to selling it?	We consider repairs made in anticipation of the sale of a property or as a condition of sale as capital expenditures.	At the time the repairs would have been made in some way, but the sale was negotiated during or after them, the expense is considered current.
Addition or improvement or better quality?	Yes	No

Capital expenditure – Special cases

The following situations could change how you deduct your expenses:

Modifications to adapt a rental property to the needs of people with disabilities

You can deduct amounts paid in the year for eligible modifications you made to adapt a building to the needs of people with disabilities. You can do this instead of adding them to the capital cost of the building.

Eligible modifications to accommodate a person with a disability include changes made to facilitate wheelchair access, such as:

the installation of manually operated door opening devices

- installation of interior and exterior ramps
- modifications to a bathroom, elevator, or door
- You can also deduct expenses you paid for the installation or acquisition of equipment and devices that meet the needs of people with disabilities, such as:
- elevator shaft position indicators, such as braille signs and audible indicators
- visual fire alarm indicators
- listening or telephone devices to help people with hearing impairments
- software and hardware specially designed for people with disabilities

Renovate an old building

Renovations or repairs are usually considered a current expenditure. When you renovate or repair an old building that you have purchased so that it is suitable for renting, the cost of this work is considered a capital expenditure.

Construction ancillary costs

You may have certain expenses related to the period of construction, renovation or modification of a building that you make to make it rentable. These expenses, sometimes called **incidental costs**, include:

- interest charges
- legal fees
- accounting fees
- property taxes

Incidental costs for the period of construction, renovation or alteration of a building must be related to the building and the ownership of the underlying land. The land of the building must be:

- underlying the building
- contiguous to the land underlying the building and used (or intended to be used) as a parking lot, driveway, yard or garden, or for any other similar purpose. It must also be necessary for the present or proposed use of the building

Incidental costs related to a building can be deducted as current expenses or added to the cost of the building, depending on your situation.

Incidental costs relating to a building may be deducted as current expenses if they relate to the following:

- only to the construction, renovation or modification of the building
- to the period during which the construction, renovation or modification of the building took place

The period of construction, renovation or modification is considered to have ended at the **first** of the following two dates:

- the date of completion of the work
- the date on which 90% or more of the building is rented

If all these conditions are met, the amount you can deduct as incidental costs relating to the property is limited to the amount of rental income you declare for that property.

Incidental costs that do not meet the above-mentioned conditions may be added to the capital cost of the building and **Not** to that of the field.

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Logbook for vehicle travel (adapt to your needs)

An app on your cell phone can replace the mileage log.

Year	
Odometer as of January 1	
Odometer as of December 31	

Date	Business reason	Starting point	mileage traveled

Simplified register for motor vehicle expenditure provisions

Following a federal initiative to simplify the task for businesses, they can choose to keep a full record for one year to determine the business use they make of a vehicle during a base year.

After a full year of record keeping to determine the base year, a record for a representative three-month period may be used to extrapolate the vehicle's business use for the full year, if the use is within the same range (plus or minus 10%) as the base year results. Businesses will need to demonstrate that the vehicle's use during the base year remains representative of normal vehicle use.

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The Adjusted Cost Base (ACB) calculation allows you to depreciate the property (4%) and therefore pay less tax when owning the property. Depreciation (CCA) cannot create or increase a loss for the buildings, but only reduce the income for all the buildings. However, the Capital Gain (CG) will be greater upon sale. This calculation is done only once and will follow the tax returns over the years in the depreciation table.

The documents to be provided for the calculation of the PBR are:

- Building purchase documents
- Notary fees
- Building inspection fees
- Transfer tax account (welcome tax)
- Mortgage Prepayment Penalty Amount
- Capital expenditure (therefore not deducted in the calculation of profit each year). A capital expenditure generally provides a long-term benefit and improves the property beyond its initial condition.

Notes

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Interest is deductible if:

On a loan used to earn income or acquire an income-producing asset;
On a loan used to repay a loan used to acquire an income-producing asset;
There is a legal obligation to pay the interest;
Rate is reasonable

Apartment building owners can deduct several common expenses incurred during the year to generate rental income. However, many errors in their tax returns cost them a lot of money, as some claimed expenses are then called into question by the tax authorities. What omissions and errors should you pay particular attention to?

Failure to properly allocate the purchase price of the building and related costs between rental space and personal space.

Deducting interest on your loan or mortgage line of credit when part of the funds is used for personal purposes (if you used your line of credit to buy a cottage or to repay a personal debt, for example).

Deduct transfer taxes (welcome tax), legal fees, or any other costs related to the purchase of the property. These costs are capital in nature and must be allocated proportionally between the building and the land, and are added to the base price.

Do not deduct legal fees, discharge fees, and mortgage penalties incurred when selling the property. These will be used to reduce the capital gain or increase the capital or terminal loss.

Do not claim CMHC guarantee fees paid when purchasing the property when the down payment is insufficient. These fees, like the notary fees associated with the mortgage deed in the year of purchase, are deductible at a rate of 20% per year over 5 years.

Capitalize major expenses instead of deducting them (e.g., replacing the roof, windows, or siding), as long as these expenses are incurred to restore the property to its original condition. Capital expenses, which increase the normal value of the property, instead increase its cost base, giving rise to a depreciation deduction.

Failure to provide the RL-31 slip. It must be issued, no later than the last day of February, to each of the tenants or subtenants occupying the dwelling on December 31 of the tax year in question. Any person who, without reasonable effort, fails to provide the required information is liable to a penalty of at least $100.

It is also very important to keep all proof of expenses incurred for as long as you remain the owner of the property.

Renting a property for less than fair market value: beware of loss of rental

To be able to deduct your rental expenses, you must have incurred them to earn income. For example, you may ask your son, daughter, or anyone else living with you to pay a certain amount to cover groceries and home maintenance expenses.

You do not have to include this amount in your income or deduct any rental expenses. This is a cost-sharing and you cannot deduct anyloss of rental in this regard.

If you lose money because you rent a property to someone you know for less than you would rent it to a stranger, you cannot ask forloss of rental.

If your rental expenses are consistently higher than your rental income, you may not be able to deduct aloss of rental, because your rental activity would not be considered a source of income.

If the rent you charge your relative is the same as the rent you would charge another tenant, you can declare aloss of rental if you expect to make a profit.

INCOME PROPERTY: expenses often forgotten

ANDRE BOULAIS
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In my last article, I covered the most common rental expenses that can be deducted. Several other expenses that are often overlooked by income property owners can be deducted. I'll provide an overview of these expenses and the conditions you must meet for them to be deductible.

Expenses for the use of my vehicle:

You may deduct the portion of your vehicle expenses (gas, insurance, maintenance, license, etc.) if you own an income property and perform the maintenance and repair work yourself. Travel expenses that may be deductible are those allocated to this task. You may not deduct your travel expenses to collect your rent. If you own more than one income property, in addition to travel for maintenance work, travel to collect your rent will be deductible. You may not calculate travel expenses based on a per diem per kilometer. You must total the expenses incurred and apply the percentage of kilometers traveled for the income property to the total kilometers traveled during the year. You must prepare a logbook to justify the percentage requested.

Life insurance premium:

If you pay a life insurance premium to pay off the mortgage on the property in the event of death, it is possible to deduct the premiums only under certain conditions. Thus, the premiums will be deductible if:

► The life insurance policy is assigned and required by the lender;
► The lender must be a financial institution; and
► interest payable on borrowed money must be deductible against rental income.

According to the last condition, the premiums will be deductible based on the amount of the remaining loan. For example, you borrow $350,000 in the form of a mortgage and the institution requires you to have a $350,000 life insurance policy, of which it is the beneficiary. The annual premium is $1,000. The first year, the premium will be fully deductible. Let's say after five years that the mortgage balance is $300,000, then the deductible portion of the premiums will be only $850, or $300,000/$350,000 X $1,000.

Rebate received from Caisses populaires:

If you borrowed from a Caisse Populaire to purchase your rental property, you may receive a rebate that your Caisse pays annually based on your loan. This amount does not constitute interest income, but must be declared as income on your rental income statement.

Home office expense

People who own multiple properties and need to use part of their residence for their management can claim a home office expense. This expense is possible if you meet with tenants to sign leases, manage and administer the properties, and store materials used for building maintenance and repair. This expense is calculated according to the same rules as for self-employed workers. Therefore, you must calculate the number of square feet or meters used for income property activities over the total square feet or meters of your residence. Eligible expenses include property taxes, insurance, electricity and heating, maintenance, and mortgage interest. Note that if you claim this home office expense and it does not exceed 50% as a rental portion and you do not claim depreciation expenses, this will not affect your capital gains exemption for a principal residence. It is important that you have multiple buildings or apartments to deduct this type of expense. I recommend that you consult your tax advisor before claiming this expense.

Deductibility of interest and penalty on mortgage

If you renegotiated your mortgage to lower the interest rate and paid a penalty, it cannot be deducted as a current-year expense. This penalty can be claimed as follows.

The penalty will be deducted over the period during which the interest rate was reduced. If you repay your mortgage early and your bank imposes a penalty or other surcharge, you must spread the amount paid over the remaining term of the loan. However, if the property is sold and a penalty is paid to break the mortgage, the penalty will reduce the property's proceeds of disposition.