Behind every real estate decision is a tax decision

Real estate market conditions can shift, but tax strategy is one aspect that stays within your control. From your first purchase to passing on the family cottage, every ownership milestone comes with planning opportunities. Here's what to know.

Getting into the market

If you're helping your children buy their first home, three types of tax-sheltered accounts can stretch that support further.

1. **FHSA (First Home Savings Account):** contribute up to $8,000 a year, $40,000 lifetime, tax-deductible going in and tax-free coming out for your child's first home
2. **TFSA (Tax-Free Savings Account):** once your FHSA is maxed out, TFSA lets you keep saving ($7,000 a year in new room for 2026) by withdrawing any amount tax-free, anytime, toward a down payment
3. **HBP (Home Buyers' Plan):** borrow up to $60,000 from an RRSP, tax-free, toward a first home



Ask your advisor how all three accounts can work together: the combined tax savings can add up quickly.

Owning your home

Your home is one of your most tax-sheltered assets. Depending on your situation, you can consider these strategies to help you make the most of it.

- **The Singleton Shuffle:** if you're carrying both a mortgage and a non-registered investment portfolio, this strategy can convert non-deductible mortgage debt into deductible investment debt, lowering your true, after-tax cost of borrowing
- **Principal residence exemption:** a tax break on your primary home — sell tax-free, no matter the size of the gain

Rules to know

- **No loss relief:** unlike an investment loss, a loss on the sale of your home can't be used to offset other gains
- **Anti-flipping rule:** sell any property within a year of buying, and the full gain is taxed as business income, not as a capital gain

> "It's not about taking on more debt, it's about making the debt you already have work harder for you. The Singleton Shuffle is discipline dressed up as strategy, converting non-deductible mortgage debt into deductible investment debt, so every dollar of interest works for you at tax time instead of against you.
>
> **Jamie Golombek,** Managing Director, Tax and Estate Planning at CIBC Private Wealth

Structure your debt wisely and hold long enough to protect your gains. Consult your accountant or tax professional to understand your options.

Investing in property

Rental properties can be tax-efficient assets in a broader portfolio, as long as you follow the rules on deductions.

- **Deductible expenses:** mortgage interest, property taxes and routine repairs are fully deductible against rental income

Rules to know

- **Short-term rental restriction:** renting out a unit as a short-term rental (under 90 consecutive days) without proper licensing means you lose the right to deduct expenses against that income, even though the income is still taxed

Claim every deduction you're entitled to, but make sure your rental holds up to scrutiny.

Passing on the cottage

Transferring property triggers tax, no matter how you do it, so planning ahead gives you options.

- **Joint ownership and trusts:** structures like joint ownership, bare trust corporations or alter ego trusts can reduce or avoid probate on a property passing to your heirs
- **Life insurance:** a permanent life insurance policy can fund the capital gains tax your estate may owe when property is passed on

Rules to know

- **Gifting still triggers tax:** treated as a sale at fair market value, even though no cash changes hands, so capital gains tax still applies

⚠ What to pay attention to: Avoid the "double-tax trap"

Selling a property to the next generation below fair market value is a common instinct, but it can result in the same gain being taxed twice. The CRA deems the sale to have occurred at fair market value regardless of the actual price, while the purchaser's cost base reflects only what they paid. A sale at fair market value, or an outright gift, can avoid a double-taxation outcome.

Start the conversation early. When it comes to transferring property, structure matters more than intent.

Owning U.S. property

Canadians who own U.S. property can face a second layer of tax. The right structure, set up early, can help reduce or avoid it.

- **Trust ownership:** holding a U.S. vacation property in a trust can remove it from your estate for U.S. tax purposes, shielding your family from a US estate tax liability of up to 40% at death

Rules to know

- **U.S. estate tax exposure:** U.S. property held by a Canadian at death can face estate tax of up to 40%, a liability that catches some cross-border families off guard
- **U.S. estate tax exemption:** currently US$15 million and indexed annually, though worth monitoring with your advisor
- **Foreign tax credit:** US estate tax paid can be credited against the federal capital gains tax on the Canadian deemed disposition at death

Timing is everything

Holding a U.S. vacation property in a trust to avoid U.S. estate tax exposure generally only works if the trust is in place at the time of purchase. Transferring an existing property to a trust typically triggers Canadian and US tax implications.

The right ownership structure needs to be in place before the property purchase; once owned, moving the property into a trust typically triggers immediate Canadian and US tax liability.

Make real estate decisions less taxing
Let's talk about the tax strategy behind your next real estate move

Tax implications vary by individual circumstances. Consult your accountant or tax professional for guidance specific to your situation.

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