

# GOVERNMENT RELATIONS



## Prepare yourself for the change of a lifetime

### Is a Personal Real Estate Corporation right for you?

It's hard to imagine that living and working in British Columbia could possibly get any better, but for many members, that's exactly what's going to happen on January 1, 2009.

Next year, any REALTOR® working in British Columbia will have the opportunity to form a Personal Real Estate Corporation (PREC). British Columbia will be the first Canadian province to offer this corporate structure to its licensed real estate professionals.

Many members may choose to continue offering their services as employees or independent contractors. Others will choose to capitalize on this new service and apply for their own PREC licence because it allows them to access the business advantages of incorporation. One of the key benefits is the ability to spread out your income stream throughout the year.

Before deciding to incorporate your services, make sure you have all the information you need to make the best decision. Discovering the benefits to your business is a good place to start. Begin the process by asking yourself the following question: will the tax benefits of my new business structure exceed the additional costs and complexity required to incorporate my services?

### If you answered yes, consider this:

As with lawyers, accountants, dentists and other professions that are legally allowed to form personal corporations, establishing your corporation won't change your liability, obligations and responsibilities to clients, or the overall regulatory framework that governs how real estate can be traded.

New corporations require specific rules and restrictions to be drafted in the incorporation documents, which is why you should obtain professional legal and tax advice before applying for a licence. Remember, after forming a PREC, REALTORS® become employees of the corporation and all commission income is earned by the PREC. All legal filings on behalf of your corporation will need to be tracked and accounted for separately and the appropriate filings in respect to GST, payroll and income tax must be made on a timely basis.

### Did you know?

Income earned by a corporation is subjected to a lower rate of tax than would otherwise be payable by an individual?

- On the first \$400,000 per annum, the rate is only 15.5 per cent
- The ability to defer personal taxes at a rate of up to 28.2 per cent can make significant capital available for investment or other non-personal purposes (such as buying a car or commercial property used in the business)
- Your spouse or children will be permitted to be shareholders of the PREC directly as employees and/or indirectly through trusts or holding companies
- With proper tax advice, REALTORS® will also have the ability to stream income to certain family members in lower tax brackets

Source: British Columbia Real Estate Association

### Where can I get a PREC licence?

The Real Estate Council of BC is responsible for all aspects of licensing, including PRECs, and expects to begin accepting PREC license applications for processing in November 2008. In the meantime, the Council's Rules and Bylaws need to be amended to create step-by-step procedures.

An individual wishing to establish a PREC will have to have two licences - one for themselves, and one for the PREC. While this will mean two licence fees, a PREC licence will be more similar to an individual licence than a brokerage, meaning there will be no trust account, audit, or other similar brokerage requirements.



► Further details with respect to PRECs will be provided in the coming months. Members with questions may contact the Council at **604-683-9664**, toll-free **1-877-683-9664** or email [info@recbc.ca](mailto:info@recbc.ca).