



TAX OPPORTUNITIES IN REAL ESTATE

ESTATE

HIGHLIGHTS

New Huge Tax Savings and Tax Deferral Opportunities - effective January 1st, Real Estate Agents are able to Incorporate

Presale Condo Losses - a Tax Solution to Soften the Blow (Delayed Action Can Lead to a Loss of this Opportunity)

Incorporation of Real Estate Agents

Effective January 1st, 2009, new rules were introduced in BC to allow Real Estate Agents the opportunity to Incorporate themselves. Other self employed individuals have been enjoying the benefits for years, but now Real Estate Agents can begin enjoying the benefits as well.

Some of the most significant of these advantages could include:

- **Tax Rate Reduction** - through a corporation, your tax rate can be reduced to between 15% to 16%. Compare this to up to 43% you are paying now. *It is possible to cut your tax bill by more than half* especially with the introduction of previously unavailable mechanisms of income splitting such as a Family Trust.
- **Deferral of Taxes** - during the first year the corporation will not be required to make Tax Installments, and the income within the corporation can be deferred by up to 18 months. *A corporation will allow for the payment of taxes to be deferred for at least a year, which will help your cash flow in today's down market.*
- **Smoothing of Income to Avoid High Taxes** - when the market is up, earnings are up and so are your taxes, but when the market is down, so are your earnings. The result though is that the government collects tax at the highest rate of tax during the high earning years. *Wouldn't it be better to smooth out your earnings over the up and down years to take advantage of lower tax rates? A corporation allows you to do that.*

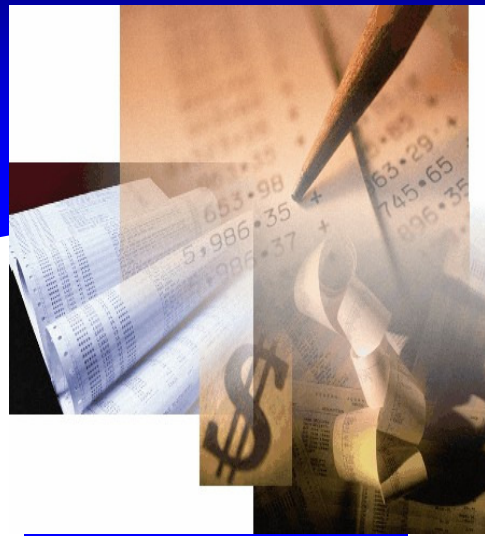
Of course everyone's situation is different, and the degree to which you would benefit will vary. A good situational review with a Tax professional would determine the maximum extent you would be able to benefit.

Incorporation was previously not offered to Real Estate Agents.

Now can take advantage of low 16% tax rate on first \$500,000 of earnings.

Save your cash flow - Taxes on income can be deferred for up to 18 months.

Smooth your income over several years to help avoid those high Tax Bills during the good years.



TAX OPPORTUNITIES IN REAL ESTATE

Presale Condo Losses & Other Real Estate Losses - A Tax Solution to Soften the Blow

We have all read about and personally know individuals in this situation. Their friend, co-worker etc flipped a condo, made \$50,000, and they decided to do it too. Now they are in a position of having to close on a property that is no longer worth what they are required to pay for it at closing.

They have a loss of \$50,000 instead of a gain and to make matters worse, it is a "Capital" Loss which can only be applied against other capital gains of which they do not have any. They do not even get to deduct it for Tax Purposes.

But is it a Capital Loss? The Tax Department would most definitely like you to consider it a capital loss and no doubt the purchaser would have treated it as a capital gain if the property had increased in value. So it must be a Capital Loss, right?

Well actually no, *under the right set of circumstances the Loss can be treated as an Income Loss, all of which can be deducted against the purchaser's other sources of income, which would generate a very large Tax Refund.* The difference between obtaining a large Tax Refund and not receiving one is dependent on the facts of the situation.

The right tax treatment can result in up to a 43% Tax Refund on the amount of the loss. This could significantly reduce the "sting" of the loss.

But be careful before renting the property, it could result in the loss of this tax advantage.

For example, what was the original intention when purchasing the property? Is the property going to be rented now since the purchaser is stuck with it?

The correct answers to these questions will determine the outcome, so proper advice from a

Tax Professional should be obtained to analyze and maximize the benefit of your situation.

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a commentary such as this, a further review should be done. Every effort has been made to ensure the accuracy of the information contained in this commentary. However, because of the nature of the subject, no person or firm involved in the distribution or preparation of this commentary accepts any liability for its contents or use.



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