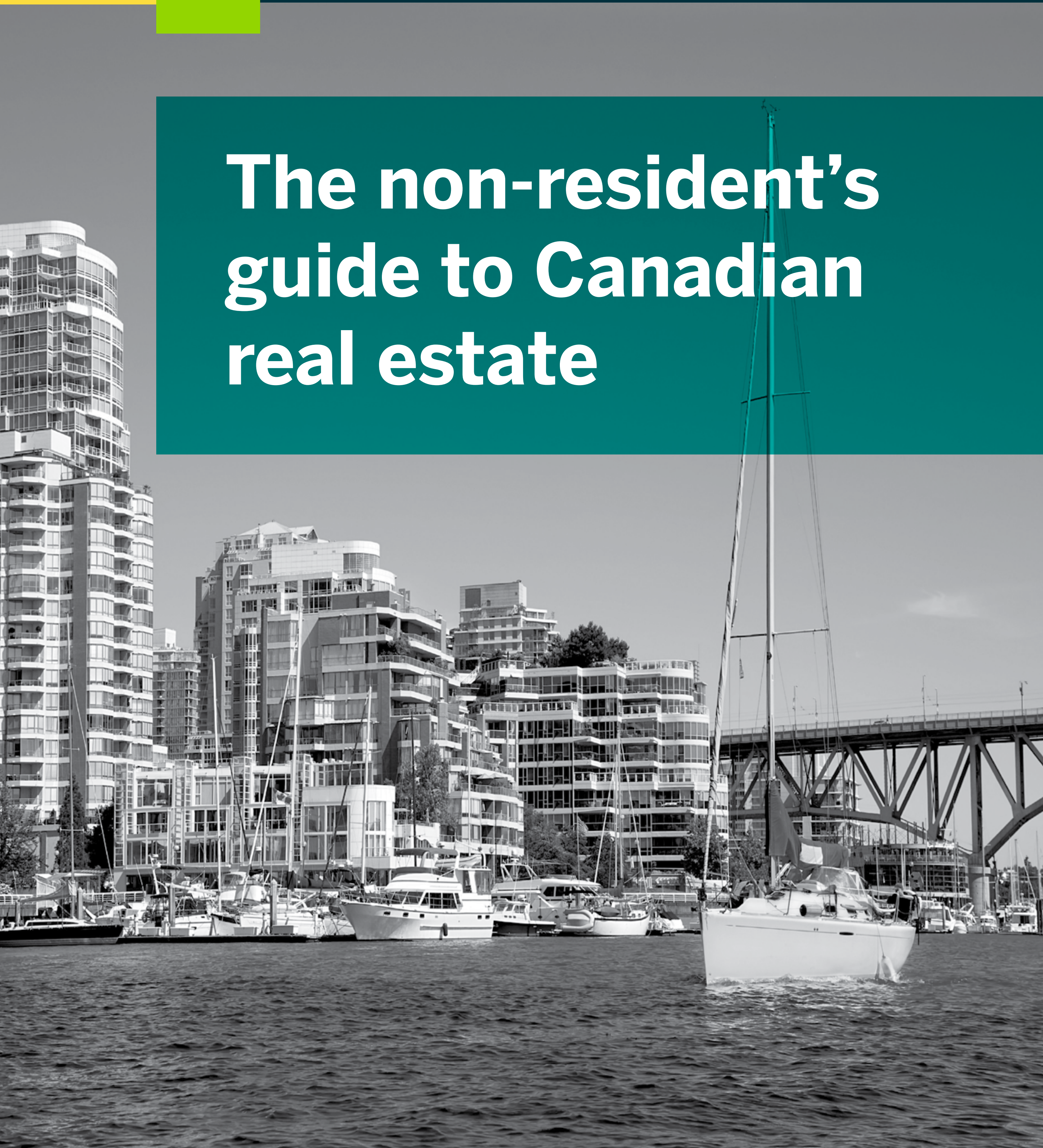
The non-resident's guide to Canadian real estate



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Canada: A safe place for wealth to grow

Is the Canadian market right for you?

Economic and political stability. Low unemployment rates. Excellent health care. It's no wonder why so many people from across the world choose Canada as their ideal location for real estate investment. Home to many ex-pats, and a vacation favourite for global travellers, the Canadian market provides fertile ground for both overseas investors and new immigrants looking to set down roots.

Within Canada, there are virtually no restrictions on foreign owned real estate investment. Thus, buying, developing, and selling within the Canadian real estate market is a relatively level playing field, no matter where your country of origin resides.

Cross-border investment flows have been growing rapidly since the economic collapse of 2008. In 2014, the proportion of international investments increased to 12%, making international factors like immigration a substantial determinant of housing prices in Canada's largest markets[1]. Government statistics have stated that the majority of foreign investment in Canada's real estate is primarily from China (70.6%), the U.S. (4.6%), and India (3.6%)[2]. Contrary to what many Canadians perceive, foreign buyers represent less than 10% of investors, with the majority falling within the 40 – 60 age range and purchasing as part of a retirement strategy, or as assistance for their grown children who are seeking to enter the market[3].

Canadian real estate has historically provided high returns to investors, and more recently the depreciation of the Canadian dollar has created a favourable environment for purchasing from abroad. Buying in Canada continues to be a solid strategy for wealth optimization and both short and long-term ROI.

ABOUT THIS GUIDEBOOK

For first time investors in the Canadian real estate market, local expertise and knowledge is key to cost-effective purchasing. Zeifmans has prepared this guidebook in an effort to help you better understand the various facets of a Canadian real estate purchase. These include:

- **Defining "non-resident"**
- **Buying as a non-resident**
- **Selling as a non-resident**
- **Owning as a non-resident**
- **Understanding insurance, mortgages, and real estate fees**

At Zeifmans, our team has over 60 years of experience assisting buyers from across the globe in making intelligent investment decisions. Our solutions harness our specialized knowledge and out-of-the-box thinking to take our clients where they want to go financially, preserving and growing their hard-earned wealth for the long-term.

CHAPTER 2

Defining "non-resident"

Is the Canadian market right for you?

Canada, for tax purposes, divides real estate buyers and owners into residents and non-residents. While this may seem like a straight-forward delineation, there are some more subtle nuances to the terminology. Not all Canadian citizens are considered residents, and those citizens must still follow non-resident protocol despite their citizenship.

Non-resident (NR) taxpayers of Canada can be citizens of Canada. Non-resident individuals (NRs) are those who do not have significant residential ties to Canada. There is no clear definition of an NR, as each case is considered individually based on a variety of factors. Significant residential ties could include:

PRIMARY

- Home in Canada
- Spouse or common-law partner in Canada
- Dependents in Canada

SECONDARY

- Personal property (cars, furniture, etc) in Canada
- Social ties to Canadian recreational or religious organizations
- Economic ties to Canadian bank accounts or credit cards
- Canadian driver's license or passport
- Provincial health insurance in Canada

Non-resident corporations are usually corporations that are not incorporated in Canada, and/or have a board of directors that operates in a jurisdiction outside Canadian borders. A corporation will be deemed to be resident in Canada under common-law if its management and control is exercised in Canada. This usually can be determined by the location where the board of directors meets and makes decisions.

It is worth noting that in both the case of individuals and corporations, the taxpayer may be considered an NR if the entity also operates in another country that has a tax treaty with Canada, and the treaty dictates that the entity is an NR according to its regulations.

Corporations seeking to amplify purchasing activity in Canada may consider beginning a new corporation in order to qualify as a Canadian resident.

Section 3 of the Income Tax Act (ITA) taxes non-residents (NRs) on three key types of earnings:

- Salaries earned in Canada
- Business income earned in Canada
- The sale of certain types of property in Canada (including real estate)

The NR is required to file a tax return on these earnings. Business income includes the development of real estate, as well as the ownership and management of properties such as hotels and certain rental properties.

Under section 212 of the ITA, those paying certain types of income to NRs outside of Canada are required to withhold 25% of the gross income and remit to the Canada Revenue Agency (CRA). This income would include dividends, passive rental income, interest, royalties, and certain management fees. In some cases where Canada has a tax treaty with the NRs primary nation, the 25% withholding rate may be reduced to a lower rate.

The withholding tax is applied on a gross basis and does not consider any expenses incurred to earn the income. If we look at the example of a rental property, this means that rental income is taxed on the gross rent amounts without taking into consideration expenses like utilities and property taxes.

The ITA allows an NR to file a return in Canada and pay regular income tax on passive rental income and timber royalties on a net basis rather than gross.

Buying as a non-resident

Successfully completing a Canadian real estate purchase

While there are virtually no restrictions on NRs buying property in Canada, it is crucial for the buyer to understand the various facets of the purchase process in order to mitigate taxation and maximize profit. Regardless of the use of the property for commercial or residential purposes, the same main tenets apply.

Ownership structure should be among the first decisions you make in the purchasing process. It's advisable to choose the correct structure early and up-front as making alterations to the ownership structure after a property has been purchased can be extremely costly. Individuals can purchase real estate, as can Canadian Corporations (CANCOs).

The use of a CANCO is for various business, tax, liability, and financing purposes.

PERSONAL USE

A personal use property for an individual (for example, a cottage or second home) is generally held personally or in a trust, and not in a Canadian corporate entity. If held personally, there are no tax filing requirements relating to this type of purchase until the NR decides to sell. The disposition of the property can be via a gift, sale, or on transfer to the next generation upon death. Owning this type of property in a CANCO may present income tax issues for the shareholder, and is thus generally not advisable.

DEVELOPMENT

If an NR individual or entity is planning on purchasing property to develop and sell, typically it is done by way of incorporating as a CANCO to conduct its real estate business here in Canada. The CANCO can either purchase the real estate itself, or through a Canadian joint venture or partnership.

If an NR corporation does not incorporate in Canada but conducts business here, it may be deemed to be operating a branch in Canada and will be subject to Canadian income tax as an NR operating within Canada. A branch conducting business in Canada is subject to income tax and sales tax as any typical CANCO would be. Withholding tax would also possibly apply.

CONDUCTING A FEASIBILITY STUDY

If you plan to enter the market as a real estate developer, one should conduct a feasibility study. In this process, you'll be able to determine whether you currently have all the tools you'll need to make your project a success.

Outline your plan – Focus on the overall "why" of the project. Are you serving an underserved market? What are the supply and demand factors? What is the advantage of purchasing?

Project your income – Work backwards by beginning with your anticipated income. Then determine all the investments you'll need to make to achieve that goal. Consider which expenditures will be required, and any reimbursements that you'll receive in the process.

Research the market – Take the time to thoroughly examine the market. This step is so important that it may even be worth considering hiring an outside firm to conduct research on your behalf. Market research will give you the clearest picture of what kind of revenues you can expect. Depending on the type of investment, here you'll analyze competitors, geographic factors, market value, and expansion prospects.

Organization and Operations – In this step, you'll outline the specific start-up costs, fixed investments, and operating costs of the development. Depending on the type of development you're purchasing, these costs could include construction, property taxes, real estate fees, etc.

Opening day balance sheet – This balance sheet assesses all the assets and liabilities of the purchase. Organize the list by item name, source, cost, and available financing.

Decide – Once you have gathered all the data for your feasibility study, you can analyze, confirm, and finally decide on whether this particular real estate purchase, at this moment in time, is the right one for you.

RENTAL AND INVESTMENT

NRs who are looking to purchase a property for rental and investment purposes have a number of different options available to them:

Personally – NRs can purchase personally. If it is held personally, tax is paid on the gross withholding rate as stated above. Income tax can alternatively be paid at a reduced rate via a section 216 tax return (which allows taxation to occur on a net basis). To determine which method is the best for you, it's wise to take a thorough look at your current overall tax and business situation.

Incorporate – NRs can incorporate a CANCO to hold the property. This means the property is no longer held by an NR, but by the CANCO, and it would have to file a Canadian corporate tax return.

Unlimited company – A USA NR entity may choose to hold real estate under an unlimited liability company (ULC). ULCs are a common entity that US businesses use when creating a Canadian subsidiary for certain tax reasons. The subsidiary can be a regular CANCO or a ULC.

Partnership – An NR person or corporation investing in a Canadian partnership should incorporate as a CANCO to hold the partnership units. When an NR invests in a partnership registered in Canada, it deems the entire partnership as a non-Canadian partnership for tax purposes, even if the NR owns as little as 1%. In keeping a partnership non-Canadian, the partnership loses many tax benefits while placing the burdens of withholding taxes on each partnership member. This is why it's advisable for NRs to invest in a Canadian partnership through a CANCO.

NON INCOME TAXES ON PROPERTY PURCHASES

Regardless of the ownership structure, there are several taxes that the purchaser should be made aware of. For income tax purposes, many of the taxes we are discussing here that are not rebated or refunded back to the payer will increase the cost of the property for income tax purposes.

GST/HST – These are federal and provincial sales taxes paid by the purchaser when buying a new residential property or any type of commercial property. Depending on the province, the tax is either 5% GST (plus a possible provincial sales tax of up to 9.975%) or HST which is a combined federal and provincial sales tax ranging from 12 to 15 percent. GST/HST is administered by the CRA, and provincial sales tax (PST) is administered by the various provincial ministries.

If the property is going to be used for commercial rent, or any kind of development purposes, the purchaser should register for HST/GST and be reimbursed for the HST/GST paid on the original purchase. In fact, there is a mechanism that can be arranged to avoid paying these taxes on the original purchase as well.

If a residential property will be used for rental purposes, no HST/GST is paid on the purchase of a used property. Even if a residential property is bought for immediate personal or rental use and HST/GST is paid, there are rebates available to get back a portion of the tax. While there is no rebate for properties over $450k, there may still be a provincial rebate available.

Land transfer tax – Most provinces have a land transfer tax, though Alberta and Saskatchewan impose a small transfer fee instead. Real estate purchases in Toronto incur an additional municipal tax. Ontario, BC, PEI, and the City of Toronto offer land transfer tax rebates for first-time homebuyers, even if they are NRs, as long as they meet the requirements.

Land transfer tax can range from 0.5% of the value of the real estate to a full 5%. These taxes are paid on closing of the transaction.

Foreign purchasers in 2 provinces have non-resident speculation taxes and/or foreign buyers taxes:

British Columbia (BC) foreign buyers tax – The BC foreign buyers tax on residential properties is 20%, even if the property is bought through a CANCO or trust. The tax applies to certain areas of BC. The proportionate share is the percentage of interest that you are registering on title with the land title office. This means that NRs acquiring 70% interest in a property would only pay the additional tax on the 70% interest. This tax is paid on closing, and certain exemptions and refunds may apply.

British Columbia (BC) speculation tax – BC speculation tax targets foreign and domestic speculative property buyers. For those who are purchasing solely for the purpose of selling when the price increases, the tax can be up to 2% of the property's value. Those buyers who occupy the home, rent it out, or pay income tax in BC are exempt from the tax.

Ontario non-resident speculation tax (NRST) – Foreign home buyers in Ontario pay 15% on a purchase or acquisition of interest in residential property located in the Greater Golden Horseshoe Region. Taxes are paid on closing and some exemptions and rebates may apply.

CHAPTER 4

Non-residents holding an investment property

Understanding the administrative details

Canadian real estate investment, for the purpose of rental income or otherwise, is an attractive option for non-residents. That being said, there is undoubtedly some administrative paperwork that needs to be completed in order for the investment to remain compliant with local legislations.

As we've discussed in the previous chapter, Canadian real estate investments can be held by an NR person or entity, by a CANCO, by a joint venture, or by a Canadian partnership. In each case, the process for taxation and registration is slightly different.

In this sense, it's helpful to seek the guidance of a Canadian advisor who can help you to ensure that all the necessary paperwork has been filed in accordance with the specific local requirements. This advisor can also assist you in crafting an ownership and taxation strategy that can best leverage your current financial situation as an NR.

Let's take a look at the various requirements depending on each purchasing entity:

NR PERSON OR ENTITY

If an NR individual or corporation owns a property for rental purposes, the tenants and property manager will need to receive an NR number from CRA. Canadian tenants are required to withhold and remit from foreign individuals and/or corporate investors withholding taxes to the CRA at 25% of the gross rental revenue earned. The taxes need to be remitted prior to the 15th of the month after the income was earned. The NR account tracks all these payments.

Every year, the NR account holder will issue an NR4 slip to the NR. This slip will indicate the gross rental income received by them and the amount of withholding taxes remitted to the CRA.

Under section 216 of the ITA, an NR can elect to file a tax return for the year the rental income was earned, within 2 years of the calendar year the taxes were withheld. The NR can claim expenses against the revenue earned and likely receive a refund of the withholding taxes they paid.

If an NR chooses to elect this option:

- An individual would need to apply to CRA for a Canadian Social Insurance Number (SIN), which is needed to file a Canadian income tax return known as a T1.
- A foreign corporation would need to apply to CRA for a Canadian Business Number (BN), which is needed to file a Canadian corporate tax return known as a T2 return.

If the taxpayer wishes, they can request from CRA to withhold taxes on the net rental income and not the gross income. This request needs to be conducted via an NR6 and made before the beginning of the year the income is received. Once the request is approved by CRA, the investor must file a tax return under section 216 of the ITA by June 30 of the following year.

Under the Canada US tax treaty, any income taxes paid in Canada can be used to offset US taxes on that income, since Americans are taxed on worldwide income. In Canada, depreciation is not mandatory; you generally cannot create a loss with depreciation. Canada has several similar treaties with other countries, where similar laws apply.

INCORPORATING A CANADIAN ENTITY

An NR individual or corporation can invest in Canada through a CANCO. The CANCO must then file an annual corporate tax return (T2) with CRA. The net taxable income of CANCO pays federal and provincial income taxes at a rate of approximately 25% (depending on the province). Losses may be carried forward a maximum of 20 years.

Net taxable income in Canada may not be the same as net taxable income in the USA. For Americans purchasing through a CANCO, after tax profits can be paid to the US shareholder via a dividend. Though the amount does depend on the specific scenario, withholding taxes paid to the CRA on the dividend can be can be 5 or 15 percent.

Another option that we've discussed earlier is to invest in a ULC. That being said, there are some concerns from a US perspective when investing in a Canadian corporation, which requires the assistance of a US income tax professional.

JOINT VENTURE

When purchasing part of a property, it's very common to invest via a joint venture. The ITA doesn't consider the joint venture a legal entity, and looks at its participants to determine taxation. Thus, if an NR invests in a joint venture, whether as an individual or a corporation, it will follow the taxation of an individual or a CANCO.

PARTNERSHIP

When an NR invests in a partnership registered in Canada, it deems the entire partnership as an NR partnership for tax purposes. This is true even if the NR owns as little as 1%. As we've mentioned previously, Non-Canadian partnerships lose benefits of Canadian partnerships, while placing the burden of withholding taxes on each member of the partnership. NRs are advised to invest in a Canadian partnership only through a CANCO. In this scenario, the CANCO is taxed on its share of the income of the partnership and its only withholding tax obligation would be when it pays a dividend to its NR shareholders.

A NOTE ON SALES TAX

Investors should be aware that most residential rental income in Canada is exempt from sales taxes. This means that no sales tax is collected, but there isn't a rebate on sales taxes incurred to earn rental income.

Sales tax does need to be collected on commercial rental income, and there is a rebate or refund available for all the sales tax paid to earn that income. That being said, there is an exemption from registration if the annual rent collected is less than $30k. Do note though that once you register, you will always need to collect sales tax, even if you expect to collect less than the $30k threshold in future years.

Short term rentals that are less than one month are subject to GST/HST provided that the rent charged is greater than $20 per day. Long-term residential rentals are not subject to GST/HST if they are rented for more than 30 days. In this regard, AirBnB hosts will need to register for a GST/HST number provided that annual revenues exceed $30k annually.

Depending on the province, there may be 1 or 2 individual sales taxes to collect. Alberta is the only province with strictly federal tax (5%), while other provinces range from between 10 to 15 percent. Joint ventures have different rules for sales taxes that also extend beyond the scope of this guidebook. These rules do apply to individuals, corporations, and partnerships who earn rental income in Canada.

Selling real estate as a non-resident

Maximize profit and minimize taxation

Whether your investment was initiated as a holding, a speculative purchase, or a development, the sale of a property is an important milestone. Within Canada, there are several ways to mitigate losses in a sale in order to improve ROI. The key lies in being aware of taxation laws and enlisting a trusted advisor with experience navigating the Canadian real estate landscape.

The process of selling real estate in Canada varies slightly depending on whether the NR is selling the property as an individual or as a CANCO. Taxes such as capital gains can take a large bite out of profits depending on the situation of your specific sale, but there are in some cases ways to minimize the impact. Let's take a look at how the two scenarios differ.

SELLING AS A CANCO

If a CANCO that is owned by an NR sells a rental property, it is likely that the sale will be a capital gain, which is 50% taxable in Canada. The CANCO will pay the tax at approximately 13% of the taxable portion, and all after-tax profits can be paid to the foreign shareholder via a dividend, management fee, or the repayment of a loan.

If the CANCO owns part of a joint venture or partnership, the CANCO must report the capital gain on the sale, which has a tax rate of approximately 13%. Similar to the above, the after-tax profits are paid out to the foreign shareholder via a dividend, management fee, or the repayment of a loan.

If the NR owner of a CANCO is a real estate developer and sold real estate, then the gain would be taxed by the CANCO on account of income and not capital. This tax rate would be roughly 26%, and after tax profits would be as above, paid out to the foreign shareholder via a dividend, management fee, or the repayment of a loan.

If the NR did not incorporate via a CANCO and was instead operating out of a branch, different tax circumstances apply.

Though sales tax does not need to be charged on the sale of a used property, all new residential and commercial properties would need to charge sales tax. The seller is able to claim a refund for the sales taxes that were spent building and operating the property.

SELLING AS AN NR

Section 116 of the ITA details the step-by-step process for an NR to sell a property. To begin, the NR must notify the CRA. This will potentially involve a remittance of withholding tax on the sale. Once CRA receives notification, and if applicable, withholding tax, CRA will issue a clearance certificate. Until the NR receives the clearance certificate, the purchaser is required to withhold and remit 25%, or potentially 50% of the purchase price to the CRA within the 30 days following the end of the month of closing.

If the vendor does receive the clearance certificate prior to that date, CRA will allow the purchaser to remit only 25% of the amount of any capital gain. An additional amount may be required that relates to Capital Cost Allowance (CCA). The vendor cannot deduct the commissions or professional fees in the calculation of the 25%.

4 STEPS TO OBTAINING A CLEARANCE CERTIFICATE

A holdback from the purchaser will always be required when an NR is selling real estate. The seller won't receive the full proceeds of the purchase until they receive the clearance certificate and it is confirmed that taxes have been paid.

To obtain a clearance certificate, the NR will need to follow these steps:

1. Within 10 days of closing, the NR's representative should request the certificate from CRA via a T2062 (and potentially T2062A) form.

2. The T2062 form requires the following info:
   - Purchase price and date of sale
   - Vendor's Canadian SIN, BN or equivalent
   - Vendor's address, contact information, and date of birth
   - If applicable, the date the vendor became a Canadian NR
   - Date the vendor originally acquired the property
   - If applicable, details of the co-owners of the property
   - Property location
   - Original cost of the property and any capital improvements
   - Income earned on the property

   The seller's representative may need to supply source documents as evidence of this information. In some cases, additional communication with CRA may be necessary to obtain the specific documents required.

3. CRA contacts the seller's representative and reviews the documentation they have received. Sometimes this extends into a number of different conversations. Once CRA is content with the information in their possession, they will request payment of the tax and issue the clearance certificate.

4. After the clearance certificate has been issued, the lawyer will send the balance of the holdback to the NR seller.

Additionally, please consider the following points:

- If a clearance certificate is not received, the purchaser of a non-depreciable property needs to withhold 25% of the purchase price so that it may potentially be remitted by the CRA. Purchasers of depreciable property need to withhold 50%.

- The ITA specifies that the holdback is mandatory, and based on the purchase price rather than the net profit.

- If by the end of the second month after closing, a clearance certificate has not been obtained, the representatives need to obtain a comfort letter from CRA. This letter will enable the purchaser's lawyer to hold the funds and defer remittance until they receive further instructions.

- Section 115 of the ITA specifies that the vendor is taxable on the sale of Canadian real estate and is thus required to file a Canadian income tax return for the year of the sale. Payment for the clearance certificate or withholding on the sale is considered an instalment payment.

- The vendor is able to claim selling costs against the gain reported on the clearance certificate. This means that they will usually receive a refund upon filing.

- NR sellers who do not submit the T2062 to CRA by the tenth day following closing are subject to a penalty that equals the greater of $100 and $25 per day (plus interest) to a maximum of $2,500. This penalty is due even if there is no tax owing.

RENTAL INCOME

Applying for a clearance certificate can sometimes bring to light compliance issues that were not properly handled earlier in the life cycle of the investment. One such example is the remittance of of withholding tax on rental income..

Section 212 of the ITA specifies that NRs earning rental income on Canadian real estate are required to remit to CRA 25% of the gross rental revenue on a monthly basis. In many cases, this amount is reduced to 25% of net profits on the property. The NR can then file an income tax return under section 216 to receive a refund on any withholding tax submitted that is over and above any amount owing on their Canadian tax return.

If an NR never remitted this withholding tax monthly, CRA will learn about this error when the NR requests a clearance certificate. The consequences for such non-compliance could include interest and penalties. CRA will not issue the clearance certificate until they receive all filings up to date in connection with the rental income.

Financing, insurance, legal fees and property taxes

Additional fees to consider when buying and selling

When considering the purchase price and operating costs of a property in Canada, buyers need to factor in a number of additional fees to accurately assess the ROI of the investment. Though it is possible to buy property in Canada without financing, many NRs do utilize the assistance of Canadian financial institutions in formalizing their purchase.

To ensure that an NR is fully prepared to make an offer on a property, adequate action should be taken ahead of time regarding the transfer of funds. Depending on the country of origin, it's not uncommon for international money transfers to take up to 2 weeks. And depending on the market where the NR would like to purchase, the average listing period may be shorter than that two-week mark, making it necessary to plan ahead and have the funds ready.

In today's era of technological advancement, applications like Skype make it easy to virtually walk through a property prior to purchase, and tools like DocuSign enable buyers to sign offer letters and mortgage papers from across the world. While it's always best to be physically present during the transaction, there are ways to facilitate purchase while overseas.

At Zeifmans, we do recommend that NR buyers connect with a trusted local advisor to assist during the purchase phase. Since there are many different professional partners involved in the sale (realtors, lawyers, insurance brokers, etc.), it's helpful to have a designated, singular contact to oversee the entire execution. In choosing a trusted advisor like Zeifmans, NRs have access to decades of experience and knowledge about taxation, investment, and succession planning, while also ensuring that all necessary compliance activity has been adequately performed.

Let's take a look at some of the additional items that NRs will need to consider in formalizing a purchase.

FINANCING

To get started with financing a purchase, NRs will generally need to have a down payment. The amount of the down payment will depend on the primary country of residence of the purchaser.

NRs are eligible for the same interest rates as Canadians, but in some cases will need to pay higher rates as they are considered to be higher risk by Canadian lenders. This is largely dependent on the type of property. NRs will need to meet the same mortgage eligibility requirements as Canadian residents, and if the NR lives in a country that does not have a tax treaty with Canada, they may only be eligible for a fixed-rate interest rate on their mortgage.

Additionally, NRs may be subject to the following restrictions:

- Rate premiums
- Maximum amortization period of 25 years
- Unable to refinance

Once an NR makes an offer on a property, they will need to provide the seller with a deposit, generally around 5% to 10% of the purchase price. The NR will also need to supply proof of income, proof of assets, and a reference letter from their bank in their residency country. It is worth noting that banks may not allow applicants to include rental income in their overall qualifying income. The bank will want to see evidence of where the money has come from, including a history of the funds over the last 90 days. The easiest way to provide the bank with a history of your down payment is to park it in a Canadian bank account for 3 months prior to making an offer.

In the event that financing cannot be secured through traditional lenders, NRs can approach B and C lenders who may provide financing at a higher interest rate.

In many cases, to finalize the financing the bank will require a property inspection and third party valuation.

INSURANCE

Insurance is an expenditure that should be factored into the overall operating costs of a Canadian real estate investment. There are several types of insurance to consider, and each will play a different role depending on the type of real estate you're investing in. Speculative purchases will require different insurance coverage than rental properties, and rental properties need different coverage than full-time personal residences.

RESIDENTIAL PROPERTY INSURANCE

Though home insurance is not legally required in Canada, it is needed in order to secure a mortgage. There are three types of residential insurance to consider; liability, contents, and home insurance.

TITLE INSURANCE

Title insurance protects the property owner from challenges to the ownership of the property, providing coverage against losses due to title defects.

COMMERCIAL PROPERTY INSURANCE

Commercial property insurance protects businesses in the event that property is stolen, damaged, or destroyed in a natural disaster like a fire. This type of insurance can keep a business afloat during an unexpected crisis.

REAL ESTATE AGENTS AND LAWYERS

Whether purchasing a commercial or residential property, a real estate agent can assist in negotiating the purchase price, and inform an NR buyer of nuances such as local market, neighbourhood, and property history that may influence the ROI. Realtor fees vary throughout the country and between brokerages, but generally are commission-based, up to 3 to 5 percent of the purchase price plus sales tax.

A lawyer will also be necessary in finalizing the paperwork of the sale, and their fees should be taken into consideration as part of the overall purchase price.

PROPERTY TAXES

Once an NR purchases a property, they will have to pay annual property taxes to the municipality. Both residential and commercial property owners will have to pay the property tax levy. The tax rate varies depending on the type of property, and the location. These rates are determined each year through an annual assessment conducted by the municipality, but they generally amount to 0.5 to 2.5 percent of the property's assessed

value. This number is then multiplied by the market value of the real estate, which can vary depending on the market.

Property taxes can be paid in a lump sum, or can be tracked and paid monthly alongside your mortgage payment.

To accomplish this end however, you'll need to make sure that the family understands your wealth and business configuration, and that future generations share the motivation to progress the wealth trajectory.

A question we often see from legacy wealth families is the challenge of instilling in the younger generations (who are accustomed to a more luxurious lifestyle) the same level of motivation that inspired the older generation to begin the family business in the first place. While the founding entrepreneurs are often fueled by the desire to solve a niche problem in the marketplace, or to escape poverty, later generations may not share the same passion or experience.

Here is where the process of family governance begins. It's a process that needs to be based on a foundation of communication, and revisited at regular intervals to ensure that the family mission is preserved and understood, across the generations.

Is now the right time?

Get started building your Canadian legacy

Real estate is widely considered to be an excellent investment strategy, particularly in a stable nation such as Canada. A property purchase can earn rental income month after month for several years, or can serve as a home base that appreciates in value as the years go by.

One of the most essential tenets of any wealth-optimization strategy is diversification. If an investor diversifies their portfolio across investment types, and across global markets, they have the assurance that even when hard times hit, they will continue to remain afloat. Purchasing a commercial property, rental unit, luxury home, or speculative investment in the Canadian real estate market is an excellent way to protect your family's wealth for many years to come.

At Zeifmans, we work with clients from across the world, helping them to achieve their goals for business growth and financial sustainability. As a member of Nexia International, we have cemented many deep business relationships in the US, Europe, Asia, and the Middle East. With over 700 offices in more than 120 countries, our membership with Nexia gives us the local expertise and timely assistance that our clients need.

Allow us to become your trusted advisors as you begin to create your own legacy wealth strategy. To speak to one of our professionals, contact us today at 416.256.4000, or send us an email at info@zeifmans.ca.

Great ideas.
Positive impact.
That's Zeifmans.

Sources:
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