



Rental Properties – Tax Implications & Considerations

A step-by-step guide to help you determine your housing units, whether rental use is ancillary, and what happens when a change of use occurs — so you can navigate the Principal Residence Exemption with confidence.

1

Determining Number of Housing Units

Work out whether your property is one housing unit or two.

2

Ancillary vs Non-Ancillary Use Rental Suite

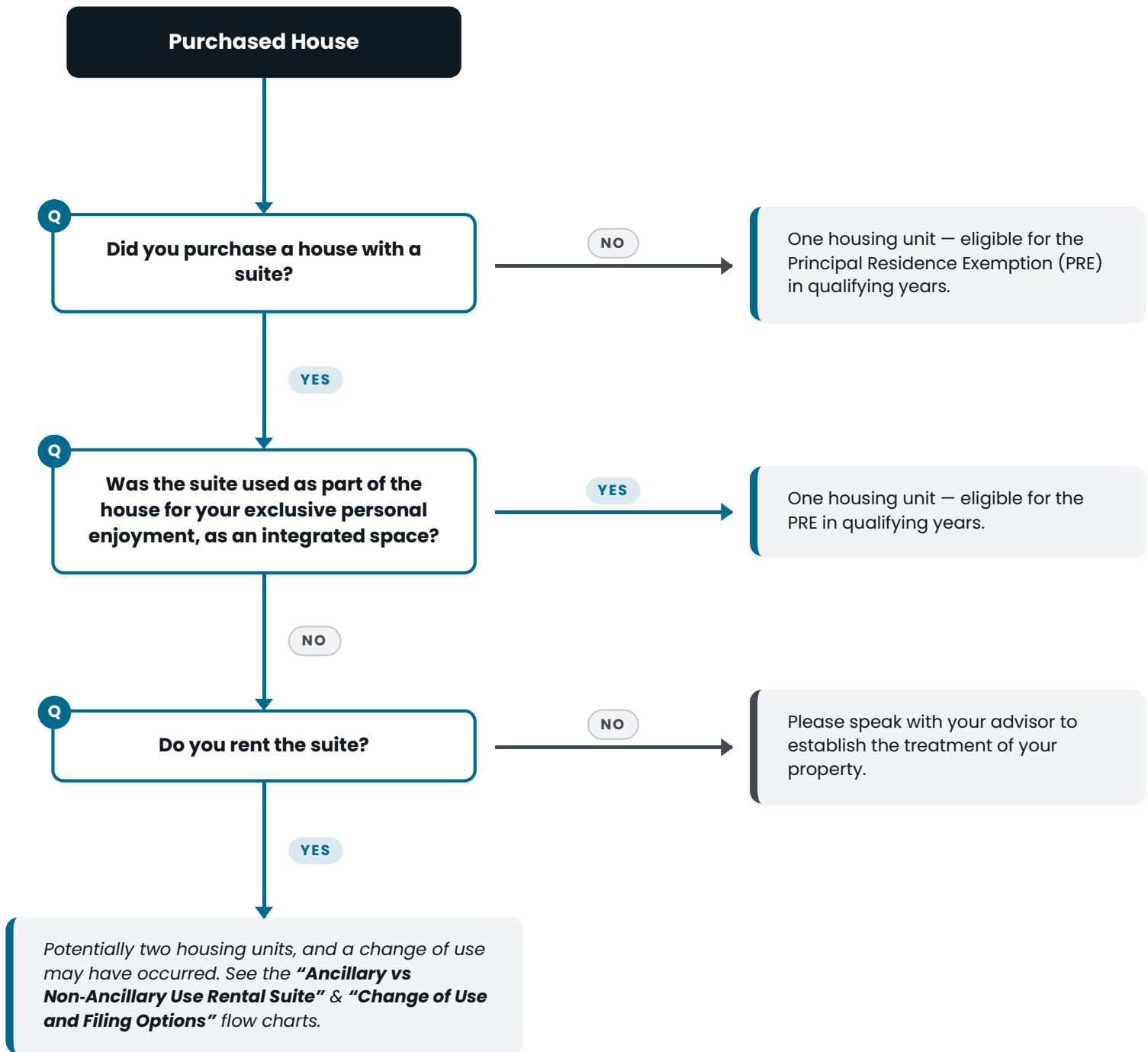
Determine whether your rental income is considered ancillary to the home.

3

Change of Use and Filing Options

Understand deemed dispositions and your election and filing options.

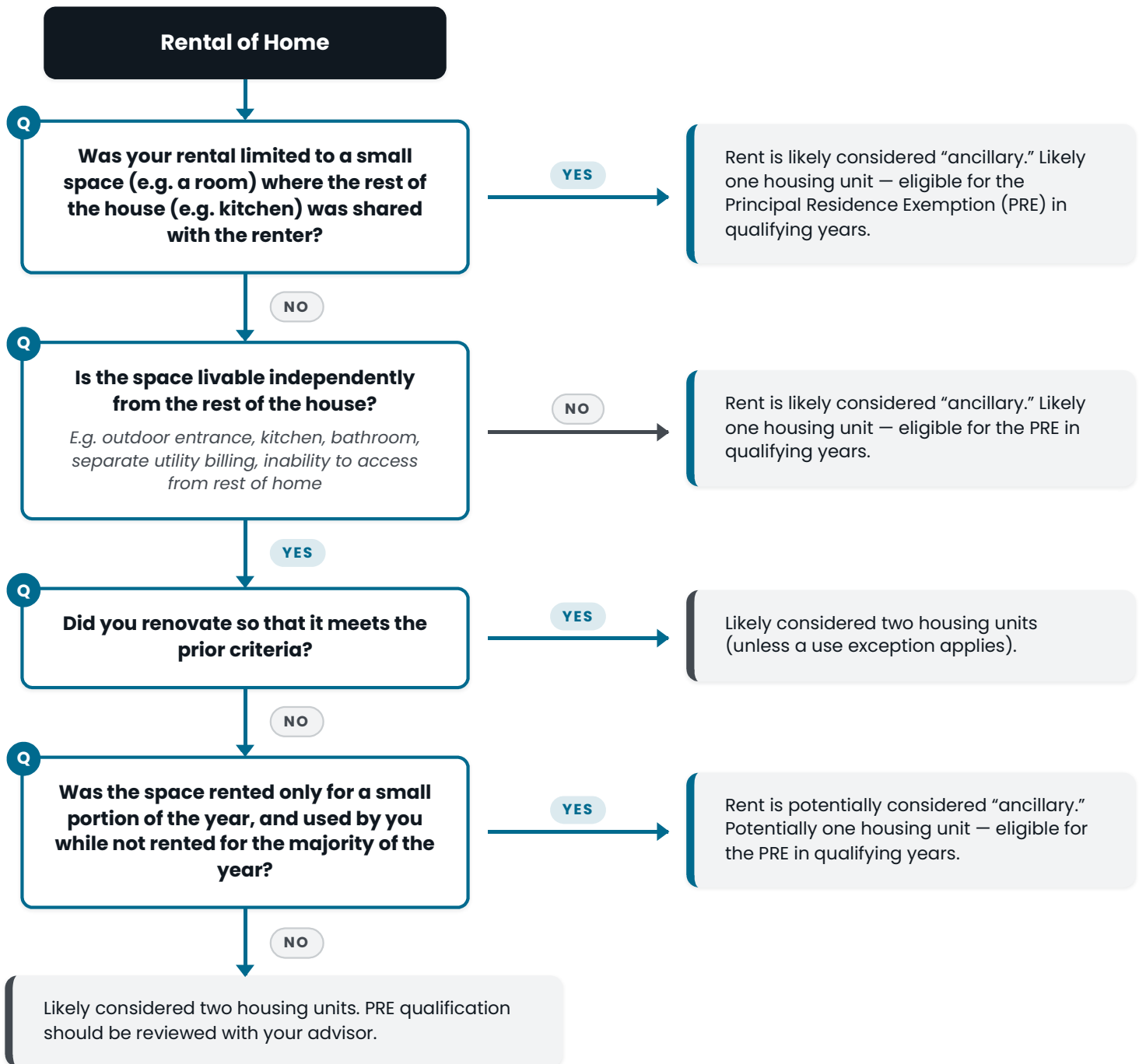
Purpose: This chart is intended to be a general guide in determining whether a home purchased with a suite may be considered as one or two housing units — which may have implications on tax treatment and exposure to capital gains tax. The descriptions and titles are general references. The specific legislation should be reviewed for a complete and detailed understanding of each concept.



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**This chart is not to be used for the analysis of "personal use property," which is not eligible for the principal residence exemption. In the case of personal use property or multiple properties, please discuss further with your advisor.

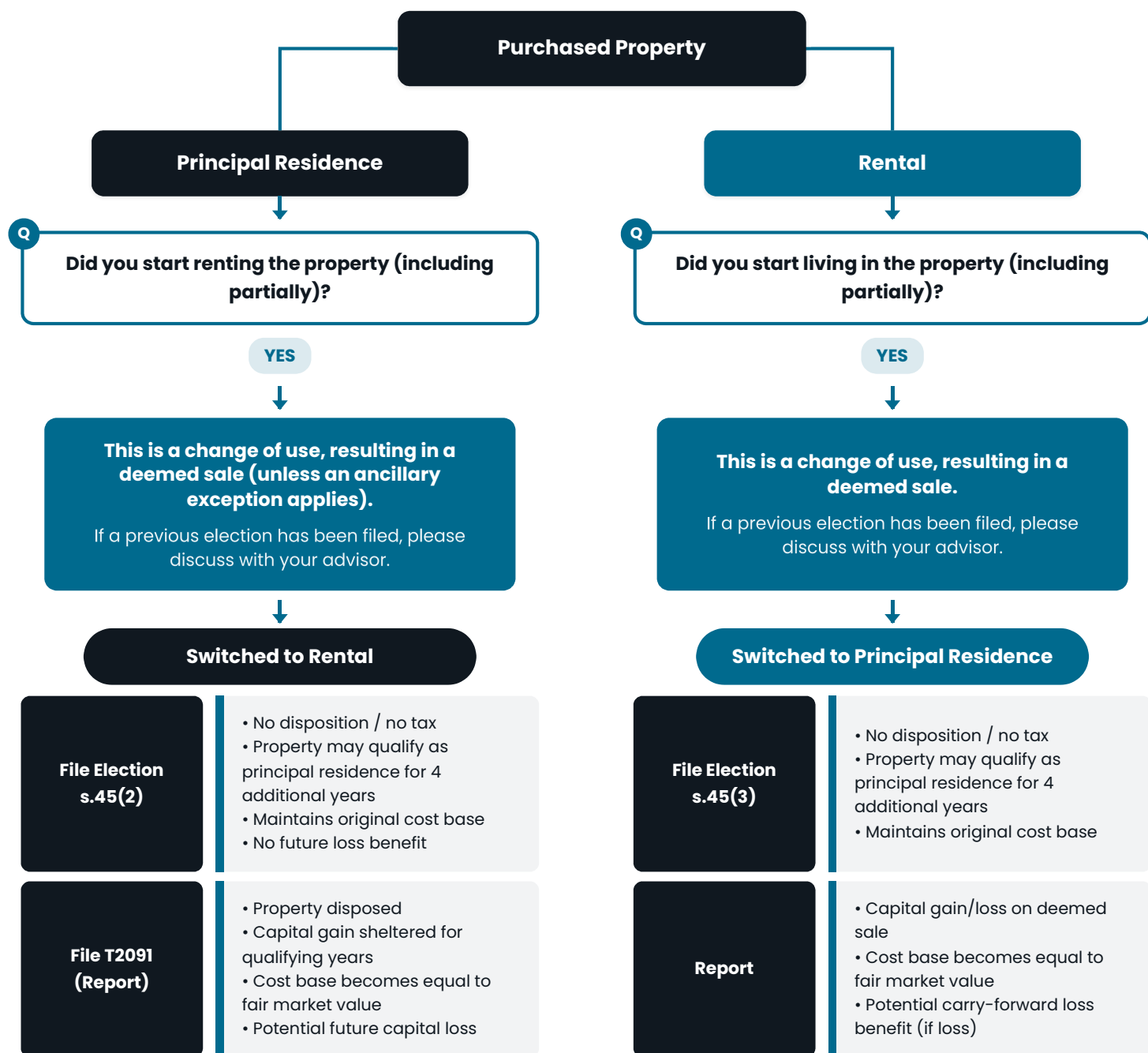
Purpose: This chart is intended to be a general guide in determining whether rental income is ancillary to the use of the home – which may have implications on tax treatment and exposure to capital gains tax. The descriptions and titles are general references. The specific legislation should be reviewed for a complete and detailed understanding of each concept.



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IF NOTHING DONE — NOT RECOMMENDED

Potential capital gain on deemed sale • Cost base becomes equal to fair market value • Potential future capital loss

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