

MOUNTAIN TOWN PROPERTIES PRESENTS:

THE ULTIMATE GUIDE FOR NON RESIDENTS BUYING PROPERTY IN B.C.

This information is general in nature and may not apply to each or every property. Prospective buyers should be aware that Realtors are retained solely to provide Real Estate Services and not to act as a lawyer, tax advisor, mortgage lender, accountant or home inspector. Prospective buyers should obtain independent advice from these individual professionals prior to making an offer.



COURTESY OF MOUNTAIN TOWN PROPERTIES | ROSSLAND B.C.

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WHAT IS A "NON-RESIDENT"

DEFINITION

You are a non-resident for tax purposes if you:

- ~ Normally, customarily, or routinely live in another country and are not considered a resident of Canada; OR.
- ~ Do not have significant residential ties in Canada; AND you live outside Canada throughout the tax year OR you stay in Canada for less than 183 days in the tax year.

This definition was obtained from Government of Canada website.



NON-RESIDENT WITHHOLDING TAX

The Canada Revenue Agency (CRA) requires from non-residents a 25% withholding tax on revenue earned. All owners of property are required to file annual income taxes and pay tax on income. The 25% that was withheld will apply to the payment. When you sell the property, the withholding tax is roughly 1/3 (one third) of the selling price. However, you can apply to have your original cost of the property deducted before the 1/3 withholding tax is applied. If the property is owned by a Canadian or Canadian corporation, this withholding does not

This information provided by L.J. van der Ham & Associates, Rossland BC

THE ADVANTAGES OF FORMING A BC CORPORATION

When non-residents purchase property in Canada, it may be beneficial to have the property owned by a Canadian (BC) Corporation, which is of course owned by the non-resident or even a foreign company. By the property being owned by a Canadian entity and considered a "resident", one avoids non-resident tax implications both on the buying and selling transactions:

- ~ Non-resident withholding taxes
- ~ Corporate Income Tax
- ~ 5% Goods & Service Tax

MARKET VALUE

The price of a home that a buyer and a seller have agreed to at a given point in time.

APPRAISAL VALUE

The value of a home, provided by a professional licensed appraiser that a bank uses to lend on.

ASSESSMENT VALUE

The value of a home as valued by BC Assessment, for property tax purposes.

This information provided by L.J. van der Ham & Associates, Rossland BC



CORPORATE INCOME TAX

The Corporation that owns the property will be subject to approx. 29% rate on operating profits. If the corporation sells the property, the effective tax on the Capital Gain would be 14.5 % before any tax loss carry forward deductions (In Canada we can carry forward losses for 20 years.). This is because the corporation would be allowed a 50% exemption on the Capital Gain from the sale. This exempt part of the gain also gets you (via a capital dividend) no more tax grabs! As the owner of a corporation, you will reap many rewards that are unavailable to those owning the property personally.

This information provided by L.J. van der Ham & Associates, Rossland BC
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5% GST

Goods and Services Tax is unfortunately a fact of life in Canada and the happy prospect of purchasing recreational real estate in British Columbia requires consideration of GST.

GST is designed to be paid by the end user of the goods or services that are being purchased. In the case of recreational real estate, the end user is either the purchaser who is buying the property for personal use, or the renter who rents the property from the buyer on a nightly or short-term basis.

A purchaser who buys a recreational Property with the intention of renting it out to nightly or short term, may be able to defer paying GST by obtaining a GST number prior to completing the purchase. Individuals, partnerships (e.g. a husband and wife as joint owners), companies and trusts can defer GST...

MORE ON GST

Once registered for GST, the purchaser is entitled to claim credits and obtain refunds for GST that has been paid on property expenses such as legal fees, strata management fees, property management fees, maintenance etc.

Even if GST is deferred at the time of the purchase and is not payable after the first year because of its availability for rent, it may be payable at a later date if there is a change in use. For instance if the property is used as a rental property for the first three years of ownership and in the fourth year the owner decides that he will stop renting the property, CRA will consider this to be a change in use which requires that GST be paid. The owner would then pay GST based on the current market value of the property.

It is imperative that a buyer inquires with their homeland accountant, a BC Accountant and Lawyer to obtain independent advice concerning GST.

GST information provided by McEwan Law Co., Trail BC



FIXED COSTS

Property Tax:

Assessed annually, roughly 1.25% of assessed value. Paid to City of Rossland by July 2nd of each year.

Monthly Strata fee:

Typically covers: building insurance, reserve fund for future building expenditures, garbage/recycling, snow removal and gardening, caretaker and/or strata management, legal, banking, accounting, janitorial, elevator, security and sometimes cable and/or internet or building amenities such as community hot tub.

Utilities:

Water/Sewer - each property individually metered, paid quarterly to City of Rossland.

Gas and Electricity.

Cable TV and Internet.

Private hot tub maintenance.



Red Resort Association: Tourism Marketing. \$250/yr if not vacation renting, \$500/yr if vacation renting.

This fee applies only to Slalom Creek, Morning Star, The Compound & Caldera.

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RENTAL PROPERTY MANAGEMENT

Property Management is a great option to offset your cost of owning! There are no restrictions as to how often an owner can or cannot use their property. And no mandatory enrolment. Renting your suite out is entirely optional.

There are 3 management companies to choose from in our area:

Mountain Town Properties (MTP), 30% of gross revenue management fee + \$30/hr for cleaning.
Red Mountain Resort Lodging (RMRL), 50% gross revenue management fee
Red Mountain Village (RMV), 45% gross revenue management fee.



FINANCING

- ~ USA residents need 20% down payment, same as Canadians.
- ~ Land-only purchases require 50% down payment.
- ~ Residents outside of Canada and the USA will be required to put 20% - 35% down payment.
- ~ Mortgage to be personally guaranteed by the applicant.
- ~ You will need a Canadian Bank Account in your name prior to being approved for financing (so it would be prudent to open an account prior to leaving Canada).
- ~ An appraisal on the property will be required by your lender.

This information is provided by Mortgage Specialist Raylene Walker, CIBC Trail BC



CLOSING COSTS

- Lawyer or Notary: searching title, drafting documents, Land Title Registration, \$600-\$1200
- Survey Certificate (if required) or Title Insurance
- Appraisal (if applicable), typically paid for by the lender and rolled into lending fee
- Insurance Premium
- GST (if applicable)
- Property Transfer Tax, one-time determined as follows:
 - 1% on the portion of the price under \$200,000
 - 2% on the portion of the price between \$200K and \$2M
 - 3% on the portion of the price over \$2,000,000PTT is not calculated on the GST component of the price, for sales where GST applies.



INSURING STRATA TITLED PROPERTIES

INSURANCE

Each building or condo project is its own strata corporation and through the monthly fee that you pay to the strata corporation provides funding for the building's insurance policy. So the only additional insurance you may wish to purchase comes in a package with three elements: 1. Contents 2. Liability 3. Rental interruption

Condo insurance package is offered through our local insurance agent at a fee of approximately \$500+ per year depending on specifics of the policy.

Image courtesy of Iain Reid



SELLING

If you purchased your resort home in your personal name as a non-resident, you are subject to a non-resident withholding tax of 25% - 50% of the gross sales price when you sell your property. If disposing of property that you have been renting, you must file returns reporting the rental income and expenses up to the date of disposition, and pay all of the tax due. Canada Revenue Agency (CRA) will issue the clearance certificate only after all your Canadian taxes have been paid, including any taxes on rental revenue and capital gains tax.

Canadian Residents and BC corporations are not subject to this withholding tax, additional paperwork and potential delay in property transfer.



Image courtesy of Ryan Flett

REWARDS

- Attractive currency exchange rates.
- Top quality building construction.
- Close-knit community; become part of the fabric.
- Great summer climate; not just a winter destination.
- Effortless ownership with Professional Property Management services.
- Numerous seasonal events: parades, carnivals, festivals.
- 24 hour USA/Canada border crossing.
- Friendly Rossland'ers become family.
- International community at work and play.
- Investment in your family, lifestyle and health.
- Recreation, rest and retirement.
- Give your employees the gift of benefits.

NON-RESIDENT BUYER'S GUIDE

THIS INFORMATION BROCHURE WAS BROUGHT TO YOU BY OUR FRIENDS AT THESE LOCATIONS:

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**WE APPRECIATE THE OPPORTUNITY TO WORK WITH YOU.
PLEASE CALL US...**

Image courtesy of Iain Reid

WE'RE HERE TO HELP



Mountain Town Properties is a boutique real estate brokerage showcasing some of the finest mountain real estate in the area. We're licensed with the Real Estate Council of BC and a member of the Kootenay Real Estate Board. The properties we list have exposure on the Multiple Listing Service as well as the unique advantage of exposure to our varied clientele who utilize our many services.

**Our office is located in the historic Bank of Montreal building in downtown Rossland.
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