

# MOUNTAIN TOWN PROPERTIES'

# THE ULTIMATE GUIDE FOR BUYING VACATION RENTAL PROPERTY IN ROSSLAND B.C.



Moka, Erinn, Jodie, Meghan, Jen, Debbie

This information is general in nature and may not apply to each or every property or individual. 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 individual professionals prior to making an offer.



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### This Section Relates to Non-Canadian Residents:

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

Image courtesy of Iain Reid



# WE'RE HERE TO HELP



Mountain Town Properties is a boutique brokerage of licensed REALTORS® and Property Managers. Our market area is Rossland, RED Mountain Resort, Trail, Christina Lake and Invermere BC. We assist buyers, sellers and property owners buy, sell or rent their homes.

Our office is located in the historic Bank of Montreal building in downtown Rossland.  
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## THE BENEFITS OF WORKING WITH A **REALTOR®**

If you are the client of a real estate professional, they work on your behalf.

REALTORS® have a fiduciary duty to you, that puts your best interests ahead of anyone else's, including their own.

The real estate professional representing you has special legal duties to you that are outlined here:



### **LOYALTY**

They act only in your best interests.

### **FULL DISCLOSURE**

They must tell you everything they know that might influence your decision in a transaction.

### **AVOID CONFLICTS**

They must avoid any situation that would affect their duty to act in your best interests.

### **CONFIDENTIALITY**

They must not reveal any of your private info without your permission.





## BUYING PRE-CONSTRUCTION NEW DEVELOPMENTS

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When you purchase a property directly from a developer's sales representative, whether licensed or not, they work for the developer (their client), NOT YOU.

So, developer's sales teams have:

**No Loyalty to you:** they are representing the developer who has competing interests to yours in a transaction they must be loyal to their client, not you.

**No Duty to Avoid Conflicts of Interest:** They are not acting in your interests.

**No Confidentiality:** They must share any information you tell them with the developer.

**Call on a Mountain Town Properties' REALTOR® to work for YOU!**

HOW DOES A REALTOR GET PAID?

# AT NO COST TO YOU

REALTORS® typically get paid from from a seller, or developer, as the case may be.

Developers typically invite and involve REALTORS® to foster engagement and support rather than a competitive climate.

Your REALTORS® commission does not affect the developer's sales representative's commission; they earn the same amount regardless of whether you have a REALTOR®

REALTORS® and sales people typically get paid upon the completion of the transaction.



# NEW RULES FOR SHORT TERM RENTALS (STR)

B.C. is facing a housing crisis, with a shortage of all forms of attainable housing, including long-term rentals. Legislation at the provincial level has been enacted to give local governments stronger enforcement tools for their short-term rental bylaws, return short-term rentals to the long-term rental market, and establish a new Provincial role in regulating short-term rentals.

The purpose of the Act is to:

- Give local governments stronger tools to enforce short-term rental bylaws
- Return short-term rental units to the long-term housing market
- Establish a new Provincial role in the regulation of short-term rentals

Many local governments have already taken action to regulate short-term rentals, such as the City of Rossland. Rossland began regulating short term rentals in 2016, staff and Council regularly review and update the regulations as required. There are two categories of Short Term Rentals: commercial and residential.



## SHORT TERM RENTALS IN

# ROSSLAND (IN TOWN)

### Residential Short Term Rentals:

- Applies to most single family residentially zoned properties in Rossland
- Must occur within the principal residence
- Must only occur when the principal resident is present
- May occur in the principal residence for up to 3 months a year when the principal resident is away (rent out your whole home for up to 3 months in a year while you're away)
- Cannot occur on a property with a secondary suite or detached secondary suite
- Cannot occur in a duplex, triplex or multi-family building
- Must meet parking requirements
- Must meet requirements and obtain business licence

This definition was obtained from Government of Canada website.





## SHORT TERM RENTALS AT

# RED RESORT

RED Resort was planned and developed with tourism accommodation in mind and therefore continues to be a designated Commercial Short Term Rentals neighbourhood:

- Can occur where there is no permanent resident present
- Must provide 24/7 local contact
- Must meet parking requirements
- Must meet requirements and obtain business licence
- Each Unit within property must hold a separate licence

[Link to City of Rossland Short Term Rentals](#)

This definition was obtained from Government of Canada website.



THE ULTIMATE GUIDE FOR BUYING VACATION RENTAL PROPERTY IN B.C.

# RENTAL PROPERTY MANAGEMENT

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

There are 3 management companies to choose from at RED, depending on what building you buy in. A few buildings have restrictive covenants that require the use of a specified property manager:

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## MOUNTAIN TOWN PROPERTIES RENTAL MANAGEMENT

Our property management services include: home amenity and staging consultation, professional photography, maintenance, cleaning, while hosting a full featured, secure on-line reservation system. Guests can view individual properties' availability calendar, generate a quote, and book direct on line, or call. Our properties automatically sync to AirBnB and VRBO for full online exposure .

We're responsive! MTP's Property Managers carry a company cell phone to answer both phone and web inquiries: days, evenings and weekends.

We provide all communications related to the management of the property, do the work and send you a monthly statement of account, with direct payment of your net revenue on the last day of the following month of which the revenue was generated.

We're fully insured and licensed under a Inter-Municipal Business License #18719 and BC Consumer Protection License #64451.

### MANGEMENT FEES:

#### MOUNTAIN TOWN PROPERTIES (MTP)

30% of gross revenue + \$/hr  
for cleaning & maintenance.  
20% for monthly rentals.

#### RED MOUNTAIN RESORT LODGING (RMRL)

40-50% of gross revenue.  
20% for monthly rentals.

#### RED MOUNTAIN VILALAGE (RMV)

40% management fee.



# FINANCING



- ~ Many buyers choose to borrow against their primary residence's home equity and pay cash for their 2nd home.
- ~ Canadians and USA residents will need 20% down payment.
- ~ Residents outside of Canada and USA will require 20% to 35% down payment.
- ~ Land-only purchases require 30 - 50% down payment.
- ~ Mortgage to be personally guaranteed by the applicant.
- ~ You will need a Canadian Bank Account for your mortgage to fund and so it may be prudent to open an account prior to leaving Canada.
- ~ A property appraisal will be required by your lender.

This information is provided by Mortgage Specialists

# 5% GST



Goods and Services Tax (GST) 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 on a nightly or short-term basis (less than a month).

A purchaser who buys a recreational Property with the intention of renting it out 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), corporations 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 short term rentals, 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 they will stop short term 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, and a BC Accountant and Lawyer to obtain independent advice concerning GST.**

GST information provided by Rossland Accounting and McEwan Law Co.



# FIXED COSTS

## **Property Tax:**

Taxes are calculated based on annual BC Assessment and paid to the City of Rossland by July 2nd of each year. If you are carrying a mortgage you can ask your lender to include the tax amount into your monthly mortgage payment.

By way of example, for the tax year 2023: Assessed Value \$508,000 = Taxes \$4076.

## **Strata (Homeowner Association, HOA):**

Paid monthly, this fee typically covers: building insurance, contingency reserve fund, garbage, recycling, snow removal, gardening, strata management, accounting, janitorial, elevator, security and sometimes cable and/or internet and building amenities such as community hot tub.

## **Utilities:**

Water/Sewer - typically each individual property is metered and pays quarterly to City of Rossland. About \$50 per month.

Fortis Electricity (billed bi-monthly) & Fortis Natural Gas (billed monthly)

Cable TV and Internet - Shaw Cable.

Hot tub maintenance (not covered in strata)



# FIXED COSTS CON'T



**Red Resort Association:** In October of 2007, the Red Resort Association (RMA) was created by Red Mountain Ventures as part of the development of the resort. The RMA is a registered non profit society whose mandate is to partner with regional, provincial, and federal tourism associations to ensure that Rossland benefits from all eligible funding and opportunities.

\$250/yr if not short term renting.  
\$500/yr if short term renting.

This fee applies only to Slalom Creek, Morning Star, The Compound, Caldera, The Crescent, The Daly and The Glades.





## 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. 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 agents at a fee of approximately \$750+ per year depending on specifics of the policy.

HUB Insurance, Rossland: 250-362-7337

Image courtesy of Iain Reid





# CLOSING COSTS

- Lawyer or Notary: searching title, drafting documents, Land Title Registration, \$1200-\$1800
- Title Insurance will be required if financing: protection. from financial loss sustained from defects in a title to a property. Inexpensive and worth the peace of mind.
- Appraisal (if applicable), typically paid for by the lender and rolled into lending fee.
- Property Insurance Premium (req'd if mortgaging)
- GST (if applicable)
- Property Transfer Tax: one-time, calculated as follows:
  - 1% on the portion of the price under \$200,000
  - 2% on the portion of price btw \$200K and \$2M
  - 3% on the portion of the price over \$2,000,000
  - PTT is not calculated on the GST component of the price, where GST applies.

## DEFINITION OF A

# NON-RESIDENT

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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.
- ~ Citizenship is not the same as residency.

This definition was obtained from Government of Canada website.



# FOREIGN BUYER BAN

On January 1, 2023, non-Canadians were banned from buying homes across Canada, through the Prohibition on the Purchase of Residential Property by Non-Canadians Act.

This Act prohibits non-citizens and non-permanent residents from purchasing residential property in Canada for two years. In January 2023, the federal government extended this ban for an additional two years.

The Act restricts non-Canadians from avoiding the ban by using corporations or other entities to purchase residential property.

Exemption thresholds, for certain areas, are based on a lower population density as given from the last Canadian Census data.

**Rossland and RED Mountain Resort is exempt from the foreign buyer ban.**



# 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 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.





## 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 if taxes are owed, or will be issued a refund if overpayment was made throughout the year .

When you sell the property, the withholding tax is roughly 1/3 of the sale 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 corp, this withholding tax does not apply.

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

# 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 rewards that are unavailable to those owning the property personally.

This information provided by L.J. van der Ham & Associates, Rossland  
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# UNDER UTILIZED HOUSING TAX (UHT)

On June 9, 2022, the federal government enacted the Underused Housing Tax (UHT). The UHT is a one per cent annual levy on the value of a “vacant or underused” property belonging to “non-resident, non-Canadian owners,” although it may apply to some Canadian owners as well.

Unless residential property owners are “excluded owners,” they are required to complete an annual return. It is important to underscore that even owners who may fall under one of the exemptions are required to complete a filing. Non-Canadian citizens are affected owners and are required to file a return. Forming a corporation does not exempt a non-resident owner from the UHT tax rules.

- The tax is an annual and calculated at 1% of assessed value.
- The tax applies to non resident, non Canadian owners.
- Owners are exempt from the tax if they occupy the residence for 28 days or more.
- Owners are exempt if the property is rented 180 days or more in the calendar year.



# REWARDS



Image courtesy of Ryan Flett

- Attractive currency exchange rates.
- Low to no lift lines, huge and diverse ski area.
- Close-knit community; become part of the fabric.
- Great summer climate; not just a winter destination.
- Christina Lake, Kootenay Lake, Columbia River.
- Effortless ownership with Professional Property Management services.
- Numerous 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 and incentives.

**THE ULTIMATE GUIDE FOR BUYING VACATION RENTAL PROPERTY IN B.C.**

**THIS INFORMATION BROCHURE WAS BROUGHT TO YOU BY OUR PROFESSIONAL ASSOCIATES AT:**

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Image courtesy of Iain Reid

