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McIntyre & Associates, visit us  
online at: [www.mcintyreca.com](http://www.mcintyreca.com)

Questions? Call (613) 726-7788  
and we will be happy to  
address any of your questions.

## Will I Have to Pay Taxes If I Sell My Cottage?

If I sell my cottage, will I have to pay capital gains tax?

This is a question that we hear quite often at this time of year. The answer is: it depends.

When you plan to sell your vacation home, there are several factors to consider. It is a good idea to determine what the capital gains tax would be on the property and whether it can qualify as your principal residence.

Last spring, the Canada Revenue Agency issued a technical interpretation letter on the tax rules governing the ownership, and subsequent sale, of personal-use property. This typically includes all personal and household items, like furniture, cars, boats and recreational real estate.

Here are a few things to consider if you plan to sell your cottage or country home.

### Calculating Capital Gains Tax

In order to calculate the tax owing on the sale of your cottage:

Start with sale price of your property (also known as the proceeds of disposition) less any expenses incurred by you to sell the property (such as real estate commissions and legal fees).

Establish the adjusted cost base (ACB), or tax cost, of the property. The ACB is generally the amount you paid for the property plus legal fees and land transfer tax, but can also include any capital expenditures, such as the cost of any additions and major improvements to the property. It is important to note that normal repairs and maintenance expenses cannot be added to the ACB.

Your capital gain or loss is then calculated by subtracting the ACB from the proceeds from the sale, less any outlays or expenses.

You would then pay tax at your marginal tax rate on 50 per cent of the capital gain.

### Principal Residence

However, the capital gain tax may not apply, if the property qualifies as your principal residence (even if you don't *principally* live there).

The CRA technical interpretation letter said that a seasonal residence can be considered to be "ordinarily inhabited in the year" even if you only use it during vacation periods – "provided that the main reason for owning the property is not to gain or produce income."

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## Will I Have to Pay Taxes

### If I Sell My Cottage? (continued from page 1)

Under the Income Tax Act, there are four criteria that must be met in order for a property to qualify as your principal residence in a particular tax year:

- the property must be a housing unit,
- you must own the property (either alone or jointly with someone else),
- you or your spouse or children must “ordinarily inhabit” the property, and
- you must “designate” the property as a principal residence.

You can only have one principal residence per family unit in a particular year. So if you plan to sell a property, and you own more than one residence that qualifies as “ordinarily inhabited,” you will need to determine which property should be designated as your principal residence.

Other factors to consider include the accrued gain to date (if any) on each property, how long you plan to hold onto them, and how much you expect them to appreciate in the future. A rule of thumb is to use the principal residence exemption on the property with the greatest annual appreciation.

If you are planning to sell a cottage or vacation home, please do not hesitate to [contact us](#).

## Summer Has Arrived!

Please note that our **Office** and **Drop Box** are **closed** on **Fridays** during July and August.

## What's New at McIntyre & Associates

Congratulations to Travis Scott on passing the Uniform Final Exam! Travis is now working on completing his practical experience requirement and will officially earn his CPA designation this fall.

We say goodbye to Lisa Brousseau. Lisa will be relocating to Washington, D.C. in July. Lisa will be missed by M&A staff and many of our bookkeeping clients. We wish Lisa all the best!

We welcome Kelson Hiscoe and Darrell Warren to our accounting and bookkeeping services group.

Kelson has been working with Lisa and familiarizing himself with our clients. Kelson has experience with both Sage and QuickBooks products.

Darrell joined our firm in May 2015. Darrell brings many years of public accounting experience and will be working closely with Kelson in the accounting and bookkeeping group. Darrell will also be looking after the Information Technology for the firm and will be involved with the introduction of our client portal.

We also welcome Eric Mia to our tax group. Eric joined our firm in March 2015 and is well on his way to obtaining his CPA designation. He has written and passed the Uniform Final Exam, and is now working on completing his practical experience requirement. Eric will be starting the CPA Canada In Depth Tax Course this fall.

### CRA's Prescribed Interest Rates

The prescribed interest rates for the second quarter of 2015 are as follows:

- **1%** to calculate a deemed interest benefit on subsidized employee and shareholder loans;
- **3%** on refunds of income tax overpayments; and
- **5%** on payments of overdue income taxes, insufficient income tax instalments, unremitted employee source deductions, CPP contributions or EI premiums, and unpaid penalties.

These rates are in effect from April 1, 2015 to June 30, 2015.

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