

## **NON-RESIDENT BUYERS**

Non-residents can own property in British Columbia but there are some important considerations.

Mortgage qualifications in Canada are different for non-resident buyers than for resident buyers. Non-resident buyers should consult with a lender or mortgage broker to understand the qualifications for a non-resident buyer. Non-resident buyers will need to open a Canadian bank account and will need to do so in person with identification acceptable to the lender.

Non-resident buyers do not need to be present in B.C. to execute closing documents. A number of lawyer and notary firms utilize technology to streamline the closing process for non-resident buyers. Documents can be forwarded electronically and executed in front of a lawyer or notary in most foreign jurisdictions. It is important to make arrangements for the transfer of monies well in advance of closing.

Non-resident buyers should also consult with a Canadian tax professional to discuss tax treatment both during the period of property ownership and on disposition. A non-resident owner of rental property will be subject to a 25% withholding of taxes on the gross rental income. Administrative rules require that the owner or owner's agent remit these amounts to the Canada Revenue Agency (CRA). A non-resident owner may file a special form to have the withholding taxes reduced which essentially treats the non-resident as a resident with respect to the rental income. This form needs to be filed before January 1st of each year. For further information please consult your tax professional.

Non-resident buyers should also review the information on non-resident sellers to understand what happens on disposition of the property at a later date.

## **NON-RESIDENT SALE OF PROPERTY**

To avoid liability for non-resident sellers' unpaid taxes, buyers must withhold a portion of the sale proceeds until a non-resident seller has provided a Certificate of Compliance from the Canada Revenue Agency (CRA) The holdback is normally 25% but could be higher depending on the use of the property.

A non-resident seller should retain the services of a tax professional to assist in obtaining a Certificate of Compliance. Depending on the circumstance, the normal fee to get this certificate is approximately \$500.

The Certificate of Compliance outlines to Canada Revenue Agency that there are no outstanding tax issues with the property. This is especially important when there is a profit or capital gain after the sale occurs.

A Certificate of Compliance will only be issued once the tax is paid. This should be done as soon as possible as the process can take eight to ten weeks.

The non-resident seller can claim certain expenses in determining the adjusted cost base including Property Transfer Tax, Harmonized Sales Tax, legal fees on the original purchase, and any capital improvements made, including strata assessments. The commission and tax and legal fees on the sale are not deductible for purposes of calculating tax owing at the time of the sale. The seller can claim these expenses by filing a Canadian tax return subsequent to the sale.



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