

YOUR GUIDE TO CAPITAL GAINS TAX IN CANADIAN REAL ESTATE

UNDERSTAND THE RULES, AVOID THE
PITFALLS, AND MAXIMIZE YOUR PROFITS



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Capital Gains in Canada: What Real Estate Investors Need to Know

Thinking about selling your rental or secondary property? Before you do, it's critical to understand how capital gains tax can affect your bottom line. This guide explains what you need to know, what's changed, and how to plan ahead.

Capital gains taxation is an important consideration for property owners and investors across Canada, particularly those holding secondary residences and rental properties.

What Are Capital Gains?

Capital gains occur when an asset, such as real estate, is sold for more than its adjusted cost base (ACB). In Canada, 50% of a capital gain is taxable. For example, if a property is sold for \$1M and the ACB is \$600K, the gain is \$400K and \$200K is taxable.

The Impact on Real Estate

Real estate, especially rental properties and secondary residences, is subject to capital gains tax unless it's a principal residence. Recapture of Capital Cost Allowance (CCA) may apply.

Timing and Tax Efficiency

Selling in a low-income year, using capital losses, or transferring ownership to a lower-income spouse are key strategies.

Proposed Tax Changes

A 2024 budget proposal to raise the inclusion rate was cancelled in March 2025, keeping the rate at 50%.

Real-World Example

An Ontario investor selling a \$1M rental in 2025 with an ACB of \$590K sees a taxable gain of \$205K. At a 33% tax rate, about \$67.7K is owed.

Conclusion

Capital gains tax can substantially affect your proceeds. Strategic planning is essential.

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