Capital gains tax fact sheet

What are the changes to the capital gains tax?

Starting June 25, 2024, new capital gains tax regulations will come into effect, impacting both corporations and trusts, and individuals. However, it is important to note that these changes affect corporations and individuals differently.

The biggest change will be that all capital gains realized by corporations and trusts are subject to the new rules. Whereas, for individuals, the change will only apply to capital gains exceeding $250,000 annually.

The change affects the inclusion rate, which represents the percentage of the gains included in overall revenue, not the direct taxation level. Those levels can vary from province to province, and, at the time of writing, there is no confirmation that each province across Canada will readjust their provincial inclusion rate level.

Considerations for personal and corporate capital gains

For personal capital gains, the $250,000 threshold is calculated net of current-year losses, losses carried from other years, and gains that qualify for exemptions such as the Lifetime Capital Gains Exemption, the Employee Ownership Trust Exemption, or the Canadian Entrepreneurs' Incentive.

Additionally, for REITs capital gains realized by trusts and distributed to individual beneficiaries are treated as gains realized by the individual, with the $250,000 threshold applied under specific conditions. There is also a provision for adjusting the inclusion rate when carried forward losses are used to shelter gains exceeding $250,000.

Transitional rules require taxpayers with fiscal years beginning before and ending after the implementation date to track gains and losses separately for the periods before and after June 25, 2024.

How will this affect investors' view of the Canadian real estate market?

Despite these changes, the Canadian market still offers enormous potential for domestic and foreign investors. It is supported by strong fundamentals, such as banking, political stability and lower level of volatility, for the long-term vision necessary for real estate investment. These changes are expected to get priced in and spark a higher level of price discovery with overall transactional activity maintained.

These regulatory updates necessitate strategic planning for investment timing and loss utilization. We recommend that investors contact their Canadian real estate and tax advisors to establish or update their investment structures and exit strategies to align with the new tax landscape and optimize their tax liabilities.

Investment scenario	Purchase price	Selling price (including expenses)	Capital gains	Inclusion rate	Taxable gains	Difference from old to new tax rates
Individual before change on June 25, 2024	$500,000	$1,500,000	$1,000,000	50%	$500,000	$0
Individual **after** change on June 25, 2024	$500,000	$1,500,000	$1,000,000	50% up to $250k, 66.67% above $250k	$625,025	$125,025
Corporation before change on June 25, 2024	$7,500,000	$13,000,000	$5,500,000	50%	$2,750,000	$0
Corporation **after** change on June 25, 2024	$7,500,000	$13,000,000	$5,500,000	66.67%	$3,666,850	$916,850