

INVESTING IN CANADIAN REAL ESTATE

Key business and tax facts for 2026

Canada at a glance

- Population of about **41.4 million** (April 2026), 23% of whom are immigrants. Largest cities: Toronto, Montreal, Calgary, Ottawa and Edmonton.
- **Real estate, rental and leasing is Canada's largest industry.** Total GDP is CAD 3.3 trillion (USD 2.42 trillion), and the United States is the largest trading partner.

Investing and structuring

- **Investment Canada Act.** Foreign investors who acquire control of a Canadian business or establish a new one must file a Notification or an Application for Review. Investments can be reviewed on national security grounds.
- **Foreign buyer ban.** Non-Canadians are generally prohibited from buying residential property in Canada's urban areas. The ban is currently set to remain in effect until January 1, 2027, and exceptions exist, including purchases for development.
- **No exchange controls.** Funds move freely into and out of Canada, and payments can be made in any currency.
- **Director residency.** At least 25% of a federal corporation's directors must be Canadian residents. With fewer than four directors, at least one must be resident.
- **Partnerships are flow-through.** Income or loss is allocated to the partners, and the partnership files a T5013 information return. A partnership may still need to register for GST/HST, which matters for joint venture structures.
- **Trusts** are taxed like individuals, except that inter vivos trusts pay tax at the top marginal rate.

Income tax on property investment

- **Scope.** Resident corporations are taxed on worldwide income. Non-residents are taxed on Canadian-source income plus capital gains on taxable Canadian property.
- **Capital gains.** Only 50% of a capital gain is taxable, with no inflation adjustment. For individuals in the top bracket, the combined rate on capital gains ranges from 22.25% (Nunavut) to 27.40% (Newfoundland and Labrador).
- **Corporate investment income** is taxed at a combined 46.7% to 53.7%, depending on the province.
- **Corporate rates.** The federal general rate is 15%. Provincial general rates range from 8% (Alberta) to 15% (see the table below).
- **Losses.** Non-capital losses can be carried back 3 years and forward 20 years. Net capital losses can be carried back 3 years or forward indefinitely.

Financing and leverage

- **Withholding tax.** Rents, interest, dividends and royalties paid to non-residents are subject to 25% withholding tax, which Canada's tax treaties may reduce.

- **Thin capitalization.** Applies to debt owed to related non-residents holding more than 25%. Interest on debt above 1.5 times equity is not deductible and is treated as a dividend, so withholding tax applies.
- **EIFEL interest limits.** Since October 1, 2023, net interest and financing expenses are capped at 30% of adjusted taxable income, a tax-based EBITDA. Denied interest can be carried forward indefinitely. An entity or group is exempt if any of the following apply:
 - its net interest and financing expense is \$1 million or less;
 - it is a CCPC that, with associated corporations, has under \$50 million of taxable capital employed in Canada; or
 - it is a standalone Canadian entity with no non-resident affiliates and no significant foreign shareholders.
- **Transfer pricing and GAAR.** Related-party dealings must meet the arm's-length standard. The General Anti-Avoidance Rule can deny tax benefits from avoidance transactions and carries a 25% penalty.

GST/HST on real estate

- **Taxable:** sales of new housing, sales and rentals of commercial real property, and hotel accommodation.
- **Exempt:** resales of housing last used as a residence, residential rentals of one month or more, and residential condominium fees. Exempt supplies do not earn input tax credits, which affects the economics of residential rental projects.
- **Registration.** Businesses, including non-residents carrying on business in Canada, must register once taxable supplies exceed \$30,000 in a 12-month period.

Sales tax rates by province and territory

Province / Territory	Type	Total rate
Alberta	GST	5%
British Columbia	GST + PST	12%
Manitoba	GST + PST	12%
New Brunswick	HST	15%
Newfoundland and Labrador	HST	15%
Northwest Territories	GST	5%
Nova Scotia	HST	14%
Nunavut	GST	5%
Ontario	HST	13%
Prince Edward Island	HST	15%
Quebec	GST + QST	14.975%
Saskatchewan	GST + PST	11%
Yukon	GST	5%



Property-level taxes

- **Property tax** is charged annually by the local municipality, based on the property's assessed value.
- **Land transfer tax** is paid to the province and some municipalities on acquiring land or a beneficial interest in land. It is based on the purchase price plus any debt assumed, and rates and rules vary by province. Fair market value is used instead for:
 - transfers of leases with a remaining term that can exceed 50 years;
 - transfers of land from a corporation to one of its shareholders; and
 - transfers of land to a corporation in exchange for shares.
- **Ontario specifics.** First-time home buyers may be eligible for a full or partial land transfer tax refund. The Non-Resident Speculation Tax is 25% on residential purchases by foreign individuals, foreign corporations and taxable trustees.

Personal and estate matters

- **Residency.** Anyone present in Canada for 183 days or more in a year can be deemed resident. Non-residents pay tax only on Canadian-source income, generally at 25% withholding.
- **No inheritance, gift or wealth tax.** However, at death a person is deemed to have sold all capital property at fair market value, and most provinces charge probate fees.

Corporate income tax rates (provincial / territorial)

Add these rates to the federal rate of 15% (general) or 9% (small business, for CCPCs on the first \$500,000 of active business income).

Province / Territory	Small business rate	General rate
Newfoundland and Labrador	2.5%	15.0%
Prince Edward Island	1.0%	15.0%
Nova Scotia	1.5%	14.0%
New Brunswick	2.5%	14.0%
Quebec	2.2%	11.5%
Ontario	3.2%	11.5%
Manitoba	0.0%	12.0%
Saskatchewan	1.0%	12.0%
Alberta	2.0%	8.0%
British Columbia	2.0%	12.0%
Yukon	0.0%	12.0%
Northwest Territories	2.0%	11.5%
Nunavut	3.0%	12.0%

This handout is a general overview drawn from Doing Business in Canada 2026. It is not an authoritative guide and should not be relied on for tax research or analysis. Obtain advice from an accredited local professional advisor before undertaking any transaction.