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A FREE GUIDE FOR CANADIAN LANDLORDS

The Landlord's Tax & Bookkeeping Guide

The handful of bookkeeping calls that quietly decide what your rentals really earn.

Most rental "cash flow problems" are bookkeeping problems in disguise. A renovation coded as a repair, a mortgage payment deducted whole, a depreciation claim made by default — none of them change your building, and every one of them changes your tax. This guide teaches the few classifications that move real money, in plain words.

The five entries that move the most money — coded right at your place?

1	**The mortgage payment.** Only the interest slice is an expense. The principal is you buying your own building back from the bank — equity, never a deduction. Deduct the whole payment and every month overstates your costs.
2	**The new roof.** A repair deducts this year; an improvement deducts slowly, over many years. Calling one the other — in either direction — misprices your tax now and your paperwork at sale time.
3	**The CCA line.** Depreciation is optional, every single year — and every dollar you claim can come back as taxable income the year you sell. It is a decision, not a checkbox.
4	**The shared pot.** One lump of numbers for three properties tells you the portfolio survived. It cannot tell you which door has been losing money since spring — and the CRA's rental form wants each property on its own line anyway.
5	**The short-stay listing.** Nightly rentals pull sales tax into the picture — and in some cities, a missing licence can now erase your expense deductions entirely.

Rates, rebates and city bylaws move too often to print, so this guide sticks to the mechanics that stay true. Verify current figures at canada.ca, explore the free calculators at taxfilings.ca/tools, and see the real estate bookkeeping article at taxfilings.ca/blog for a deeper worked tour.

01 Give every door its own books

The CRA's rental statement asks for income and expenses property by property, your lender asks the same question before every refinance, and a future buyer's accountant will ask it again at sale time. One shared pot answers none of them. Separate columns — even in a simple spreadsheet — are the cheapest professional habit in this book.

- [ ] Rent received: by property, with a note of any month unpaid or reduced
- [ ] Mortgage interest: the interest only — your lender's annual statement shows the split
- [ ] Property tax and insurance: the two steady ones, straight off the bills
- [ ] Utilities and condo fees: only the shares you actually pay, not the tenant's
- [ ] Repairs and maintenance: with invoices that say what was done, not just how much
- [ ] Improvements: kept in their own list — chapter 2 explains why they are not this year's expenses
- [ ] Management, advertising and bookkeeping: what you pay to keep the place rented and recorded
- [ ] Travel to the property: backed by a logbook — the habit that survives a review

PLANNING TIP

Run rental money through one bank account nothing else touches — rent in, expenses out. The statement becomes a nearly finished ledger, and every invoice behind it keeps for six years under the CRA's standing record rule (confirm the current details at canada.ca). If that is not how you want your weekends spent, the bookkeeping services page at taxfilings.ca shows what handing it off costs.

02 Repair or improvement: the call that moves the most

A repair restores

It puts the property back the way it was — the patched fence, the fixed leak, a section of shingles after a storm. Repairs are expenses: they deduct fully in the year you pay for them.

An improvement upgrades

It leaves the property better, bigger or longer-lived than before — the whole new roof, the added bathroom, carpet replaced with hardwood. Improvements join the building's capital cost and deduct slowly, over years.

THE CLASSIC MISTAKE

Writing a renovation off as a repair because the full deduction feels better today. On review the CRA reclassifies it, this year's deduction unwinds with interest, and the file earns a second look it did not need. When one invoice mixes both — the plumber fixed the leak and upgraded the pipes — ask for the bill split in two.

03 The mortgage split: interest yes, principal never

Every mortgage payment is two payments wearing one coat. The interest is the cost of borrowing — deductible against rent. The principal is a transfer to yourself — you own more of the building, and no deduction exists for buying your own asset. Your lender's annual statement splits the year to the dollar; book from that, not from the bank withdrawals.

> **THE BORROWED-MONEY TRAIL**
> Deductibility follows what borrowed money was used for, not which property secures the loan. Borrow against your own house to buy a rental and the interest deducts; borrow against the rental for a family vacation and it does not. Keep the paperwork that shows where each loan went.

04 GST/HST wears three hats at a rental

Long-term homes

Exempt. You charge no GST/HST on residential rent — and in exchange, you cannot claim back the tax paid on your costs. For most landlords, sales tax stays out of the picture.

Commercial space

Taxable. Rent to a shop or office and you charge GST/HST once taxable revenues cross the $30,000 registration line (the line moves — today's figure is at canada.ca), and you recover the tax on your own costs.

Short stays

Taxable too. Nightly and weekly stays sit closer to hotel than home in the CRA's eyes, and the same registration line applies to them.

05 CCA: the deduction with a boomerang built in

Claiming it

CCA lets you deduct a slice of the building's cost each year against rental profit — though it can only shrink rental income to zero, never manufacture a loss on its own.

Banking it

The claim is optional, one year at a time. Skipping it keeps a quiet reserve: the deduction is not lost, and nothing builds up waiting to bite when you sell.

> **THE RECAPTURE SURPRISE**
> Sell for more than the written-down value — in a rising market, nearly every sale — and the CCA you claimed over the years is added back to your income that year, all at once, stacked on top of any capital gain. Claim or bank it as a real decision made with your accountant, not a software default.

06 Short stays: the licence now decides the deduction

Federal rules now side with city hall: a short-term rental operating where it is not allowed, or without the licence its city requires, can be denied its expense deductions outright — tax on gross rents, not on profit. Before you list, check your municipality's rules, keep proof of every licence in the property file, and watch canada.ca as the rules evolve. The real estate industry page at taxfilings.ca covers how we keep hosts onside.

07 The rent-ledger self-check

Score one point for every YES.

1. Every property I own has its own income and expense totals.	YES / NO
2. Rental money moves through an account nothing else touches.	YES / NO
3. My books show mortgage interest and principal as two different things.	YES / NO
4. I could show a reviewer, invoice by invoice, which jobs were repairs and which were upgrades.	YES / NO
5. My CCA claim — or my choice to skip it — was a decision someone made on purpose.	YES / NO
6. I know which of my units, if any, GST/HST touches.	YES / NO
7. If I host short stays, every licence my city asks for is on file.	YES / NO

6–7 · Green
Books like yours sail through reviews and sales alike. Re-run this list each spring before filing.

3–5 · Yellow
A few wrong codes are compounding quietly in your ledger. One clean-up session now costs less than one reassessment later.

0–2 · Red
Guesswork is writing your tax bill. Rebuild the books before the next return — on your own with this guide, or with help.

08 The one-month clean-up

Week 1
Open the rentals-only bank account and start one folder per property — paper or phone photos both count.

Week 2
Split every mortgage payment in this year's books into interest and principal, using the lender's statements.

Week 3
Re-read the year's repair entries. Move anything that upgraded the property into its own improvements list.

Week 4
Settle the CCA question with your accountant, and file any licence or GST/HST paperwork week three uncovered.

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Editorial policy. Every guide is researched against primary sources — the Income Tax Act, CRA publications and CPA Canada materials — fact-checked by Udit Gupta, and updated when the rules change.

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