

A Guide for

Non-Residents of Canada:

***Tax Implications of  
Selling or Transferring  
Canadian Real Estate  
in 2026***

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***A Guide for Non-Residents of Canada:  
Tax Implications of Selling or Transferring  
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## *Is this guide for me?*

If you are a non-resident of Canada and will be selling or transferring Canadian real estate, either directly or indirectly, then this guide is for you.

A **non-resident** includes an individual, corporation, LLC, trust, or estate that is not resident in Canada for tax purposes, meaning not subject to comprehensive taxation in Canada on worldwide income. For an individual, this normally involves not living in and not having significant ties to Canada, but it is not always so straightforward; it is possible to be a non-resident while living in Canada or to remain a resident while living abroad. The determination may depend on any residence in another country and any tax treaty with Canada. Determining the residence of a corporation, LLC, trust, or estate requires knowing where central management and control take place, amongst other things. If in doubt, get professional advice.



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## ***Am I subject to tax as a non-resident of Canada?***

Canada levies several types of taxes on real estate. Some taxes are based on the value of the real estate and may apply on acquisition, disposal, or annually while other taxes apply to amounts derived from real estate, like income or capital gains. Some taxes apply to both Canadian residents and non-residents, while others apply to non-residents only or are dependent on citizenship or immigration status or the use or location of the property.

At the time you acquire real estate in Canada as a non-resident, you might pay:

- provincial and municipal land transfer taxes,
- provincial non-resident speculation taxes, and
- goods and services tax (GST) or harmonized sales tax (HST), in some cases.

Throughout the time you own the property, you may also be required to pay:

- property taxes,
- underused housing taxes (UHT), although the federal UHT has been eliminated as of 2025,
- withholding tax on any gross rental income, and
- income tax on net rental income.

Canada and its provinces or territories may levy the following taxes when you dispose of the property, depending on the use, location, and holding period:

- income tax on taxable capital gains,
- income tax on land inventory or flipped property,
- income tax on recapture of capital cost allowance (depreciation previously claimed for tax purposes),
- alternative minimum tax (AMT),
- provincial home flipping taxes, and
- GST or HST, in some cases.

Your country of residence may also levy tax on your income and proceeds from Canadian real estate but might also grant you a foreign tax credit for taxes paid to Canada, depending on its tax laws.

This guide focuses on the Canadian tax implications of selling or transferring property only.



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## ***What sales or transfers of real estate are taxable?***

Any real estate situated in Canada may be subject to one or more of these taxes, including:

- vacant land,
- property held solely for your personal use, like a condo or a cottage used when visiting Canada,
- property leased to others, long-term or short-term,
- property used to carry on business in Canada, and
- property renovated or developed for resale.

Income tax may apply to a direct or indirect sale or transfer. Non-residents are taxed on dispositions of ***taxable Canadian property***, including real estate situated in Canada as well as:

- a share of a corporation or an interest in an LLC, partnership, trust, or estate, whether Canadian or not, if more than 50% of the value of the share or interest was derived from real estate situated in Canada at any time during a 60-month period, and
- an option or other interest in respect of real estate situated in Canada or any shares or interests that are described above.

Other forms of ownership may also be subject to tax. This may depend on how your property is held and any treaty your home country has with Canada.

## ***How are gifts and inheritances taxed?***

Canada does not levy a gift, estate, or inheritance tax on the recipient like some other countries. Instead, a non-resident who gifts taxable Canadian property or sells it at a discount will pay income tax based on a deemed sale at fair market value. This may apply to:

- gifts to family members, including gifts of direct ownership in Canadian real estate or other taxable Canadian property, like shares or interests,
- some situations where family members are added to legal title for estate planning reasons,
- transfers resulting from separation or divorce,
- transfers to or from a trust, estate, partnership, corporation, or LLC, even if the beneficial owner of the property ultimately remains the same, and
- a person who dies while owning taxable Canadian property.



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**Fair market value** normally means the highest price the property could sell for on the open market and is usually determined with an appraisal.

Income tax applies as though the transferor or the deceased individual sold the property at fair market value at the time of the transfer or their death, even if they receive no consideration or less than fair market value consideration, and regardless of whether they, or the recipient, are subject to tax in another country. This deemed sale and any resulting tax may cause some financial hardship as the transferor, or their representative, will be faced with having to fund the Canadian tax with other assets or with debt.

The recipient is not subject to Canadian income tax on the receipt of a gift or inheritance, but they can be assessed for the transferor's tax if it is not paid.

The recipient's cost base in the property for Canadian tax purposes is normally increased to the fair market value at the time of gift or death. This prevents double taxation in Canada on the next sale or transfer of the property. However, the recipient's cost base in their country of residence might not change, depending on that country's tax laws and the terms of any treaty that country has with Canada, which may present a double taxation problem without careful planning.

## ***I am ready to sell or transfer. What can I expect?***

As a non-resident, the process to sell or transfer your Canadian real estate should begin well in advance.

Canada enforces non-resident taxation through a withholding tax system under section 116 of the Income Tax Act. The Canada Revenue Agency (CRA) requires the tax to be paid or secured before a sale or transfer or within 10 days after the sale or transfer. For most property, this withholding tax is 25% of the capital gain, but it can be as high as 50% for property used to earn income, like a rental property, property used in carrying on a business, or property acquired to renovate or develop for resale. A separate process applies for property in the province of Québec, with an additional withholding tax of 12.875% for most property or up to 30% for property used to earn income.



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You are also required to apply for a Certificate of Compliance with the CRA, supported by documents to prove the accuracy of the capital gain or income subject to the withholding tax, like purchase records, receipts, and appraisals in some cases. Without this certificate, the recipient of the property may be required to pay your tax, even if they paid you the full sale proceeds or received the property as a gift from you. Penalties and interest may apply if the tax or request for a Certificate of Compliance is late.

The transaction will be audited by the CRA based on the information submitted. This audit process may take a few months, but in recent experience may even take up to one year following the sale or transfer. Submitting the correct documentation up front is incredibly important to limit any delays.

### ***Do I need to file a Canadian income tax return?***

The withholding tax process is not the final step. You are also normally required to file a Canadian income tax return for the year of the sale or transfer. In many cases, the withholding tax you submitted will exceed the final tax payable as calculated on your tax return, resulting in a small refund. In some other cases, the withholding tax paid may be insufficient, particularly where AMT applies, resulting in additional tax owing.

Additional taxes may apply, as previously outlined. Any sale or transfer must be reviewed carefully to determine which federal and provincial taxes apply. Overlooking any taxes or missing any deadlines can result in assessments of tax, penalties, and interest long after the sale or transfer takes place. These taxes and deadlines can be identified and managed, but only with advance planning and the right advice.

### ***What if I have not complied with past tax obligations?***

When you apply for a Certificate of Compliance, the CRA will conduct a thorough review and consider whether you may have missed paying other taxes in the past, like tax on rental income or UHT. It may be prudent to file and pay any taxes in arrears before you apply for the Certificate of Compliance. A voluntary disclosure program may be available to help reduce your risk of penalties and interest owing to the CRA.



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## *How can WMKL help me?*

We are a firm of Canadian CPAs who have extensive experience with tax filings for non-residents like you. Your Canadian lawyer will ensure the sale or transfer is effective and will protect you in other ways, but they normally do not prepare most tax filings required of a vendor or transferor. We can assist you by:

- advising you on residency and filing obligations,
- determining which taxes apply to you,
- planning your cash flow needs,
- applying for an individual tax number (ITN) or business number (BN), if you need one,
- applying for a Certificate of Compliance,
- filing income tax and other tax returns, and
- assisting you through the CRA audit.

Real estate transactions involve high dollar values and tight timelines. Mistakes may be costly and even irreversible. Getting our advice may be the difference between a smooth sale and an expensive surprise and involving us early in the process may save you considerable time, stress, and tax. Contact us at the number or email below. A 15-minute consultation with one of our tax experts is free of charge and will allow us to identify your needs and provide a fee estimate before you commit to engaging us.

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## *Disclaimer*

This document is provided to you for general information purposes only. It is not intended to be complete or address the circumstances of any particular person and should not be relied upon as a substitute for professional advice. Tax legislation, the administrative policies and practices of the CRA and provincial tax authorities, and relevant judicial interpretations are subject to change, potentially without warning and with retroactive effect. We cannot guarantee that the information in this document is accurate or complete after the publication date below or that it is relevant to you as of any particular date. If you would like assistance with your situation, then please contact us for a consultation.

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