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# Tax Savings Point for Non-residents

## Own Canadian Rental Property Personally; do NOT Own Through a Corporation

One of the factors a non-resident must consider if he or she is going to invest in Canada is the difference in taxes if the income is earned by a Canadian corporation or is earned personally.

**Income taxes are not the only factor that a non-resident should consider when deciding the form in which the rental property should be held. Before deciding on the form in which to hold the rental property, the non-resident should discuss this with his or her lawyer and accountant.**

The purpose of this memorandum is to compare the income taxes payable between (1) income earned in a corporation and (2) income earned personally. Note, in the corporation there are two levels of taxes: (1) taxes on income and (2) withholding taxes (in our example we have used 25%, which is a common rate.)

| | | Corporation | | | Personal |
|---|---|---|---|---|---|
| | **Personal better than corp (1) (4) - (5)** | taxes on income (2) | withholding taxes on dividends (3) | Total (4) (2) + (3) | taxes on income (5) |
| Rental property income | | | | | |
| $30,000 | **8,517** | 10,236 | 4,941 | 15,177 | 6,660 |
| $60,000 | **14,506** | 20,472 | 9,882 | 30,354 | 15,848 |
| $120,000 | **22,245** | 40,944 | 19,764 | 60,708 | 38,463 |
| Percent of income | 18.54% | | | 50.59% | 32.05% |
| Percent of taxes | 57.83% | | | | |
| Capital gain | | | | | |
| $30,000 | **8,009** | 5,118 | 6,221 | 11,339 | 3,330 |
| $60,000 | **6,017** | 10,236 | 12,441 | 22,677 | 6,660 |
| $120,000 | **9,506** | 20,472 | 24,882 | 45,354 | 15,848 |
| Percent of gain | 24.59% | | | 37.80% | 13.21% |
| Percent of taxes | 186.18% | | | | |
| $1,000,000 | 176,391 | 1170,600 | 207,350 | 377,950 | 201,559 |
| Percent of gain | 17.64% | | | 37.795% | 20.156% |

**For Canadian income tax purposes, generally it is preferable to own rental properties personally.** There are other factors that a non-resident has to take into consideration when owning Canadian rental property. We refer you to 22 of the Best Tax Tips for Non-residents Owning Rental Property in Canada.