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Sample of Capital Gains/Loss Calculation for sale of house.

- *Note that if you've ever claimed Depreciation/Capital Cost Allowance as an expense you must also consider there could be recapture as well*

Capital Gains/Loss Calculation:

PROPERTY WAS PURCHAED IN _____

		<u>1/2 SHARE IF CO- OWNERSHIP</u>
PURCHASE PRICE	495,000.00	
TRANSFER TAX	7,900.00	
LEGAL	<u>755.00</u>	
TOTAL PURCHASE COST	▼ 503,655.00	251,827.50
SALE PRICE/PROCEEDS	438,000.00	219,000.00
ACB		
ORIGINAL PURCHASE COST (SEE ABOVE)		
+ CAPITAL EXPENDITURES not expensed I.E. REFINISH FLOORING TO SELL	503,655.00 ▲ <u>2,362.50</u>	
TOTAL ACB	506,017.50	253,008.75
SELLING COSTS/OUTLAY		
COMMISSION	12,647.25	
SELLER PORTION PROP TX/RDN	536.41	
INSURANCE (NOT EXPENSED, PER CLIENT)	1,074.00	
TRAVEL	897.75	
LEGAL	<u>519.24</u>	
	15,674.65	7,837.33
<u>CAPITAL GAIN (LOSS)</u>	<u>(83,692.15)</u>	<u>(41,846.08)</u>

TAXABLE CAPITAL GAIN (LOSS)	(41,846.08)	(20,923.04)
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Recapture Calculation:

Lower of Cost <u>or</u> Proceeds less the Undepreciated Capital Cost = Recapture	438,000.00	219,000.00
Undepreciated Capital Cost per last T1	401,846.67	200,923.34
RECAPTURE (INCOME)	<u>36,153.33</u>	<u>18,076.67</u>

- *Recapture happens if the building has been depreciated more than value of building when sold. Therefore, in this example, the client(s) has claimed depreciation in the past in excess of proceeds so although they have a capital loss, they must include the recapture as income on their personal return(s) in the year of sale.*

DOCUMENTATION REQUIRED:

- Purchase documents
- Sales documents
- Receipts for all capital expenditures. (expenses that were capital in nature and not expensed previously against any rental income received) See below for examples per CRA.

- Current expenses

- A **current expense** is one that generally reoccurs after a short period. For example, the cost of painting the exterior of a wooden property is a current expense.

- Capital expenses

- A **capital expense** generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden property is a capital expense.
- Renovations and expenses that extend the useful life of your property or improve it beyond its original condition are usually capital expenses. However, an increase in a property's market value because of an expense is not a major factor in deciding whether the expense is capital or current. To decide whether an amount is a current expense or a capital expense, consider your answers to the questions in the following chart.

Criteria for determining if a capital expense or a current expense

Criteria	Capital expenses	Current expenses
Does the expense provide a lasting benefit.	Generally, they give a lasting benefit or advantage. For example, putting vinyl siding on the exterior walls of a wooden property 1 .	Generally, they reoccur after a short period of time. For example, painting the exterior of a wooden house.
Does the expense maintain or improve the property.	Generally, they repair and improve a property beyond its original condition. For example, if you replace wooden steps with concrete steps 1 .	Generally, they restore a property to its original condition. For example, repairing wooden steps.
Is the expense for a part of the property or for a separate asset?	Generally, they are new assets replacing existing assets that are within the property. For example, buying a compressor to use in your business operation. It applies because a compressor is a separate asset, not part of the building 1 .	Generally, they repair a part of the building. For example, electrical wiring is part of a building. Any amount spent to rewire, as long as the rewiring does not improve the property beyond its original condition, can be claimed as a current expense.

What is the value of the expense? (Use this criteria only if you cannot determine whether an expense is capital or current based on the 3 previous criteria.)	Generally, they are of considerable value in relation to the value of the property ¹ .	Generally, they are costs for ordinary maintenance that was not done when necessary. You can deduct these expenses as current expense.
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- 1 - If based on the criteria, the expense is determine to be a capital expense, some special situations might change the way you would usually deduct this expense. For more information on these special situations, go to [Capital expenses - Special situations](#).

