

MURDOCK & ASSOCIATES INC.

Account Definitions

Advertising	You can usually deduct amounts for advertising that your rental property is available for rent.
Insurance	You can deduct the premiums for insurance coverage on your rental property for the current year. If your policy gives coverage for more than one year, you can deduct only the premiums that relate to the current year. Deduct the remaining premiums in the year to which they relate.
Interest	You can deduct interest on money you borrow to buy or improve your rental property. You can also deduct interest you paid to tenants on rental deposits.
Maintenance and repairs	You can deduct the cost of labour and materials for any minor repairs or maintenance done to property you use to earn income. However, you cannot deduct the value of your own labour. You cannot deduct costs you incur for repairs that are capital in nature. However, you may be able to claim CCA.
Management and administration fees	You can deduct management and administration fees including bank charges incurred to operate your business. You can also deduct amounts paid or payable to agents for collecting rents or finding new tenants.
Office expenses	You can deduct the cost of office supplies. These include small items such as pens, pencils, paper clips, stationery, and stamps.
Legal, accounting, and other professional fees	You can deduct fees for legal services to prepare leases or collect overdue rents. If you incur legal fees to buy your rental property, you cannot deduct them from your gross rental income. Instead, allocate the fees between land and building and add them to their respective cost. For example, you buy a property worth \$200,000 (\$50,000 for the land and \$150,000 for the building) and incur legal fees of \$10,000. Split the \$10,000 proportionately between the land and building. In this case, \$2,500 is added to the cost of the land (for a total of \$52,500) and \$7,500 is added to the cost of the building (for a total of \$157,500).
Property taxes	You can deduct property taxes, assessed by a province or territory and by a Canadian municipality, that relate to your rental property for the period when it was available for rent.
Travel	You might travel to collect rents, supervise repairs, and manage your properties. Travelling expenses include the cost of getting to your rental property. Travelling expenses do not include board and lodging, which we consider to be personal expenses.
Utilities	You can deduct expenses for utilities, such as gas, oil, electricity, water, and cable, if your rental arrangement specifies that you pay for the utilities in question.

What is a capital property?

You might acquire a depreciable property, such as furniture or appliances, to use in your rental business. You cannot deduct the cost of the property when you calculate your net business or professional income for the year.

However, since these properties wear out or become obsolete over time, you can deduct their cost over a period of several years. The deduction for this is called capital cost allowance (CCA). Based on the information that you provide, we will determine the amount of CCA that you can deduct in the year.

Renovations and expenses that extend the useful life of your property or improve it beyond its original condition are usually capital expenses

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