

REPORTING NOW REQUIRED TO CLAIM THE PRINCIPAL RESIDENCE EXEMPTION ("PRE")By [Ian V. MacInnis](#)

The long-standing administrative policy of the CRA was not to require an individual to report the disposition of a principal residence if there was no capital gain remaining after applying the PRE. It was only necessary for individual taxpayers to file the Form T2091 to designate a property as a principal residence where there was a capital gain to report (e.g. in a situation where the property was not the taxpayer's principal residence for all of the years or if some portion of the property did not qualify for the PRE).

Starting in 2016 (i.e., for dispositions of a principal residence that occur on or after January 1, 2016), the CRA now requires that the sale of a principal residence be reported on Schedule 3, *Capital Gains* on the taxpayer's T1 return in order to qualify for the PRE.

The Schedule 3 has been revised to permit a designation of a property that was disposed of to be a principal residence. The Schedule requires the disclosure of the year of acquisition, the proceeds of disposition and a description of the property being designated as a principal residence. It should be noted that deemed dispositions of a principal residence will also be required to be reported on the T1 return, such as deemed dispositions arising as a result of a change-in-use or the death of the owner.

In a news release dated March 6, 2017, the CRA states that if the home did not qualify as a principal residence for every year it was owned by a taxpayer, the taxpayer would have to report the part of the capital gain on the property that relates to the years for which the property was not designated as a PRE. In order to do this, the taxpayer is required to complete Form T2091, as well as completing the applicable sections of Schedule 3 on page 2 of the Schedule. In the case of the estate of a deceased taxpayer, the designation of a PRE would be made using Form T1255.

If a taxpayer sold more than one property in the same calendar year and each property was at one time, a principal residence of the taxpayer, the taxpayer must show this by ticking box 3 at Line 179 on page 2 of Schedule 3 and by providing the applicable information requested for each property on the same page. In addition, the



[Ian V. MacInnis](#)
Partner

t: 416.941.8813
imacinnis@foglers.com

Fogler, Rubinoff LLP
Lawyers
77 King Street West
Suite 3000, PO Box 95
TD Centre North Tower
Toronto, ON M5K 1G8

t: 416.864.9700
f: 416.941.8852
foglers.com

taxpayer may have to complete a separate Form T2091 for each property to calculate the amount of the capital gain, if any, to report.

As a result of these new reporting requirements, the PRE will only be allowed where the sale and designation of the principal residence is reported on the taxpayer's tax return. This is a substantial change in administrative policy and may have harsh consequences to taxpayers unaware of the change.