INVESTMENT PROPERTY TAX DEDUCTIONS

Category	Deductible Items / Description	Key Limits / Caveats
Operating (Current) Expenses	• Advertising (tenant-search, signage) • Insurance premiums (for the property) • Interest & bank charges (on financing for purchase or improvements) • Utilities (if paid by corporation/ landlord) • Property taxes • Repairs & maintenance (routine) • Salaries, wages, employee benefits (caretaker, maintenance staff, property manager if employee) • Professional fees: accounting, legal, audits, management fees • Travel expenses (inspections, collecting rents, supervising repairs) • Motor vehicle expenses (if used for rental property management) • Office/administration expenses (stationery, communications, utilities for office) • Other current expenses: advertising, finding tenants, tenant screening, etc.	• Many must be "reasonable." Some must be apportioned if property partially personal or mixed use. Personal tasks or improvements may be disallowed or capitalized.
Capital Cost Allowance (CCA) / Depreciation	• Buildings (in various classes) once "available for use" • Furniture, appliances, equipment used for rental units (various CCA classes) • Other depreciable capital property: e.g. structural improvements, additions, etc. • Half-year rule: only part of additions in first year under most classes allowed	• If you claim CCA, must track Undepreciated Capital Cost (UCC) etc. Cannot use CCA to create or increase a rental loss. On sale, recapture occurs if proceeds exceed UCC.

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	• Recapture/terminal loss on disposition of capital property classes	
Prepaid Expenses	~Payments made ahead for services/benefits covering future periods (e.g. insurance, maintenance contracts), apportioned to applicable periods.	• Deductible portion only for the portion applicable to current fiscal period (if accrual basis). If cash basis, rules differ.
Capital / Improvement Costs	~Major renovations or improvements that increase the property's value or extend its useful life; often must be capitalized and then depreciated (via CCA) rather than fully deducted immediately.	• Must distinguish between capital vs current. Capital costs are depreciable over time, not full deduction in year incurred.
Financing / Borrowing Costs	• Interest on loans/mortgages for buying or improving property • Bank charges, guarantee fees, service charges, etc. • Possibly fees associated with refinancing, legal/advisory related to financing	• Principal repayments are not deductible. Borrowing costs often limited or amortized in some cases. Must be linked to earning rental income or improvements.
Other & Miscellaneous	• Property management fees (if using third party) • Advertising and leasing related fees (tenant placement etc.) • Bad debts (rent unpaid, proven uncollectible) • Insurance premium increments (liability, etc.) beyond just property insurance perhaps (if related to rental) • Utilities (if landlord pays) • Permits, licensing, inspections (if required) • Maintenance & landscaping (routine, not capital)	• Mixed use requires apportionment. Must have good records. Some items (e.g. bad debts) require proof. Some items disallowed if personal benefit.

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	• Travel/vehicle costs related to management, repairs, inspections • Property taxes, local levies, municipal fees • Misc operational supplies (cleaning, materials)	
Deductions NOT allowed / Limitations	• Principle part of mortgage payments (only interest is deductible) • Land cost itself is non-depreciable, and cost cannot be deducted via CCA; part of cost base for capital gains. • Costs of buying property (legal, transfer fees) are capital costs, not current expenses. • Personal portion of mixed-use property (non-rental portion). • Labour of owner (if performing own repairs) is often not deductible as a valuation of “own labour”. • Penalties, interest for late payment of taxes (often non-deductible or limited). • Expenses for non-compliant short-term rentals (as per recent CRA changes) may be disallowed.	• Knowing recent CRA changes is important. Ensuring compliance with classification (business vs property) etc.

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