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## **New Anti-Flipping Rule introduced for Real Property**

Effective January 1, 2023 a new anti-property flipping rule has been introduced that essentially forces you to pay full income tax rates on properties that are sold after less than 12 months of ownership, with certain exceptions. This also means that CPP contributions may be payable on any profits.

## **No Capital Gains on Assignments**

The new rules expressly forbid residential properties held for less than 12 months from being used in the principal residence exemption for tax purposes or qualifying for the capital gains inclusion rate of 50%. With these options unavailable, the full amount of profit will be taxed as business income. A very important consideration is that this rule also applies to assignment sales. These are also subject to a 12 month holding period, which is reset once ownership of the property is secured. This commences an additional 12 month holding period for the property itself. Ultimately, properties purchased under assignment sale will be subject to two 12 month holding periods; one for the assignment and then again once more for the property.

## **No Losses**

Losses on residential property disposed of within the 12 month holding period, even if sold at a loss, will be deemed to be nil for tax purposes. This means that no loss carry forward balances can be accumulated through buying and selling inside of 12 months, further reducing potential incentive to sell prior to that duration.

## **Exceptions**

A property sold within the 12 month holding period will not be subject to these new anti-flipping rules if one of the following scenarios applies:

- Death of the taxpayer or a person related to them;
- Circumstances surrounding the addition of a related person to the taxpayer's household (childbirth, adoption, caring for an elderly parent);
- Relationship or marriage breakdown;
- The taxpayer or a person related to them is suffering from a serious disability or illness;
- Involuntary termination of the taxpayer's employment or that of their spouse;
- Insolvency; or
- Destruction or expropriation of the property.