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# Rental Income & Expenses are reported on a Real Estate Rentals schedule form T776

## Rental Property Expenses

Generally, you can deduct any reasonable expenses you incur to earn rental income.

The two basic types of expenses are *current expense* and *capital expenditures*.

## Current or Operating Expenses

Current or operating expenses are recurring expenses that provide a short-term benefit. An example of a current expense is the cost of repairs made to keep a rental property in the same condition it was in when purchased. You can deduct current expenses from your gross rental income in the year you incur them.

**Following is a list of current operating expenses that you can deduct from rental income:**

Advertising costs - paid to Canadian newspaper, Tv, or radio stations. Also deduct finder's fees paid, Accounting fees – to prepare books and records as well as government required fillings and returns, Legal expenses – to prepare leases or collect overdue rents, Management & Administration fees - commissions to agents to collect rents, or find new tenants, Mortgage Penalties financing fees, interest and bank charges expenses, related to the rental property, Insurance Premiums – deduct premiums paid for the current year, Lease cancellation payments, maintenance & repairs, labor & material cost for minor R&M done to the property to earn income, Landscaping costs, to the grounds of your rental property only in the year you paid cost, Condominium fees, deduct portion that represents upkeep, repairs & maintenance & current expense, Motor vehicle expenses, incurred to collect rent, supervise repairs and manage your properties, Office expenses are small items such as pencils, pens, paper clips, stationary, and stamps, Porty taxes, incurred during the period it was available for rent, Salaries and wages (including employer contribution), to personnel to take care of rental properties, Tax return preparation fees and utilities, deduct gas, oil, electricity, water & cable if landlord is responsible to pay them.

**Follow is a list of current operating expenses that you cannot deduct from rental income:**

The principal portion of mortgage payments, penalties form tax assessments, and the value of your own labor for services you provide.

**Capital expenditures provide a benefit which usually lats longer than the current year:**

Costs to purchase or improve your property are examples of capital expenditures. Generally, you cannot deduct the full amount of these expenditures in the year that you incur them. Instead, you can deduct part of their cost each year as capital cost allowance.

**Following is a list of capital expenditures:**

The purchase price of the property, legal fees and other costs connected with buying the property, cost of furniture and equipment that you are renting with the property, and costs relating to construction, renovation, or alternation (soft costs) of the property

In some circumstances, current expenditures can be considered capital. For example, "soft costs". Such as interests, legal fees, accounting fees and property taxes incurred during a period of construction of a rental building may have to be added to the capital cost of the building, Major repairs and other expenditures that extend the useful life of your property or improve it beyond its original condition are usually capital expenditures.

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## Capital Cost Allowance (CCA) Classes

For CCA purposes, property used to earn income is divided in classes. The following is a list of the more common CCA classes and their rates:

### Class 1 (4%)

Most buildings bought after 1987, including components such as wiring, plumbing, heating and cooling systems.

### Class 3 (5%)

Most buildings, including components, that you bought after 1978 and before 1988

### Class 6 (10%)

Frame, log, stucco on frame, galvanized iron, or corrugated metal buildings that do not have any footings below the ground, and which are used for the purpose of gaining or producing income from farming or fishing Class 6 also includes fences and greenhouse.

### Class 8 (20%)

Property that is not included in any other class, such as fixtures, furniture, machinery, photocopiers, refrigeration equipment, telephones, tools costing $500 or more. Class 8 also includes outdoor advertising signs bought after 1987.

### Class 10 (30%)

Automobiles, except those you use as a taxi or a daily rental business, including vans, trucks, tractors, wagons, and trailers. General-purpose electronic data-processing equipment (commonly called computer hardware) and systems software acquired before March 23, 2004. See also class 45.

### Class 13

Leasehold interest

### Class 43.1 (30%)

Solar equipment that generates electricity

### Class 45 (45%)

Computer equipment and systems software acquired after, March 22, 2004. The current rule allowing a separate class election is not available for equipment that qualifies for the 45% rate. However, you may elect to have the current rule apply for equipment that is acquired before 2005.

### Class 50 (55%)

Computers and related computer equipment acquired after March 18, 2007.

### Class 52 (100%)

Computers and related equipment acquired after January 27, 2009, and before February 1, 2011

**Class 97 (0.00%)** Land