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## Principal Residence

### What is a principal residence?

A property qualifies as your principal residence for any year if it meets **all** of the following **four** conditions:

- It is a housing unit, a leasehold interest in a housing unit, or a share of the capital stock of a co-operative housing corporation you acquire only to get the right to reside in a housing unit owned by that corporation.
- You own the property by yourself or mutually with another person.
- You, your current or former spouse/common-law partner, or any of your children lived in this property at some time during the year.
- You have designated this property as your principal residence.

The land on which your home is located can be part of your principal residence. Usually, the amount of land that you can consider as part of your principal residence is limited to about 1.24 acres (54,000 square feet).

Beware of quick flips as they may not qualify as capital property but rather an investment.

Serial builders should also beware as it may be considered business income and not qualify as a principal residence.

### What can be considered a principal residence?

Your principal residence can be any of the following types of housing units:

- A house
- A cottage
- A condominium
- An apartment in an apartment building
- An apartment in a duplex
- A trailer/mobile home

If only a part of your home qualifies as your principal residence and you used the other part for income purposes, you must split the selling price and the adjusted cost base. This split would include the part designated as your principal residence and the part used for other purposes such as a rental or business. You can do this by using square meters or the number of rooms, as long as the split is reasonable.

We will consider the entire property to remain as a principal residence even though you have used it for income producing purposes when all of the following conditions are met:

- The income producing use is supplementary to the main use of the property as a residence.
- There is no structural change to the property.
- No capital cost allowance is claimed on the property.

### What if I sell my principal residence?

When you sell your home, usually you do not have to pay tax on any gain from the sale because of the principal residence exemption. This is the case if the property was your sole principal residence for every year you owned it. If your home **was not** your principal residence for every year that you owned it, you have to report the part of the capital gain on the property that relates to the years in which the property was not considered your principal residence. For the sale of a principal residence in 2016 and following years, the principal residence exemption is only allowed if you report the disposition and designation of your principal residence on your income tax return. If you forget to report these, it is very important that you request that your tax return be amended for that year.