

Buying Guide

Why Canada?

Increasing numbers of British people are choosing Canada as the location for their second home, attracted by its spectacular scenery, laid-back lifestyle, political and social stability. Easier travel and increasing coverage by low-cost airlines are also considerations, as is the fact that Canada's international homes market is still young and developers seeking to attract British buyers therefore have to provide good value.

The Canadian residential property market has performed well in recent years, and is only suffering from the global recession by the economy's association with world markets. Residential property is generally cheaper than in the UK, which, along with historically healthy capital appreciation, makes it an attractive investment for British second home purchasers or those looking to emigrate permanently.

Canada is said to have weathered the global recession better than almost any other developed economy in the world, the government having put aside money when times were good and there was a budget surplus for 12 years. The problems currently being seen by Canadian companies are almost exclusively as a result of their exposure to global markets. This gives property in Canada a real chance of surviving the recession well, despite the fact that prices are currently on the slide.

Popular locations – an overview

Down the years, intrepid Britons have emigrated to every part of Canada. For those contemplating the purchase of a holiday home, however, travel time and cost will probably govern the choice of location. These will vary considerably depending on whereabouts in the UK you live.

Because of the comparative ease of travel, British second home purchasers have traditionally favoured eastern Canada. However, the recent introduction of low-cost transatlantic services has led to increased interest in western areas. Purpose-built resorts are also proving popular.

We hope this guide provides a place to start. There are many resources to help with further research, including television and radio programmes, magazines, the Internet and property exhibitions, as well as estate agents in both the UK and Canada.

Eastern Canada

Homes in eastern Canada are generally cheaper than comparable ones in the west.

Traditionally, Montreal has had the lowest residential property prices of Canada's major urban areas. However, they are now increasing rapidly, so this may be a good place to consider investing.



Buying Guide

The area has much to offer. Beautiful countryside and excellent sporting facilities, including skiing, are within easy reach. The US is 40 minutes to the south. Boston and New York are six hours' drive away, or an hour by air. There are several daily flights to London, in a flight time of approximately seven hours.

Because of its strong rental market, Toronto is also growing in popularity. Rental yields in both Toronto and Montreal have held up well despite the credit crunch.

Vancouver

British Columbia, Canada's westernmost province, is also one of its most beautiful, with glorious mountains, lakes, rivers and beaches. It has Canada's most temperate climate and some of its friendliest people.

Vancouver, the capital, is the most expensive area of Canada for residential property. The city, with the neighbouring ski resort of Whistler, is to host the 2010 Winter Olympics, a fact that is expected to lead to further price increases.

Transport links with the UK are improving. There are direct daily services from London to Vancouver (flight time approximately 9.5 hours).

The Rocky Mountains

Many people visit the Rocky Mountains on holiday and fall in love with this spectacular area. However, property tends to be expensive and, as much of it is situated within national parks, out of bounds to most purchasers.

An area worth considering is Canmore in Alberta. Given that it is next to the Banff and Kananaskis national parks, only an hour's drive from Calgary's international airport (flight time to London approximately nine hours) and in a temperate climate zone, it is no surprise that Canmore has doubled its population since it hosted the Winter Olympics in 1988. Prices are relatively low, but increasing.

Prices are also rising in Calgary, a young city with a strong first-time buyer market.

Resorts

Canada is the world's tenth most popular tourist destination but still offers great potential for growth. Recognising this, the government has invested huge sums in tourism, particularly in the east, which until recently was largely neglected as a holiday destination.

Consequently, resort developments are now big business. More and more Britons are seeing the advantages of buying resort properties. Many of them are skiers frustrated by the costs and crowds of European skiing. However, most resorts, even those offering winter sports, are now year-round, with family-oriented attractions. These factors help to extend the rental season and attract a wider range of purchasers.



Buying Guide

As a bonus, build quality is generally high, maintenance is arranged by a management company and capital appreciation tends to be excellent, particularly in eastern Canada.

Buying a property

Rules and regulations

Regulations on property purchase vary throughout Canada, so it is important to find out about them when you are researching an area.

In British Columbia, New Brunswick, Newfoundland, Nova Scotia, Ontario and Quebec, for example, there are no restrictions on foreign ownership, provided you spend less than six months per year in Canada. However, in Banff, which is located within a national park, only businesses and employees of the park can own property, and even they can do so only through renewable 42-year leaseholds.

Each province has a different limit on the amount and kind of land that can be owned.

Unless buying a new property from a developer, potential purchasers are required to register with an estate agent (realtor).

The purchase process

The purchase process in Canada is different from that in the UK and the practice of gazumping unknown.

As the majority of Canadian realtors cooperate in multiple listings, one realtor can usually access information on all available properties in an area.

Once you have chosen a property, you should appoint an independent realtor (or buyer's agent) to represent your interests. In the majority of real estate transactions, the seller pays both the realtors involved. Your agent will draft an Offer to Purchase, which will then be submitted with a deposit, which is refundable should the sale fall through.

Once the offer is signed by both vendor and purchaser and any conditions (for example, mortgage approval) are met, the sale can proceed.

Costs

Transactions costs in Canada, while varying from province to province, usually comprise between 4.7 and 11 per cent of the property price, making it one of the cheaper places to buy from a fees perspective.

A Goods and Services Tax (GST) of 7 per cent and a Provincial Sales Tax (PST) of up to 10 per cent are usually included in the asking price of new homes. Alberta is the only province that does not levy PST.

In New Brunswick, Newfoundland and Labrador and Nova Scotia, GST is combined with an 8 per cent provincial retail sales tax to form Harmonised Sales Tax (HST) of 15 per cent.

Buying Guide

Subject to certain conditions, GST and HST can be reduced or avoided (see Taxation section).

Buying costs vary between provinces, but purchasers should allow up to £2,000 for legal fees, a survey and insurance. Purchase tax of between 0.5 per cent and 2 per cent of the price is also payable.

Financing your purchase

When working out how to finance your purchase, consider all the options. Paying cash, if you can afford to do so, is often recommended, but you may not want to tie up a relatively large sum in this way.

The other options are remortgaging your UK home or arranging a mortgage on your Canadian property through a Canadian or UK lender. Remortgaging offers the easiest solution. Releasing equity in a UK home means that the second home can be purchased for cash, without the need for another mortgage. However, this may only be feasible for those who own their first home outright.

Several UK mortgage providers will lend funds of up to 80 per cent of the purchase price for second home purchase over, typically, a 15-year term.

Taxation

Canada's tax system

Both the federal and provincial governments impose income taxes, which together make up more than 40 per cent of total tax revenue. Taxes are progressive, the wealthy paying a higher percentage of their income than the less well off.

Canada has no Inheritance Tax as such. Inheritance is treated as the disposal of an asset and is therefore subject to Capital Gains Tax, currently 25 per cent.

A number of other federal, provincial and local taxes are payable by individuals, including sales taxes (see Costs section of Buying a Property) and property taxes. Residential properties are subject to annual local taxes of between 0.5 per cent and 2 per cent of their value.

Taxation of non-residents

Non-residents pay federal and provincial income tax on Canadian-sourced income. As the UK has a comprehensive double taxation treaty with Canada, taxes paid in Canada may reduce UK liability.

GST and HST are charged on new homes purchased for private use. However, in some circumstances – for example, if the owner of a resort property commits it to a rental pool and uses it for 10 per cent of the year or less – a home is classified as commercial property and not subject to tax.

Rental income is taxed at 25 per cent, but expenses can be offset against tax.



Buying Guide

A non-resident selling a property in Canada must pay Capital Gains Tax of 25 per cent, levied on a percentage of the profit.

Money matters

Canada's currency is the Canadian Dollar (\$CDN). The current rate of exchange is \$2.01 CDN to £1.00 sterling.

Standard banking hours are 10:00 am to 4:00 pm, Monday to Friday. UK debit cards can be used in ATMs, which are found in many public places, including cinemas and supermarkets, as well as banks.

Credit cards are widely accepted, as are travellers' cheques.

There are no currency restrictions on the import or export of local and foreign currency. However, those considering moving money overseas, either in a lump sum or to meet regular financial commitments, should consult a financial adviser or foreign exchange risk expert, who can advise on ways of reducing currency fluctuation risks, such as spot or forward transactions.

Passports, visas and residency

Passports and visas

To enter Canada as a visitor, a UK national must be in possession of a standard 10-year passport. Visas are not generally necessary, though there are some exceptions.

Non-residents can spend up to six months per year in Canada.

Residency

Permanent resident status gives a non-Canadian the right to live in Canada. Certain residency obligations must be met in order to maintain it. Those desiring permanent residence must apply for landed immigrant status. As this is a complicated process, it is wise to consult a lawyer specialising in immigration.

Canada's economy

Following the Second World War, the growth of Canada's manufacturing, mining and services sectors transformed the country from a largely rural economy into a mainly industrial and urban one based on technology and innovation. Three out of four Canadians are now employed in the services sector.

Deposits of natural gas on the east coast and in the west make Canada self-sufficient in energy, and it has a wealth of natural resources.

Prospects look bright. Real rates of growth have averaged nearly 3 per cent since 1993, and unemployment has been falling, though that trend is likely to come to an end in the worldwide recession. Aside from the global economic woes, the only clouds on the horizon appear to be the threat of a split in the federation, resulting from continuing constitutional disagreements between English- and French-



Buying Guide

speaking areas, and the ongoing brain drain to the US.

Communications

Telephone

An excellent service is provided throughout Canada, using modern technology, through a number of national and provincial phone companies.

As in the UK, coin-operated telephones are available in many public places, and payphones accepting major credit cards are increasingly common. Nearly all the phone companies produce pre-paid phone cards for domestic and international use. These are sold in a variety of outlets, including petrol stations, pharmacies and post offices. Some companies also produce affinity cards, whereby the cost of a call is debited from the caller's credit or debit card account.

Internet

Most major cities and even some smaller towns now have Internet cafés. Many large hotels, public libraries and other establishments also offer Internet access.

And finally...

Buying a home or property abroad is a major decision and one that should not be taken lightly. Before committing yourself, it is vital to ensure you have researched all aspects thoroughly and are in possession of all the relevant facts.

Individual circumstances will vary widely, so it is essential to obtain professional advice and guidance tailored to your particular situation, especially in areas such as property purchase, potential rental returns, taxation and mortgages.

[See our full range of information about property in Canada](#)

[Register and access a wider range of articles, guides and podcasts](#). Plus get impartial advice about property abroad, including property in Canada, from our experts.

© Copyright Buy Associates Limited 2006