

Practice with case studies

Sale of a principal residence

Reporting the sale of a principal residence

Pre-test question

Select **True** or **False**

Individuals are not required to report the sale of a principal residence because the gain is not taxable.

True

Sorry, that is incorrect.

Since 2016, if an individual sells their property, and it was their principal residence, they must complete the **Principal residence designation** section on page 2 of **Schedule 3, Capital Gains (or Losses)** by checking the box that represents their situation. They must also complete form **T2091IND, Designation of a Property as a Principal Residence by an Individual (Other than a Personal Trust)**.

False

That is correct.

Since 2016, if an individual sells their property, and it was their principal residence, they must complete the **Principal residence designation** section on page 2 of **Schedule 3, Capital Gains (or Losses)** by checking the box that represents their situation. They must also complete form **T2091IND, Designation of a Property as a Principal Residence by an Individual (Other than a Personal Trust)**.

Instructions

1. Open the tax software
2. Review the **Background information** and **Required slips** (tax slips, receipts, etc.)
3. Provide all required information for the appropriate sections of the tax software
4. Once completed, compare your results with the solution provided
5. Afterwards, refer to the **Takeaway points**

Background information

Situation

Igor sold his property for \$170,000.00 on December 5, 2023. He acquired the property on January 15, 1999, and it has been his principal residence every year he owned it.

Identification information

Name	Igor Muratovic
Social insurance number (SIN)	000 000 000
Address	123 Main Street City, Province X0X 0X0
Date of birth	March 15, 1965
Marital status	Single

Required slips

T4 – Statement of Remuneration Paid (Botanical Gardens Inc.)

Employer's name – Nom de l'employeur Botanical Gardens Inc.		Canada Revenue Agency / Agence du revenu du Canada		T4 Statement of Remuneration Paid État de la rémunération payée	
Year / Année: <input type="text"/>		Employment income / Revenus d'emploi: 14 <input type="text" value="34,500.00"/>		Income tax deducted / Impôt sur le revenu retenu: 22 <input type="text" value="4,350.00"/>	
54 Employer's account number / Numéro de compte de l'employeur: <input type="text"/>		Province of employment / Province d'emploi: 10 <input type="text"/>		Employee's CPP contributions – see over / Cotisations de l'employé au RPC – voir au verso: 16 <input type="text" value="625.00"/>	
Social insurance number / Numéro d'assurance sociale: 12 <input type="text" value="000 000 000"/>		Exempt – Exemption: 28 <input type="text"/>		EI insurable earnings / Gains assurables d'AE: 24 <input type="text" value="34,500.00"/>	
Employee's name and address – Nom et adresse de l'employé Last name (in capital letters) – Nom de famille (en lettres majuscules): MURATOVIC First name – Prénom: IGOR Address: 123 Main Street, City, Province X0X 0X0		Employment code / Code d'emploi: 29 <input type="text"/>		Employee's QPP contributions – see over / Cotisations de l'employé au RRQ – voir au verso: 17 <input type="text"/>	
		Employee's EI premiums / Cotisations de l'employé à l'AE: 18 <input type="text" value="579.00"/>		CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ: 26 <input type="text" value="34,500.00"/>	
		RPP contributions / Cotisations à un RPA: 20 <input type="text"/>		Union dues / Cotisations syndicales: 44 <input type="text"/>	
		Pension adjustment / Facteur d'équivalence: 52 <input type="text"/>		Charitable donations / Dons de bienfaisance: 46 <input type="text"/>	
		Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso: 55 <input type="text"/>		RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB: 50 <input type="text"/>	
				PPIP insurable earnings / Gains assurables du RFAP: 56 <input type="text"/>	
Other information (see over) / Autres renseignements (voir au verso)		Box – Case: <input type="text"/>	Amount – Montant: <input type="text"/>	Box – Case: <input type="text"/>	Amount – Montant: <input type="text"/>
		Box – Case: <input type="text"/>	Amount – Montant: <input type="text"/>	Box – Case: <input type="text"/>	Amount – Montant: <input type="text"/>

Takeaway points

Steps to follow

1. Review their background information and required slips
2. In **CRA Questions**, select **Yes** from the **Did you sell a principal residence in 2023?** drop-down menu
3. In **Interview setup**, tick the box next to **Employment income and employment insurance benefits (T4, T4E/RL-6)** in the **Employment and other benefits** section
4. Click **T4 and employment income** in the left side menu and click the + sign next to **T4 income (earned in any province except Quebec)** to enter the tax slip information
5. Click **Capital gains (or losses) and ABIL** in the left side menu and click the + sign next to **Personal use property (Including the principal residence)**
6. Enter the dates into the **Date of acquisition (dd-mm-yyyy)** and **Date of disposition (dd-mm-yyyy)** fields
7. Enter **\$170,000.00** into the **Proceeds of disposition** field
8. In the **Principal residence** section, select **Yes** from the **Designation of the property as a principal residence?** drop-down menu
9. In the **Address of the principal residence** section, enter the required information and select **T2091 - Designation of a property as a principal residence by an individual**
10. In the **Designation** section enter the year in **Date of acquisition (dd-mm-yyyy)** into the **From** field and the year in **Date of disposition (dd-mm-yyyy)** into the **To** field

Since the property Igor sold was his principal residence for all the years he owned it, it does not affect his eligibility for CVITP services and no amount will appear on line 12700 of his tax return. However, Igor has to report the sale and designate the property as his principal residence on his tax return because the sale of the principal residence occurred after 2015. The software automatically completes Schedule 3 and form T2091.

For more information, refer to [UFile instructions](#).

Review your results

Federal	
	Igor Muratovic
◆ Total income	
10100 Employment income	\$34,500.00
15000 Total income	\$34,500.00
◆ Net income	
22215 Deduction for CPP and QPP enhanced contributions	\$105.04
23600 Net income	\$34,394.96
◆ Taxable income	
26000 Taxable income	\$34,394.96
◆ Non refundable tax credits	
30000 Basic personal amount	\$15,000.00
30800 CPP or QPP contributions through employment	\$519.96
31200 Employment Insurance premiums through employment	\$562.35
31260 Canada employment amount	\$1,368.00
33500 Total	\$17,450.31
33800 Total @ 15%	\$2,617.55
35000 Non refundable tax credits	\$2,617.55
◆ Refund or balance owing	
42900 Basic federal tax	\$2,541.69
40500 Federal foreign tax credit (T2209)	\$0.00
40600 Federal tax	\$2,541.69
41700 Line 40600 - 41600	\$2,541.69
42000 Net federal tax	\$2,541.69
42800 Provincial or territorial tax	\$602.86
43500 Total payable	\$3,144.55
43700 Total income tax deducted	\$4,350.00
◆ Payments and credits	
45000 Employment insurance overpayment (excess contributions)	\$16.65
45300 Canada workers benefit (CWB) (schedule 6)	\$105.01
48200 Total credits	\$4,471.66
48400 Refund	\$1,327.11