Owning Property under LQA

Based on a USG reciprocal agreement with Canada Revenue Agency, if a direct-hire employee in official status purchases a property under LQA and then sells it prior to or at the end of their official assignment here, there is no capital gains liability in Canada.

If the employee retains ownership of the property and rents it after they leave post for onward assignment, the situation changes.

A non-resident property owner is expected to report rental receipts to the Canada Revenue Agency and pay 15%. (I do not know if this is off the top or if this is 15% off the adjusted gain after deductions, depreciation, etc.). An employee would probably need a Canadian CPA to assist them. Presumably, what is paid to Canada can be deducted on a U.S. income tax return.

A property that has been retained and used as other than a principal residence and is then sold may be subject to Canada capital gains. The real estate broker handling such a sale may insist that 25% of the purchase price be held is escrow for a tax liability review. Presumably, capital gains paid in Canada can be claimed on a U.S. income tax return (based on a no dual-taxation agreement).

If an employee does decide to retain a property beyond the end of their assignment to Canada, they should begin keeping complete records immediately and thereafter, including rent receipts, expenses, and, perhaps especially, any and all proof of when they occupied the residence during and after their official tour of duty. It may all come in handy later.