CASE 4 – GERARD RATCHFORD – SENIOR SELLING PROPERTY

Gerard (Gerry) Ratchford is a retired 67-year-old senior. His main sources of income are a modest pension composed of his Canada Pension Plan (CPP) pension, Old Age Security (OAS) and his monthly Registered Retirement Income Fund (RRIF) withdrawals. The information on his T4AP and T4OAS slips are as follows:

T4(OAS)

Box 18:	$ 7,929.75

T4(A)P

Box 14:	$ 11,845.30
Box 23	12

Gerry's Personal Information
Address: 28 Cherry Street, Halifax, Nova Scotia B1P 4Y8
Date of birth: August 31, 1955
Marital status: Widowed

On occasion, he also receives some dividends from a UK company that he is a shareholder of. This year, he did receive a dividend from his shares of Environment Systems LLP. The total dividend according to the paperwork Gerry provided us from the dividend payment shows the total dividend paid was 6,250 British pounds. There was a 25% withholding tax by the UK government in the amount of 1,562.50 British pounds. Gerry had received a direct deposit for the balance of 4,687.50 British pounds.

Gerry has owned these shares since 2004. He holds 1,000 shares and he paid 25,000 British pounds for them at that time. Gerry has no other investments at the moment other than his RRIF funds.

He also had some rental income for the last few years, but Gerry decided to sell the rental property as it was becoming too much work for him and the amount of income he was generating from it was not worth it, according to him. Attached with his tax documents are a rental statement for the period Gerry rented out his property until the closing date. The following is the additional information regarding the sale of the property. Gerry was claiming CCA over the years in order to save taxes.

Rental property sold on August 18, 2022

Sale price:	$ 675,500
ACB purchased Oct, 15, 2014	$ 472,980

Commission & legal fees	$ 18,750
UCC end of 2021 (Class 1)	$ 394,887

The UCC was taken from his prior year's tax return from the closing UCC from his CCA schedule. For this example, we will be ignoring any land value. Assume it is nil.

Gerry also sold his home as he decided to downsize and pocket some additional capital that he could use to invest and generate and income in the future. The following is the breakdown of the sale of his home that was used as a principal residence.

Home (principal residence) sold on November 23, 2022

Sale price:	$ 989,000
ACB purchased 2014	$ 599,800
Outlays	$ 22,185

We have been Gerry's accountant for a number of years. When we pulled out his file, we noticed that Gerry sold his cottage back in 2016. At the time, he was not interested in paying the capital gains tax on the sale of the cottage and decided to use the Principal Residence Exemption (PRE) on the cottage property. At that time, the full amount of the capital gain was exempt and we used all the years owned on the cottage as the designation on the Form T2091.

When we look at the formula, we see that 2014, 2015 and 2016 were designated to the cottage in our working paper for that year as part of our T2091 calculations and carry-forward memo.

Gerry is ready to have his tax return prepared with this information.