

Tax Tip
Week of September 6, 2010

Personal Use Property

Personal use property is an asset that is acquired for the pleasure of the owner. This could include a boat, camera, vehicle and similar assets. On the assumption the individual is not in the business of selling such assets and the items do not meet the tax definition of Canadian Cultural Property or listed personal property (paintings, coins, stamps and jewelry) there may be tax implications if the property is resold.

There are two key tax rules related to the sale of personal use property:

- 1) any loss on the sale of personal use property is not deductible; and
- 2) a gain on the sale may result in a capital gain. However, on such property, the proceeds of disposition are deemed to be the greater of \$1,000 or the actual cost. The adjusted cost base is deemed to be the greater of the actual cost or \$1,000.

The \$1,000 value assures that that any item that is sold for less than \$1,000 will not be taxable. However, if a used car was purchased for \$10,000 and resold for \$12,000, 50% of the gain would be taxable. The onus is on the taxpayer to self-report the income.