



Personal Real Estate Corporations (PREC) FAQs

The legislation has been amended to permit a brokerage to pay remuneration owed to a salesperson or broker for trading in real estate to a corporation that meets specific criteria.

The corporation is referred to as a personal real estate corporation (PREC). A PREC is a corporation that a salesperson or broker may establish that is permitted to directly receive from a brokerage remuneration that is earned by the registrant. The new rules allow for, but do not require, the use of a PREC.

THE SHORT STORY:

1. Have your accountant/lawyer set up your PREC. ([refer to checklist](#)).
2. Send RE/MAX Rouge a copy of Articles of Incorporation.
3. RE/MAX Rouge will prepare a Registrant/PREC/Brokerage agreement.
4. RE/MAX Rouge will notify the registrar.
5. RE/MAX Rouge will start paying your commissions to the PREC.

Does a PREC have to be registered with RECO?

No. You do not register the PREC. RE/MAX Rouge will notify the Registrar that a PREC has been created to receive remuneration for a Registrant (YOU).

A PREC is exempt from registration under REBBA and is permitted to receive remuneration from a brokerage if the PREC meets all the required criteria and satisfies all the conditions set out in the legislation. A PREC cannot trade in real estate other than to provide the services of its controlling shareholder (the broker or salesperson) to a brokerage. The salesperson or broker must continue to be employed by the brokerage in order to trade in real estate and to have their remuneration paid to their PREC.

Do I have to set up a PREC?

No. You DO NOT have to set up a PREC. Your commissions will continue to be paid to you as an independent contractor with RE/MAX Rouge.

How do I know if it's a good idea to set up a PREC?

As a basic guideline, a Registrant with a gross annual income above \$200,000 would likely find a PREC most advantageous.

Based on each registrant's personal circumstances, there are advantages and disadvantages to the creation and use of a PREC. Registrants are encouraged to consult financial and other experts on whether a PREC is the right approach for them.

What do I need to do if I want to set up a PREC?

In addition to consulting financial and other experts, and confirming that the brokerage will agree to the use of the PREC, registrants will need to:

1. Ensure the corporation meets the criteria and conditions set out in the legislation ([refer to checklist](#)).
2. Ensure that a written agreement between the Registrant, the PREC and the RE/MAX Rouge has been executed.
3. RE/MAX Rouge will notify the Registrar (RECO).

Do I need to set up a real estate trust account for my PREC?

No. In fact, the PREC is not permitted to hold any money or other property as a deposit in connection with a trade in real estate.

Are there rules on how to name the PREC?

A generic name is sufficient. Example: 123456 Ontario Inc.

How to name the PREC is a business decision to be made by the registrant at the time of setting up the corporation or by way of articles of amendment for an existing corporation. In choosing a name, a registrant is reminded that in order to remain exempt from registration, the PREC, its controlling shareholder and others *must not represent to the public that the PREC trades in real estate*.

Can my team be paid remuneration through my PREC?

No. Only one registrant may be paid remuneration through a given PREC. All remuneration for team members must flow from the brokerage to each of the individual brokers and salespersons or to their respective PRECs.

Can registrants who are spouse own the equity shares of the corporation?

No. There must be one registrant who owns all the equity shares and the PREC may only receive remuneration for that one individual registrant.

Can I advertise using the name of the PREC?

No. A registrant must not represent to the public that the corporation carries on the business of trading in real estate.

I have a corporation set up for other purposes. Can I use it as a PREC?

A registrant may be able to use an existing corporation if it meets the criteria and conditions of a PREC ([refer to checklist](#)). There may, however, be limitations with other types of registered businesses that may prohibit its use.

Are there any restrictions on the activities a PREC can engage in?

The PREC must not trade in real estate other than to provide the services of its controlling shareholder (broker or salesperson) to the brokerage. There are no restrictions in the legislation on what other activities a PREC might engage in. Permitted activities will depend on the objects of the corporation. However, there may be limitations on the corporation if it is used to operate in another regulated sector.

I set up a brokerage (sub-brokerage), now I'm thinking of changing over to a PREC. Is that permitted?

Yes. We can help you close down your brokerage and move your registration over to RE/MAX Rouge as a Broker.

Registrants should consult with financial and other professionals to determine the best approach for their personal circumstances. The corporation would have to meet all the criteria and satisfy all the conditions of a PREC. The termination of the brokerage would have to follow the requirements for doing so.

Is a PREC covered by the professional liability insurance program (E&O Insurance) administered by RECO?

No. The Registrant (YOU) as an individual will continue to receive coverage.

A PREC is not a registrant and therefore is not insured under the insurance program. The program will not be liable to defend or indemnify a registrant for any claim made against a PREC, but this does not affect the coverage otherwise afforded to the registrant.

Is unpaid remuneration to a PREC entitled to Commission Protection coverage under the professional liability insurance program administered by RECO?

Yes – subject to the terms and conditions of the policy.

Failure to pay remuneration owed to a PREC for the services of a registrant that is the controlling shareholder of the PREC could give rise to a claim under the insurance program by the registrant. Program coverage responds in events such as brokerage theft, fraud, insolvency, or misappropriation of funds.

Can a holding company own any of the shares of a PREC?

The legislation requires that all the equity shares of the corporation be legally and beneficially owned, directly or indirectly, by the controlling shareholder (YOU). It also provides that all the non-equity shares must be owned *directly or indirectly* by a family member. A family member is a spouse, child, parent, or a trust for a minor child. Whether shares will be held directly or indirectly by the controlling shareholder or a family member is a business decision to be made by the registrant setting up the PREC. Legal advice should be sought to ensure compliance with the law.

How do I notify the Registrar (RECO) about my PREC?

We will take care of that for you!