



WOITZIK POLSINELLI
LAWYERS AND MEDIATORS *LLP*

The Benefits of a PREC

Woitzik Polsinelli Lawyers and Mediators *LLP* has been tracking the status and progress of the proposed legislation that would permit realtors to form personal real estate corporations (a “PREC”) in Ontario. Bill 104 has now received royal assent and has passed. Bill 104 permits realtors to incorporate a PREC. As a result of the passing of Bill 104, realtors who incorporate a PREC may enjoy significant tax benefits, including lower tax rates and tax deferral opportunities.

For some realtors, their tax rates have been as high 53.53% if their income has been above \$220,000. Realtors with a PREC will now have the means to access the Ontario small business tax rate, which is 13.5% on the first \$500,000. Further, as long as the corporation is owned, controlled, and operated in Canada, it can enjoy the Canadian Controlled Private Corporations tax rate of 26.5% on income that exceeds \$500,000. The incorporation route provides the potential for huge tax savings for realtors.

In addition, realtors may be able to split income with their family members, such their spouse or adult children. For instance, family members could own non-equity shares of the company, which could allow them to earn dividends from the business. Realtors could also pay lower-income family members salary or wages, which would be taxed at their personal tax rates, which will presumably be lower than the current tax rate.

Proper planning is essential. If you’re considering setting up a PREC, Woitzik Polsinelli Lawyers and Mediators *LLP* can help you do so.

Here is our competitive pricing package:



Agent is the sole shareholder = \$1,000 + disbursements (about \$500) + HST



Agent and spouse holding a different class of shares = \$1,250 + disbursements (about \$500) + HST



Agent, spouse and child / children over 18 holding different classes of shares = \$1,500 + disbursements (about \$500) + HST



Agent, spouse and child / children under 18 holding different classes of shares and trust agreement for shares held by the minor children = \$1,750 + disbursements (about \$500) + HST

For immediate assistance regarding your plans to incorporate, please contact our corporate lawyer, Stephen Sforza, at stephen@durhamlawyer.ca or call 905-668-4486 ext. 239. Please reference your brokerage.

We look forward to assisting you.