



COMMERCIAL · GUIDE

Buying commercial real estate through a holding company: when it helps and when it doesn't

A holding company can protect your assets and open up financing and planning options, or it can just add cost and paperwork. Here is how to tell which.

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If you are buying commercial real estate, someone has probably told you to "put it in a holdco." Sometimes that is excellent advice. Sometimes it adds cost, administration, and complexity for a benefit you will never actually use. A holding company is a structuring tool, not a default, and whether it earns its keep depends on what you are buying, how you are financing it, and what you are trying to accomplish. This guide walks through when a holding company genuinely helps on a commercial purchase and when it does not, so you can have a focused conversation with your lawyer and your accountant before you buy.

One thing to say clearly at the top: the biggest single factor in this decision, tax, is not something to settle from an article. Whether a holding company produces a real tax benefit for you depends on your overall situation and is a question for your accountant and, where needed, tax counsel. What follows frames the legal and practical trade-offs and tells you where the tax question has to be answered by the right professional.

What a "holding company" means here

In this context, a holding company is simply a corporation whose purpose is to own an asset, here, a commercial property, rather than to run an active business. Often the structure looks like this: a corporation is set up to hold the real estate, and it may sit alongside or above a separate operating company that actually runs a business. The property lives in one entity; the business risk lives in another.

The decision we are talking about is whether to acquire your commercial property through such a corporation from the outset, rather than in your own personal name.

When a holding company genuinely helps

Isolating liability, property by property

This is often the strongest reason. Commercial real estate carries real liability exposure: someone is injured on the property, an environmental problem surfaces, a dispute arises with a tenant or a contractor. If you own the property personally, that exposure can reach your personal assets. If you own it through a corporation, the general rule is that the corporation's liabilities are the corporation's, not yours personally, subject to the usual exceptions like personal guarantees and your own wrongful acts.

The benefit multiplies when you own more than one property or run projects. Holding each property or project in its own corporation can wall the properties off from each other, so that a serious problem with one does not put the others at risk. For an owner building a portfolio, this separation is frequently the whole point of using holding companies, and it is a legitimate, well-understood reason to do it.

A caution that keeps this honest: the liability shield is only as strong as your dealings allow. If your lender requires you to personally guarantee the financing, which commercial lenders very often do, then to that extent your personal exposure comes back regardless of the corporation. That does not erase the value of the structure, since the guarantee is usually limited to the debt while other liabilities stay contained, but it does mean "limited liability" is partial, not absolute.

Financing and joint-venture flexibility

Holding a property in a corporation can make certain financing and ownership arrangements cleaner. If you are bringing in co-investors or a partner on a specific property, a corporation gives you shares to divide, a clean way to document who owns what, and a defined vehicle for the investment. Lenders and co-venturers are used to dealing with a single-purpose corporation that owns one property, and it can simplify security, priorities, and eventual exit. If your plan involves partners or outside capital on the property, the corporate structure often pays for itself in clarity.

Estate, succession, and exit planning

A corporation that owns real estate can make it easier to plan for what happens to the asset over time: bringing family members in as shareholders, structuring a future transfer of the business or the property, or eventually selling. Because shares can be dealt with more flexibly than a direct interest in land, a holding company can give you planning options you would not have holding the property personally. The specifics, and whether they actually benefit you, are estate and tax planning questions to work through with your advisors, but the structure is what makes those options available.

Separating a valuable asset from an operating business

If you run a business and also own the premises it operates from, holding the real estate in a separate company from the operating business is a common and sensible structure. It keeps a valuable, long-term asset, the property, out of the reach of the operating business's day-to-day risks. If the business runs into trouble, the property is not automatically dragged in. And if you ever sell the business, you can potentially keep the property, or vice versa. Separating the asset from the operations is one of the more durable reasons to use a holding company.

When a holding company is probably not worth it

A single small property with no partners and no plan to grow

If you are buying one modest commercial property, holding it yourself, with no co-investors, no operating business to separate from, and no portfolio ambitions, the cost and administration of a corporation may simply outweigh what you get from it. A corporation has to be set up, maintained, and filed for; it has its own records and its own tax return; and it carries ongoing compliance obligations. For a small, simple, single-asset hold, that overhead can exceed the practical benefit, and owning personally may be the more sensible choice. The structure should match the size and complexity of what you are actually doing.

When the tax benefit is assumed rather than confirmed

People often reach for a holding company because they have heard it saves tax. Sometimes it does; sometimes it does nothing useful; and occasionally it makes things worse. The tax treatment of holding real estate in a corporation, including how rental income is taxed and how a future sale would be treated, depends on your specific circumstances and is genuinely complex. The mistake to avoid is incorporating on a vague belief in a tax advantage that has never been checked. Before you let tax drive this decision, get your accountant to run your actual numbers. If the tax benefit is the reason you are incorporating, that reason has to be confirmed, not assumed.

When lenders will require personal guarantees anyway

If the main reason you want a holding company is liability protection, but your financing will require full personal guarantees, take a clear-eyed look at how much protection you are actually buying. The structure still contains non-debt liabilities and still separates properties from each other, which has value. But if you were picturing complete personal insulation and the lender is going to require you to stand behind the debt personally, the benefit is narrower than you thought, and worth weighing honestly against the cost.

The transfer-in trap: decide before you buy, not after

Here is a point that argues strongly for making this decision at the outset. If you buy a commercial property personally and later decide to move it into a holding company, that transfer from you to the corporation is itself a dealing in land, and it can attract Land Transfer Tax, because a conveyance of the property is taking place. In other words, "I'll buy it now and reorganize into a holdco later" can carry a real and avoidable tax cost that buying through the right structure in the first place would not have triggered.

We are not setting out rates or any planning technique here, because that is exactly the kind of tax-specific question that belongs with your lawyer and your tax advisor on your actual facts. The takeaway is simpler and important: the cheapest time to get the structure right is before you close, not after. Deciding early, with advice, avoids paying to fix it later.

How to approach the decision

- Start with your objective. Liability isolation, partners or outside capital, separating premises from an operating business, or estate planning point toward a holding company. A single small personal hold with none of those often does not.
- Get the tax answer from the right person. If tax is driving the decision, confirm the benefit with your accountant on your real numbers before you commit. Do not incorporate on an assumption.
- Factor in the financing reality. Ask your lender early whether personal guarantees will be required, so you know how much the liability shield is actually worth in your case.
- Decide before you buy. Because moving a property into a holdco later can trigger Land Transfer Tax, the structure is far cheaper to get right at the outset. Have this conversation before you are under an agreement, not after.
- Match the structure to the scale. The more properties, partners, and complexity, the more a corporate structure earns its keep. The simpler the hold, the more the overhead has to justify itself.

Bottom line

A holding company is a genuinely useful tool for commercial real estate when you want to isolate liability across properties, bring in partners or outside financing, separate a valuable property from an operating business, or open up estate and succession options. It is often not worth it for a single small property with no partners and no growth plan, where the cost and administration outweigh the benefit, or where a hoped-for tax advantage has never been confirmed. Because the dominant factor is tax and the second is your financing, this is a decision to make with both your lawyer and your accountant, and to make before you buy, since fixing the structure afterward can carry a Land Transfer Tax cost you could have avoided. Talk to us early, ideally before you sign an agreement, and we will structure the purchase to match what you are actually trying to achieve.

If you are weighing this as part of a broader decision about whether to incorporate at all, or you are buying or selling a business that owns its premises, two of our other guides are worth reading alongside this one: whether to incorporate in the first place, and the difference between an asset deal and a share deal when a business changes hands.

This is general information about holding companies and commercial real estate in Ontario, not legal or tax advice for your situation, and it is not a substitute for retaining Ontario counsel and a tax advisor for advice you intend to rely on. Whether a holding company benefits you, and how any purchase should be structured, depends on your specific facts and on tax analysis that requires your accountant or tax counsel. Talk to us, and your accountant, before you buy.

Questions about your own situation? Book a free consultation at lucianolegal.com/contact.html, call 647-479-4585, or email info@lucianolegal.com.

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