

## UNDERUSED HOUSING TAX (UHT)

Dear Client:

We would like to make you aware of a new tax and filing requirements under the Underused Housing Tax (UHT) that the government has implemented for the 2022 tax year.

This tax is intended to affect foreign (non-Canadian, non-resident) owners of residential properties in Canada, however there are Canadian owners who will also be impacted. The UHT return is due by **April 30, 2023** and is based on residential property owned as at December 31, 2022.

**The penalties for non-compliance are minimum \$5,000 for individuals and minimum \$10,000 for corporations.**

### Who will need to file a UHT return?

You will need to file a UHT return if you are an “affected owner” of a residential property located in Canada. Examples include:

- Individuals who are neither Canadian citizens nor permanent residents;
- Private corporations that own residential property;
- Individuals acting as trustee of a trust, including a ‘bare trust’; and
- Members of a partnership

**“Excluded owners” include individuals who are Canadian citizens or permanent residents, individuals acting as executor of an estate, and registered charities. If you are an excluded owner then there are no filing or tax requirements.**

**If you are not an excluded owner then you are an “affected owner” and a UHT return must be filed. If you meet one of the exemptions then there will be no tax payable. Ownership is based on land registry records.**

This communication is intended to give a high-level overview of the UHT. Please click on the link below for more information about the filing requirements and the various exemptions, or refer to pages 7-9 of the UHT return:

<https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html>

### What do you need to file the return?

**A UHT return must be filed on a per-owner, per-property basis.**

We have attached a copy of the CRA form that needs to be filed as well as a checklist. If you would like us to prepare the form on your behalf, then please fill out the checklist and provide it to us. Our fee for preparing and filing the form will start at \$450 per return.

### If tax is payable

**If you are an “affected owner” and none of the exemptions apply, you will be liable to pay UHT at a rate of [1% x taxable value of property x % ownership]. The greater of the assessed value and most recent purchase price will form the “taxable value” of the property.**

Please contact us if you have any questions about the UHT or possible filing obligation, or if you wish for us to prepare the filing(s) on your behalf (other than condominium corporation clients).

Yours truly,

Yale PGC LLP

# UNDERUSED HOUSING TAX (UHT) 2022 CHECKLIST – ADDITIONAL INFORMATION

## **What is a residential property?**

Generally, a residential property is a dwelling unit (with private kitchen area and bathroom) and the sub-adjacent land. The residential property would have fewer than four units. Examples include:

- Detached and semi-detached houses
- Duplexes/triplexes
- Laneway/coach houses
- Cottages/cabins/chalets (not for commercial use)
- Semi-detached houses
- Residential condominium units
- Rowhouse units/townhouses

Each condominium unit in a building will be considered a separate residential property.

Examples of “non-residential” property include:

- Quadplexes
- Mid/high-rise apartment buildings
- Mixed-use property that is primarily for commercial use (e.g. a retail property with a residential apartment above it, but at least 50% of the space is for commercial use)
- Mobile homes/park trailers

## **Confirming legal title/bare trusts**

Please confirm legal ownership with your lawyer and whether there is a bare trust arrangement.

## **Setting up Business RU account number**

If the owner of the property is a private corporation, an RU program account will need to be registered for the existing business number. You can register for this online through the CRA’s Business Registration Online service here: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/registering-your-business/bro-register.html>

You will need the following information:

- Your name, SIN, Date of birth and mailing address
- Business legal name
- Business number
- Name and SIN(s) of owner(s)
- Business physical address
  - o You will also need the mailing address and location of books and records if either of these are different from the physical address
- Jurisdiction of Incorporation and certificate number
- Effective date of registration – use December 31, 2022

The required information for the business can be found on the corporate tax return (Jacket and Schedule 50), as well as the Articles of Incorporation/Articles of Amendment.

If Yale PGC is preparing the UHT return(s), we will register the RU account on behalf of the corporation.

# UNDERUSED HOUSING TAX (UHT) 2022 CHECKLIST

If you are an affected owner and want Yale PGC to prepare and file the form on your behalf, please provide the following information:

INFORMATION ABOUT THE OWNER	
Legal name of owner	
SIN, ITN, or business number (BN-RU)	
Mailing address	
Province, territory, or state	
Country	
Postal or Zip code	
Telephone number	
If you are an owner and an individual who is neither a Canadian citizen nor permanent resident, in which country do you have citizenship?	

PARTNERSHIP AND TRUST QUESTIONS			
Do you own the residential property as a partner of a partnership?	<input type="checkbox"/> YES	<input type="checkbox"/> NO	If yes, partnership account number: <hr style="border: 0; border-top: 1px solid black; width: 100%;"/>
Do you own the residential property as a trustee of a trust?	<input type="checkbox"/> YES	<input type="checkbox"/> NO	If yes, trust account number: <hr style="border: 0; border-top: 1px solid black; width: 100%;"/>

RESIDENTIAL PROPERTY INFORMATION	
Physical address	
Province or territory	
Postal code	
Property ID used in the land registration system (refer to your 2022 final property tax bill)	
Property tax or assessment roll number (refer to your 2022 final property tax bill)	
Type of property	<input type="checkbox"/> Detached house <input type="checkbox"/> Semi-detached house <input type="checkbox"/> Duplex <input type="checkbox"/> Triplex <input type="checkbox"/> Townhouse or rowhouse <input type="checkbox"/> Residential condo unit
Year you became an owner	
Type of ownership	<input type="checkbox"/> Sole <input type="checkbox"/> Joint tenancy <input type="checkbox"/> Tenants in common
What is the <b>assessed value</b> of the property? (refer to your 2022 final property tax bill)	

What was the property's most recent <b>sale price</b> on or before December 31, 2022?	
What is your ownership percentage on December 31, 2022?	
Provide the following information about any other owner of the property having an interest of 10% or more:	
<b><u>Name of owner:</u></b>	<b><u>Ownership percentage:</u></b>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	

**Exemptions (you only need to meet one of the exemptions)**

**Exemptions – Canadian citizens and permanent residents**

Select one of the following exemptions that can be claimed so that no tax is owing upon filing:

- Specified Canadian corporation (where at least 90% of the votes and value of the corporation are held by Canadian citizens or residents)
- Specified Canadian partnership (where all members of the partnership are a “specified Canadian corporation” or an “excluded owner”)
- Specified Canadian trust (where all beneficiaries are either a “specified Canadian corporation” or an “excluded owner”)

**Exemptions – Non-Canadian citizens and non-permanent residents**

Select one of the following exemptions that can be claimed so that no tax is owing upon filing:

- Primary residence for you or your spouse/common-law partner, or for your child while the child is studying at a designated learning institution
- Qualifying occupancy (rented for a minimum of one month at a time continuously for not less than 180 days in the year, occupied by you or your spouse on a work permit in Canada, or continuously occupied by a member of your immediate family who is a Canadian citizen or permanent resident)
  - If any of these exemptions apply, provide the number of days for each
- Property not suitable for year-round residence
- Property is seasonally inaccessible
- Uninhabitable for >60 consecutive days due to disaster or hazardous conditions (provide dates)
- Uninhabitable for >120 consecutive days due to renovations (provide dates)
- New owner (you have not owned residential property in the year or previous nine calendar years)
- Owner deceased in the calendar year or the previous calendar year

- Construction of property not substantially completed by March 31 of the calendar year
- Property in inventory (for developers) held at the end of the calendar year if construction was completed by March 31 of the year
- Residential property is in an eligible area (fewer than 30,000 residents) and occupied by you or your spouse at least 28 days in the year – CRA has provided a tool to verify eligibility for this exemption using the postal code of the property [https://apps.cra-arc.gc.ca/ebci/sres/ext/pub/ntrUhtExpnTI?request\\_locale=en\\_CA](https://apps.cra-arc.gc.ca/ebci/sres/ext/pub/ntrUhtExpnTI?request_locale=en_CA)