MRSB

DID YOU KNOW?

The Underused Housing Tax May Unexpectedly Apply to You – and Significant Penalties can Result!

The Federal Government recently introduced the *Underused Housing Tax Act* (UHTA) and the related Underused Housing Tax (UHT) Return and Election Form, UHT-2900. If applicable, UHT can result in a 1% tax annually on the value of the subject property.

Residential property is generally defined as:

- a detached house or similar building that contains <u>not more than</u> three dwelling units, along with any appurtenances and the related land
- a semi-detached house, rowhouse unit, residential condominium unit or other similar premises, along with any common areas, appurtenances and the related land

Do you need to file?

Generally, the UHT applies to non-resident, non-Canadian owners of vacant or underused residential housing in Canada. The UHT regime applies to residential property that is owned on December 31 of the year. For this purpose, ownership refers to the person on title, including a life interest or long-term lease. However, there are some common situations where a UHT-2900 tax return is still required for residential real estate held, <u>even if there is no non-resident ownership</u>. In simple terms, an "affected owner" is required to file the return whereas an "excluded owner" is not required to file.

Are you an "excluded owner"?

Excluded owners are <u>not</u> required to file a UHT return. The most common example would be a Canadian citizen or permanent resident. While not exhaustive, other excluded owners include publicly traded corporations and trusts, co-op housing corporations, registered charities, municipalities, the Government of Canada or a province, certain Indigenous bodies, and public service bodies.

Are you an "affected owner"?

Affected owners <u>are</u> required to file a UHT return. The filing of the return does not automatically trigger a UHT tax obligation. Common examples of an affected owner under the UHTA are:

- a Canadian corporation with all Canadian shareholders
- Canadian partners of a Canadian partnership.
- Most Canadian trusts

- Executor of an estate
- Bare trustee (i.e. you hold legal title for another person)
- Any "owner" other than an "excluded owner" such as an individual who is not a Canadian citizen or permanent resident, a non-resident corporation, or a Canadian corporation without share capital.

If you own residential property and do not meet the definition of an excluded owner as of December 31, 2022, you must file form UHT-2900 and, unless an exemption applies, pay the Underused Housing Tax. Failure to file also will result in penalties.

If you are an affected owner, you must file even if you qualify for an exemption from the tax.

Significant Penalties

Affected owners who fail to file form UHT-2900 could face a minimum penalty of $5,000 per property for individuals and $10,000 per property for corporations.

Filing and paying the UHT

If you are an affected owner, you must file and pay any taxes by April 30th.
(for 2022 year, the **deadline is May 1, 2023** to avoid the above penalties)

Additional Filing Requirements for Corporations

Corporations will require a new RU# from CRA. You can apply for your RU# by **clicking here**.

How Can MRSB help?

Talk to us to engage our firm to assist in the preparation of your UHT filing. We can provide a fee quote, which will depend on the complexity of the filing including whether you have multiple properties, and whether the owner meets any of the exemptions found in the legislation.

Additional information on the UHT can be found on the **Government of Canada website**.