

UNDERUSED HOUSING TAX: WHAT YOU NEED TO KNOW



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Overview

The Government of Canada has implemented a 1% tax on the value of non-Canadian owned residential property that is vacant or underused.

The Underused Housing Tax (UHT) applies to residential properties owned on December 31, 2022, and applies annually thereafter. All property owners who are not “excluded owners” will be required to file a UHT return (form [UHT-2900](#)) for the 2022 calendar year with CRA by the April 30, 2023 deadline, even if they are exempt from paying the tax.

Residential Property

Residential property is generally considered to be real property situated in Canada that is either a detached house or similar building containing not more than three dwelling units; or part of a building that is a semi-detached house, rowhouse unit, condominium unit or other similar premises.

Excluded owner

An “excluded owner” is exempt from the UHT and exempt from filing a UHT return. Excluded owners include:

- + An individual that is a Canadian citizen or permanent resident except if that individual is an owner of the residential property as a partner of a partnership or a trustee of a trust (other than a personal representative of a deceased individual)
- + A publicly traded corporation
- + A registered charity
- + A cooperative housing corporation
- + Municipal organizations or other public service bodies

Who is required to file a UHT Return

The owner of a residential property who is not considered an “excluded owner” will be required to file a UHT return each year. Ownership is based on the name identified as owner at the applicable land registration system. Those who are not an “excluded owner” are considered to be “affected owners” and include:

- + Individuals who are not a Canadian citizen or a permanent resident of Canada
- + Individuals who are Canadian citizens or permanent residents who own residential property as a trustee of trust
- + Any person who owns residential property as a partner of a partnership
- + Any Canadian private corporation
- + Any Canadian corporation with no share capital
- + A corporation incorporated outside of Canada

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UHT exemptions

If a residential property owner is not an “excluded owner”, the owner must file an annual UHT return. The owner, however, may qualify for an exemption from paying the UHT in the following situations:

- + The residence is the primary place of residence
- + The residence is occupied for a qualifying period of at least 180 days
- + The owner is a specified Canadian corporation
- + The owner is a specified Canadian partnership
- + The owner is a specified Canadian trust
- + The residence is uninhabitable or inaccessible for periods of the year
- + The residence is uninhabitable due to a disaster
- + The residence is uninhabitable due to renovations
- + The residence is newly constructed and not substantially completed before April 30 of the calendar year
- + The residence is held as inventory where the construction is substantially completed by March 31 of the calendar year and is offered for sale to the public during the year and has never been occupied as a place of residence during the calendar year.

Penalties for non-compliance

Penalties for failure to file is the greater of \$5,000 if the owner is an individual and \$10,000 if the owner is not an individual, and the total of 5% of the applicable tax in respect of the residential property for the year and 3% of the applicable tax for each month past the due date. Additional penalties and interest apply on outstanding taxes that are not paid by April 30 following the reporting year. Additional penalties could be levied such as exemptions no longer being available.

If you believe the UHT tax may apply to you or have any questions regarding the above, please contact us and we will assist as needed.

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