

Does UHT Impact You?

What is UHT?

The Underused Housing Tax (UHT) is an annual federal tax of 1% on ownership of vacant or underused housing. The intention of the tax was to apply to foreign national owners of housing in Canada. However, in some situations, this tax also applies to some Canadian owners (such as certain partners, trustees, and corporations).

Who must file a UHT return?

You must file an Underused Housing Tax return for **each** of your properties in Canada for which **all** the following conditions were met on **December 31, 2022**:

1. The property is a **residential property**¹, and
2. You are an **owner**² of the residential property; and
3. You are determined to be an **affected owner** of the residential property.

Are you an Affected Owner?

There are 2 types of owners: affected or excluded.

An affected owner includes, but is not limited to, the following owners of a residential property in Canada:

- A foreign national (not a Canadian citizen or permanent resident (“Canadian”))
- A Canadian who owns a residential property in Canada as a trustee of a trust*
 - Exclusions: personal representative of a deceased individual, trustee of a mutual fund trust, REIT, or specified investment flow-through trust)
- A Canadian who owns a residential property as a partner in a partnership
- A corporation incorporated outside of Canada
- A private Canadian corporation (not listed on Canadian stock exchange)
- A Canadian corporation without share capital (i.e. a non-profit corporation, or registered Charity)

* For the purpose of UHT, CRA interprets the word trust to include a bare trust. A bare trust arises when a trustee holds property on behalf of a beneficiary. A bare trust is common and trustees are often unaware that the trust exists. An example would be co-signing the mortgage for your child.



You are an affected owner. What is the next step?

Affected owners are required to file a UHT return for each residential property that applies. However, there are many exemptions that could exclude you from being subject to the tax. If you are an affected owner, you must file a return, even if you qualify for an exemption.

Deadline to File

The deadline to file for 2022 has been extended to **October 31, 2023**.

Penalties for Late-Filing

Penalties for late returns are:

- \$5,000 per return for individuals
- \$10,000 per return for corporations

The scope of the filing requirement is much larger than initially anticipated. If you think you are considered an affected owner, or are not sure, please contact us immediately.

If you would like Coyle & Company to prepare the form(s), please contact us **no later than October 30, 2023**. Our standard fee for completing and filing the form on your behalf is \$500 per form.

Appendix 1- Exemptions to Pay (but still required to file)

You may be exempt from paying the Underused Housing Tax for a calendar year depending on the:

- Type of owner:
 - **Specified Canadian corporation**³
 - Partner of a specified Canadian corporation
 - Trustee of a specified Canadian trust
 - New owner in the calendar year
 - Decreased owner, or a co-owner/personal representative of a deceased owner
- Occupant of the residential property:
 - The property is used as a **primary place of residence**⁴, or
 - Used for **qualifying occupancy**⁵.
- Availability of the residential property:
 - Newly constructed
 - Not suitable to be lived in year-round, or seasonally inaccessible, or
 - Uninhabitable for a certain number of days due to disaster or hazardous conditions, or renovation
- Location and use of the residential property (only applicable to individuals):
 - A vacation property located in an **eligible area of Canada**⁶, and used by you or your spouse for at least 28 days in the calendar year.

Even if one of these exemptions apply, you must still file a UHT return.

Appendix 2- Applicable Definitions

¹A **residential property** is defined as a (1) detached house that contains a maximum of 3 dwelling units, or (2) a semi-detached house, rowhouse unit, or condominium including the related land.

²You are considered an **owner** of a residential property if you are (1) identified as an owner in the land registration system where the property is located, (2) a life tenant under a life estate in the residential property, (3) a life lease holder of the residential property, or (4) a lessee that has continuous possession of the land on which the residential property is situated.

³To be considered a **Specified Canadian Corporation/Partnership/Trust**, all individual owners must be excluded owners.

⁴To be considered a **primary place of residency**, the property must be inhabited by you, your spouse, or your child while attending post-secondary schooling.

⁵A property to be excluded as a **qualifying occupancy**, the property must be occupied for at least 180 days in the calendar year, in increments of 1 month or more at a time, by a qualifying occupant (Type 1 - unrelated person with signed rental agreement, or Type 2 – you, your spouse, your child, or your parent)

⁶To determine an eligible area in Canada:

https://apps.cra-arc.gc.ca/ebci/sres/ext/pub/ntrUhtExpnTI?request_locale=en_CA

Appendix 3 – Information Required to Complete the Return

If you would like us to prepare the form, please provide us with the following information **no later than October 30, 2023**.

Name: _____ SIN: _____

Type of residential property (select one):

Detached Duplex Condo Other: _____

Address of property:

Street Address: _____

Legal Address (if different): _____

Property tax assessment number: _____

Year of ownership: _____

Type of ownership, and % (select one):

Sole _____

Joint Tenancy _____

Tenants in Common _____

Name of other owner(s) with more than 10% interest

Owner 1: _____

Owner 2: _____

Owner 3: _____

Assessed Value (per your property tax assessment): \$ _____

Purchase Price: \$ _____

The person occupying the property and number of days of their occupancy:

Occupant(s): _____

Days of Occupancy in 2022: _____

Your relationship to the occupant: _____