FRIES & BAYNES
CHARTERED PROFESSIONAL ACCOUNTANTS

Newsletter

NEW Underused Housing Tax (UHT) – *effective 2022*

In efforts to address the national housing crisis, there were numerous tax changes affecting real estate. The first change is the implementation of a new tax affecting residential real estate owners. The UHT is an annual federal 1% tax on the value of residential real estate considered to be vacant or underused. The government indicated that the tax would target property owned by non-Canadians, however, the scope of the filing requirements extends to many Canadian entities and individuals. Legal ownership of any real estate as of December 31, 2022 must be used to determine your filing requirement for that calendar year. The deadline for the first UHT tax return and payment of tax owing is **April 30, 2023. (Extended to Oct 31, 2023 this year)**

Are you subject to the UHT rules?

If you were a legal owner (any person registered on title is required to file) jointly or otherwise of a residential property in Canada as of December 31, 2022 then you are subject to the UHT.

Are you required to file an annual return?

If you are a Canadian citizen or permanent resident, you are excluded from the UHT. **However, the following are not excluded and MUST file an annual UHT return**:

- an individual that is a partner in a partnership holding residential property (this may include husband and wife owned rental properties that file as a partnership)
- an individual that is a trustee of a trust holding residential property (except personal representatives of a deceased individual)
- a private corporation that owns residential property

Note: a separate annual return is required for each owner on title for each property owned.

Are you required to pay the UHT?

Even if you are required to file the UHT return, you may not be required to pay the associated tax. There are several exemptions that may apply to exclude you from owing any tax depending on type of owner, availability of property, location of property, and occupant of property. If you own a residential property and are required to file a UHT return, we would like to discuss this matter with you.

What happens if a return isn't filed when it is required?

The minimum penalty for non-compliance with the UHT Act is $5,000 for individuals and $10,000 for corporations and if not filed by December 31 the following year, the tax payer will lose any exemptions on applicable tax. Where a return is not filed for a given year, that year will never become statute barred. Therefore, we recommend that anyone that owns residential property as a non-resident, as part of a partnership, within a private corporation, or within a trust in which they are a trustee, to discuss further with us.