

## **UNDERUSED HOUSING TAX -URGENT!!**

The Underused Housing Tax (UHT) is now law, and if you own residential property in Canada, you will want to be familiar with it. The purpose of the UHT is to tax residential properties that are vacant or underused and not owned by Canadian citizens or permanent residents of Canada. However, many Canadian individuals, corporations, partners, and trustees who hold legal title to residential real estate in Canada also need to file a UHT return by April 30, 2023.

### **THE CRA HAS EXTENDED THE DEADLINE FOR FILING AND PAYMENT TO OCTOBER 31, 2023.**

#### **WHY SHOULD YOU BE CONCERNED ABOUT THE UHT?**

Even if no tax is owing, failure to file a UHT return on time is subject to steep penalties starting at \$5,000 for individuals or \$10,000 for corporations or non-individual filers. This penalty will be assessed per return, which covers only one property for one taxpayer. These penalties can multiply quickly!

**If any of the following situations describes you, you need to file a UHT return to avoid penalty.**

- Your corporation holds a residential property in Canada, regardless of how the residence is used.
- You are a partner in a partnership that holds property in Canada with a residence on it, including farm partnerships with a residential property, residential rental partnerships, and short-term rental business partnerships.
- You are a trustee of a trust that holds property in Canada with a residence on it, including informal trust arrangements where you are on title only for financing or administrative purposes or to avoid a merger of titles. (This may include co-signing for children or parent's mortgages)
- You are not a citizen or permanent resident of Canada and hold a residential property in Canada.

In summary, the exclusions from filing a UHT return are limited to a few situations, including taxpayers that:

- did not own residential property on December 31, 2022;
- are a Canadian citizen or permanent resident of Canada who personally owned residential property as an individual or co-owner (not as a trustee of a trust or partner of a partnership); or
- a registered charity, a listed government body, investment trust, or a public corporation.

Almost all other individuals, private corporations, partners, and trustees will need to file a separate UHT return for each residential property owned, whether or not the tax actually applies.

A separate UHT return is required for each residential property owned on December 31 and for each owner.

Responsibility for filing the UHT return lies with those identified on title to the property.

***IF YOU ARE UNSURE WHETHER THE UHT APPLIES TO YOU, PLEASE VISIT THIS LINK AND FOLLOW THE PROMPTS AND PRINT THE RESULTS FOR YOUR RECORDS.***

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

### **WHEN AND HOW TO FILE THE UHT RETURN**

The UHT return is due each year on April 30 regardless of the owner's income tax return filing due date. Please note that the UHT return is a separate form and is not filed as part of any personal, corporate, or trust tax return. For this year only, **THE CRA HAS EXTENDED THE DEADLINE FOR FILING AND PAYMENT TO OCTOBER 31, 2023.**

You can find a copy of the UHT return (CRA form UHT-2900), including instructions for filing it, on the CRA's website. You can also complete the UHT return online using the CRA's online tool after requesting a Digital Access Code.

Please note that completion of UHT returns is not included in any of our current engagements. If you require our assistance with these filings, we will invoice you on an hourly basis for any UHT consulting services provided.

### **UHT RETURNS PREPARED BY DANA SNEDDEN CPA PROFESSIONAL CORPORATION**

We will prepare your UHT returns only if you separately engage us to do so. Please request a UHT engagement letter from our office if you would like to engage us for UHT services. Our fees for preparation of UHT returns start at \$500 for the first UHT-2900 return plus \$250 per additional UHT-2900 return prepared in respect of each residential property owned by each engaged identified owner, plus GST/HST as applicable.

We cannot guarantee timely completion of the UHT return on your behalf unless you engage us and provide all required information by October 17, 2023. If we do not hear from you by October 17, 2023, we will assume that you are preparing any required UHT returns for yourself and for any other persons or entities related to you or under your control.

To prepare your UHT returns, we would require a signed engagement letter and all information listed on form UHT-2900, including the following details, for each residential property owned on December 31, 2022.

- Your country of citizenship if you are neither a Canadian citizen nor permanent resident of Canada
- Most recent property tax assessment, including:
  - o full address of the property
  - o property tax roll number
  - o name of each owner on title

- o assessed value of the property
- Land title documents including all the following, or provide these details from your records:
  - o Property Identification Number (PIN) under Land Titles or Land Registry Property Identification Number (PIN) (this can be found on the land registry documents (deed) or by searching the Ontario property address within the relevant Land Registry Office at [onland.ca](http://onland.ca).
  - o ownership type (sole, joint tenancy, or tenants in common)
  - o name and percentage ownership of each owner on title
  - o year of purchase
  - o most recent purchase/sale price
- If owned in the capacity of a partner or trustee, the partnership or trust account number
- Detailed description of the property type (e.g., detached house, duplex, townhouse, condo)
- Confirmation that you as an individual owner or all partners, trustees, or corporate shareholders of the owner are Canadian citizens or permanent residents; if not, details on what other exemption from UHT you may meet
- If you do not meet any exemption from the UHT, and the market value of the residential property is less than the greater of the assessed value and most recent purchase price, provide a formal appraisal supporting the lower fair market value

We appreciate the opportunity to be of service to you in navigating this complex area of accounting, tax, and financial planning to achieve optimal results.

Thank you

**Dana Snedden**

Dana Snedden, CPA