

Subject: Tax Alert – The new Federal Underused Housing Tax Return (“UHT”)

You may have heard of the new UHT return due April 30, 2023. That is true. The initial concept of this UHT return filing is a federal initiative hoping to ensure residential properties owned by foreign owners^[1] which are not used for purposes of habitation (generally) could be subject to this new UHT.

Let’s see if we can break this down for your understanding. Please be aware that the below information is extremely simplified to highlight the key aspects of the UHT rules. The point is you should be aware of this new rule. If in doubt, call your contact at our office or the writer; or to search for yourself via the link below.

Who does not need to file

1. If you are a Canadian citizen or permanent resident (generally referred to landed immigrant folks) owning residential property in Canada in your own name, you can be an Excluded Owner. As such, you do not have to file a UHT return. One of the key considerations is that you must be the beneficial owner of the property.

Who must file

1. Foreign nationals holding Canadian residential real properties.
2. Companies^[2], whether Canadian or foreign, holding Canadian residential real properties.
3. Canadian citizens or permanent residents holding Canadian residential real properties as trustees of a trust (other than personal representatives of a deceased individuals).
4. Canadian citizens or permanent residents holding Canadian residential real properties as a partner of a partnership.

What happen after I file or not file

1. The declaration in the usage/status of the Canadian residential real property in the UHT return will determine whether or not the property is subject to the 1% UHT^[3].
2. The exemption list is rather extensive. Do look them up at <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html>
3. No taxes would apply if the property is exempt in accordance with the exemption list.
4. If you do not file but you ought to, then the minimum penalty is \$5,000 for individuals and \$10,000 for corporations for each non-compliance.

In contrast to the City of Vancouver Empty Home Tax and the BC Speculation and Vacancy Tax, there are no declaration letters to be sent to property owners by the Federal Government. Property owners are advised to engage their accountants to review their potential UHT reporting responsibility/obligation.

Best regards,

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^[1] directly or indirectly (through legal entities such as corporations or trusts)

^[2] There are exceptions such as listed companies, co-op housing corporations, etc.

^[3] The 1% is applied on the taxable value which is, generally, the greater of government assessment value and the value of the most recent sale price. There is an election available to opt for value on a different basis.