

- **Corporations** that are both incorporated under the laws of Canada or a province **AND** listed on a **Canadian stock exchange** (in other words, **private corporations** are **NOT** excluded owners);
- registered charities;
- cooperative housing corporations;
- municipalities, Indigenous governing bodies, or corporations owned by such entities;
- the Government of Canada and government of a province, or an agent of either;
- various forms of publicly-traded trusts; or
- certain other public service bodies such as universities, public colleges, school authorities, or hospital authorities.

If you are an excluded owner, you have **no filing obligations or liabilities**. There are no more steps for you. The End.

If you are **NOT** an excluded owner (CRA refers to these persons as “affected owners”), you must file a **UHT return by April 30** and **GO TO STEP 3**.

STEP 3: ARE YOU REQUIRED TO PAY ANY UHT WHEN YOU FILE YOUR RETURN?

The problem with the broadness of the legislation is that while you might not have to pay UHT, many still have to file. The fact that the penalties are so large makes the risk that much higher.

If you meet any one of the exemptions set out below under four broad categories, no tax will be payable when you file your return – but you still must file or risk a **minimum penalty of \$5,000** (individual) to **\$10,000** (corporation) for each person per property if you don't.

3A – TYPE OF OWNER OF THE PROPERTY:

The following types of owners may not have any UHT to pay, but will still have to file:

- a **specified Canadian corporation** – where *foreign owners*⁷ do not own or control, directly or indirectly, 10% or more of the corporation (by share value or voting rights);⁸

- a **specified Canadian partnership** – where each member is, on Dec. 31, an excluded owner or a specified Canadian corporation;⁹
- a **specified Canadian trust** – where each beneficiary that has a beneficial interest in the property is, on Dec. 31, an excluded owner or a specified Canadian corporation;¹⁰
- **new owner** – owner acquired the property in the year and was not an owner of that property at any time in the prior 9 years;¹¹
- **owner died** in the year or prior year;¹²
- the **personal representative** of a **deceased individual**⁴ (exemption applies for the year of death and subsequent year) and the person was not an owner of the property in either of the years;¹³ or
- a **co-owner** of a property where another co-owner held at least 25% of the property at their death (exemption applies for the year of death and subsequent year);¹⁴

Even if you are a Specified Canadian: Corporation, Partnership, or Trust, you still must file or face a minimum of \$5,000 to \$10,000 in penalties.

3B – AVAILABILITY OF THE PROPERTY:

If your property is one of the following types of properties, you may not have any UHT to pay, but will still have to file:

- if the property is under **construction** and is **not substantially completed** before April of the year;¹⁵
- if **construction** of the property is **substantially completed** between January 1 and March 31, the property is put for sale to the public during the year and the property was never occupied by an individual as a place of residence during the year;¹⁶
- if the property is **not suitable** to be **lived in year-round**¹⁷ or **seasonably inaccessible** due to public access not maintained year-round;¹⁸
- if the property is **uninhabitable** (at least 60 continuous days in the year) due to a **disaster** or **hazardous conditions** (this exemption is only

available for a maximum of two years in respect of the same disaster);¹⁹ or

- if the property is **uninhabitable** (at least 120 consecutive days in the year) due to ongoing **major renovations** (this exemption is only available once every 10 years)²⁰

3C – OCCUPANT OF THE PROPERTY:

If you have some of the following types of occupants in the property, you may not have any UHT to pay, but will still have to file:

- If the property is the **primary place of residence** for the year of the individual, their spouse or common-law partner²¹, or their child²² attending a designated learning institution; or
- If one of the following individuals continuously occupies the property for a period of at least a month (**qualifying occupancy**), for a total of at least 180 days in the year²³
 - an arm's length individual who occupies the property under a written agreement;
 - a non-arm's length (a.k.a. related) individual who occupies the property under a written agreement and pays at least fair rent (5% of the value of the property);
 - the owner or their spouse or common-law partner, while the individual is in Canada for work, and the occupancy relates to that purpose; or
 - the owner or their spouse or common-law partner, parent or child who is a Canadian citizen or permanent resident;

3D – LOCATION AND USE OF THE PROPERTY:

If your property is a vacation property meeting the following criteria, you may not have any UHT to pay, but will still have to file:

- If the property is a **vacation property** located in an **eligible area** of Canada (*certain areas that are more rural*) and used by the owner or their spouse or common-law partner for at least 28 days in the year²⁴

See the [UHT vacation property designation tool](#) link in the Additional UHT Resources section at the end to determine eligible regions.

If you do NOT meet any exemption, GO TO STEP 4.

If you meet any exemptions, GO TO STEP 5.

STEP 4: CALCULATE THE TAX.

The UHT is 1% of the greater of:

- the assessed value for the year for property tax purposes; and
- the most recent sale price of the property

This is then applied to your ownership percentage to determine your UHT amount.

An owner may elect to use the property's fair market value as determined at any time during the year and up to April 30 of the following year.

However, the CRA requires an appraisal with specific parameters and by specific appraisers to use this election.²⁵

After you have calculated the UHT amount owed, GO TO STEP 5

STEP 5: FILE THE ANNUAL RETURN AND PAY UHT (WHERE REQUIRED) BY APRIL 30.

Those who are required to file should complete and file [Form UHT-2900 - Underused Housing Tax Return and Election Form](#).

A separate return is required for **each owner of each property**. Individual owners that fail to file the return on time are subject to a minimum \$5,000 penalty, while corporations are subject to a minimum \$10,000 penalty. Additional penalties can apply to the filings under various circumstances.

These additional penalties can include losing access to the exemptions under Paragraphs 6(7)(c) to (f) and Subsections 6(8) and (9) of the UHT Act (*not usable for the full year, uninhabitable, primary place of residence and qualifying occupancy*) when computing the penalty tax if the return is not filed by December 31 of the following year.²⁶

ADDITIONAL UHT RESOURCES

- CGL Tax COMMENTARY: Escape Room 2 – The NEW Real Estate Owner Tax Game – High Stakes Edition: <https://www.linkedin.com/pulse/escape-room-2-new-real-estate-owner-tax-game-high-litzenberger/>
- General CRA Administrative Guidance: <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax.html>
- Underused Housing Tax Technical Information: <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax/underused-housing-tax-technical-information.html>
- Underused Housing Tax Notices: <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax/underused-housing-tax-technical-information/underused-housing-tax-notices.html>
- Underused Housing Tax Forms: <https://www.canada.ca/en/services/taxes/excise-taxes-duties-and-levies/underused-housing-tax/underused-housing-tax-technical-information/underused-housing-tax-forms.html>
- Underused Housing Tax Vacation Property Designation Tool: <https://apps.cra-arc.gc.ca/ebci/sres/ext/pub/ntrUhtExpnTI>
- Underused Housing Tax Act and Related Regulations made under this Act: <https://laws-lois.justice.gc.ca/eng/acts/U-0.5/index.html>

ENDNOTES

- 1 As April 30, 2023 falls on a Sunday, CRA has confirmed that the return, payments and elections are made on time if they receive them by May 1, 2023.
- 2 All legislative references refer to the [Underused Housing Tax Act](#), unless otherwise noted. Note that many of the below terms are defined in Section 2 of the UHT Act. Many provisions of the UHT Act provide for modification by future regulation. All reference to “year” in the chart refer to “calendar year,” unless otherwise noted.
- 3 UHT Act Subsections 6(5) and (6), and Sections 7, 47 – 52
- 4 A residential property includes a detached house or similar building containing not more than three dwelling units, as well as a part of a building that is a semi-detached house, row house unit or residential condominium unit (definition of residential property in UHT Act Section 2). CRA provided numerous examples of buildings that they consider to fall within, and outside, of this definition in [UHTN1 Introduction to the Underused Housing Tax](#). Those who are a life tenant or have a life lease and those who have a long-term lease of land (20 year or longer lease, or lease with an option to purchase land) on which a residential property sits may also be subject to these rules.
- 5 Definition of excluded owner in UHT Act Section 2
- 6 A personal representative, in respect of a deceased individual, means the executor of the individual's will, the liquidator of the individual's succession, the administrator of the estate of the individual or any person that is responsible under the appropriate law for the proper collection, administration, disposition and distribution of the assets of the estate or succession of the individual (definition of personal representative-UHT Act Section 2)
- 7 Foreign owners are corporations incorporated or continued outside the laws of Canada or a province and individuals that are not Canadian citizens nor permanent residents
- 8 UHT Act Paragraph 6(7)(b) and definition of specified Canadian corporation in Section 2. Where a corporation has no share capital, a specified Canadian corporation is a corporation having no chairperson or other presiding officer who is not a citizen nor a permanent resident or a corporation not having 10% or more of its directors who are neither Canadian residents nor citizens.
- 9 UHT Act Subparagraph 6(7)(a)(i) and definition of specified Canadian partnership in Section 2
- 10 UHT Act Subparagraph 6(7)(a)(ii) and definition of specified Canadian trust in Section 2
- 11 UHT Act Paragraph 6(7)(g)
- 12 UHT Act Paragraph 6(7)(h)
- 13 UHT Act Paragraph 6(7)(i)
- 14 UHT Act Paragraph 6(7)(j)
- 15 UHT Act Paragraph 6(7)(k)
- 16 UHT Act Paragraph 6(7)(l)
- 17 UHT Act Paragraph 6(7)(c)
- 18 UHT Act Paragraph 6(7)(d)
- 19 UHT Act Paragraph 6(7)(e)
- 20 UHT Act Paragraph 6(7)(f)
- 21 If an individual and their spouse or common-law partner own multiple residential properties, they must file an election to designate a single property for the purposes of the exemption. UHT Act Subsections 6(10) - (12)
- 22 UHT Act Subsection 6(8)
- 23 UHT Act Subsection 6(1)
- 24 Paragraph 6(7)(m)
- 25 Subsections 6(3) and (4)
- 26 CRA has the discretion to waive interest and penalties (Sections 26 and 48).

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