

## **BEWARE - NEW 2022 UNDERUSED HOUSING TAX (UHT) REPORTING REQUIREMENTS!!!**

Starting December 31, 2022, CRA is now requiring Canadian individuals and other entities, such as companies and trusts, to file an annual *Underused Housing Tax Return* ("UHT") if they hold residential properties that meet certain conditions.

If applicable, these UHT returns are due by April 30, 2023, and the minimum penalty for late-filing is \$5000!

### **WHAT IS THE UNDERUSED HOUSING TAX?**

The UHT is a 1% annual tax on the value of residential real estate considered to be vacant or underused. It is calculation based only on properties that are owned on December 31. Numerous exemptions to avoid the UHT are available, but, even if exempt, in most cases there is still a requirement to file the UHT return to prove the exemption.

Are you required to file an annual UHT return?

Those exempted from having to file a UHT return, include:

- A Canadian citizen or permanent resident (other than A partner in a partnership or a trustee of a trust);
- Corporations listed on the Canadian stock exchange;
- Registered charities;
- Cooperative housing corporations;
- Municipalities, indigenous governing bodies, or corporations owned by such entities;
- The Government of Canada;
- Various forms of publicly-traded trust; and
- Certain other public service bodies.

Which leaves some of the following common ownership arrangements that will require you to file:

1. If an individual and their spouse have rental properties (or suites) and report the rental income as a partnership for taxation purposes, each owner is required to file separate returns for each property.
2. Your corporation legally owns a residential property.
3. Holding a life estate on legal title of real estate.
4. You are on legal title of a property but do not beneficially own that property (meaning you are not entitled to any proceeds on a future sale). For example, a parent that is registered on title of a child's home to facilitate financing.

**WHAT IF YOU DON'T COMPLY?**

Individual owners that fail to file the return on time are subject to a minimum penalty of \$5,000. Corporations are subject to a minimum penalty of \$10,000. There is no time limit for the CRA to assess the UHT tax liabilities, penalties and interest where taxpayers fail to file the required return.

**WHAT SHOULD YOU DO?**

If you have any questions or suspect that you may have a situation that will require reporting, please do not hesitate to contact our office for assistance.

Yours very truly,

A handwritten signature in black ink that reads "Rossworn Henderson LLP". The signature is written in a cursive, slightly slanted style.

Rossworn Henderson LLP  
RHLLP:lah