

Summer Gardens

To: All Owners

Date: March 1, 2023

Re: Canada's new Underused Housing Tax

We are sending this note to all owners because we do not know who may be affected by Canada's new *Underused Housing Tax* ("UHT"). **We urge you to consult your tax advisors** if you are not certain that you are exempt from the filing requirement.

The tax applies to owners of residential properties in Canada, effective for the 2022 tax year. Unless you are exempt, you may be required to file a return by April 30, 2023, and may be required to pay a tax of 1% of market value of the property.

In general, Canadian citizens or permanent residents are exempt from the filing requirement. However, an owner who is not exempt – an "affected owner" - must file a return, whether or not tax is due. Whether tax is due will depend on the way the property is being used.

The rules about who is an affected owner are complicated but, in general the following are "affected owners" who must file a return:

- individuals who are **not Canadian citizens or permanent residents of Canada**
- a **Canadian private corporation** holding residential property
- a Canadian citizen or permanent resident who owns a residential property as a **trustee of a trust** – i.e., a trustee under an *alter ego trust* (but not an executor of the estate of a deceased person)
- a Canadian citizen or permanent resident who owns a residential property as a **member of a partnership.**

If you are an "affected owner" there are significant penalties for failure to file the return, even if your property is exempt from tax based on the use. Even if an affected owner isn't required to pay the UHT because they meet an exemption, they must still file a return or risk losing the exemption.

You can find general information about the tax here:

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

https://www.cpacanada.ca/en/business-and-accounting-resources/taxation/blog/2023/january/underused-housing-tax-requirements-exemptions?sc_camp=805A24A9E568437EB11ABBCC5A40E821