

2022 UNDERUSED HOUSING TAX

Dear Client,

In 2022, the Government of Canada instituted a new tax on underused housing called the Underused Housing Tax (“UHT”). The UHT came into effect on January 1st, 2022. It is important to note that filing requirements have been imposed and may apply in addition to the payment of the actual UHT.

The deadline for 2022 filing has been extended until **October 31, 2023**.

This tax is applicable to certain individuals, partnerships, corporations and trusts who own residential property located in Canada that is “underused” (meaning not regularly inhabited). If you are not a Canadian citizen or permanent resident, or if you are a Canadian citizen or permanent resident but own residential property in Canada indirectly via a corporation or a trust, please inform your PSB BOISJOLI representative as soon as possible so we may be able to assess if you are required to file the Underused Housing Tax Return (“UHT return”) or pay UHT.

The UHT is a 1% tax on the value of vacant or underused housing in Canada. This is an annual tax based on the fair market value of the property, usually considered to be equal to the latest municipal evaluation.

Residential property includes:

- 1.A detached house or similar building that contains not more than 3 dwelling units, along with any appurtenances and the related land, or
- 2.A semi-detached house, rowhouse unit, residential condominium unit or similar premises, along with any common areas, appurtenances and the related land.

A dwelling unit described above means a unit with a private kitchen, a private bathroom and a private living area.

Generally, an individual who is a citizen or permanent resident of Canada will not be required to file a UHT return or pay the UHT unless the individual holds the properties via a trust or partnership. If Canadian property is held via a trust or partnership, there is a requirement to file the UHT return. However, there may not be an actual obligation to pay UHT itself.

The following persons are required to file a UHT return:

1. Individuals who are not citizens or permanent residents of Canada and who are the owners of residential property in Canada in any capacity;
2. Individuals who are citizens or permanent residents of Canada and who are owners of residential property in Canada in either of the following capacities:
 - as a trustee of a trust
 - as a partner of a partnership
3. corporations that are incorporated otherwise than under the laws of Canada or a province and that are owners of residential property in Canada in any capacity
4. corporations that are incorporated under the laws of Canada or a province whose shares are not listed on a Canadian stock exchange designated for Canadian income tax purposes and that are owners of residential property in Canada in any capacity
5. corporations that are incorporated under the laws of Canada or a province without share capital and that are owners of residential property in Canada in any capacity

Note that the penalties for non-compliance are a minimum of \$5,000 for an individual and a minimum of \$10,000 for a corporation.

If you believe that your situation may meet one of the requirements above, please inform your PSB BOISJOLI representative as soon as possible to determine if you are required to file the UHT return and if you are required to pay UHT.

Yours very truly,

PSB BOISJOLI, LLP

Partnership of Chartered Professional Accountants