Introduction to the Underused Housing Tax

From: Canada Revenue Agency

Underused Housing Tax Notice UHTN1

January 2023

The purpose of this notice is to help you determine if you have to file a return and pay the underused housing tax for your residential property for a calendar year.

Except as otherwise noted, all statutory references in this publication are to the provisions of the Underused Housing Tax Act (UHTA) and its regulations. The information in this publication does not replace the law found in the UHTA and its regulations.

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Overview

The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The Underused Housing Tax Act (UHTA), which governs the underused housing tax, received royal assent on June 9, 2022. The underused housing tax took effect on January 1, 2022.

The underused housing tax

Generally, the underused housing tax is payable by non-resident non-Canadian owners of vacant or underused housing in Canada. The vast majority of Canadian owners of residential property are excluded owners and, therefore, do not have any obligations and liabilities under the UHTA. However, the underused housing tax is payable by certain Canadian owners of housing in limited situations. For more information, refer to the **Important information for Canadian owners of housing** section in this notice.

Starting with the 2022 calendar year and for each following calendar year, owners of housing in Canada have to determine their obligations and liabilities under the UHTA. Some affected owners have to file an annual return and pay the underused housing tax. Other affected owners have to file an annual return but not pay the underused housing tax. Excluded owners do not have to file an annual return or pay the underused housing tax. For more information, refer to the **Who is an affected owner** and **Who is an excluded owner** sections in this notice.

There are significant penalties if you fail to file an annual return when it is due. Affected owners who are individuals are subject to a minimum penalty of $5,000. Affected owners that are corporations are subject to a minimum penalty of $10,000. For more information, refer to Underused Housing Tax Notice UHTN3, Filing a Return and Paying the Underused Housing Tax.

Conditions for filing a return

You have to file a return, Form UHT-2900, Underused Housing Tax Return and Election Form, for each of your properties in Canada for which all of the following conditions are met on December 31 of a calendar year:

- the property is a residential property
- you are an owner of the residential property
- you are not an excluded owner of the residential property

What is a residential property

The underused housing tax applies to residential property in Canada. Generally, **residential property** is defined as property that is either of the following:

- a detached house or similar building that contains not more than three dwelling units, along with any appurtenances and the related land
- a semi-detached house, rowhouse unit, residential condominium unit or other similar premises, along with any common areas, appurtenances and the related land

What is a dwelling unit

A **dwelling unit** is a residential unit that contains:

- private kitchen facilities
- a private bath
- a private living area

Generally, a **residential unit** is a single self-contained set of rooms in a building or part of a building that is distinguished from any other such set of rooms in the building or part and that is characteristic of, and suitable as, a residence.

What is related land

Related land refers to the land that is subjacent or immediately contiguous to a residential building and that is reasonably necessary for the building's use and enjoyment as a place of residence for individuals.

The Canada Revenue Agency (CRA) has guidelines and criteria under the goods and services tax/harmonized sales tax (GST/HST) to determine the amount of land that is reasonably necessary for the use and enjoyment of a residential building as a place of residence for individuals. Similar guidelines and criteria may be used for purposes of the definition of residential property.

Generally, up to a half hectare of land that is subjacent and immediately contiguous to a residential building is considered to be reasonably necessary for the building's use and enjoyment as a place of residence for individuals.

Examples of residential properties

The following residential buildings, along with any common areas, appurtenances and related land, are examples of residential properties for purposes of the underused housing tax:

- detached houses
- duplexes and triplexes
- laneway houses and coach houses
- cottages, cabins and chalets that are not commercial cottages, cabins and chalets
- semi-detached houses
- residential condominium units
- rowhouse units or townhouses

Examples of buildings that are not residential properties

The following are examples of buildings, premises and structures that are not residential properties for purposes of the underused housing tax:

- quadruplexes (buildings that have four dwelling units)
- high-rise apartment buildings
- buildings that are primarily (more than 50%) for retail or office use and that contain an apartment
- commercial condominium units
- boarding houses and lodging houses
- commercial cottages, cabins and chalets (that is, those that are used by the operator of an establishment to provide lodging to several unrelated business or leisure travellers at once in separate cottages, cabins or chalets)
- hotels, motels, inns, and bed and breakfasts
- floating homes
- mobile homes
- park model trailers
- travel trailers, motor homes and camping trailers

Who is an owner

You are an **owner** of a residential property if any of the following apply:

- you are identified as an owner of the property in the land registration system where the property is located
- you are considered an owner of the property based on such a land registration system
- you are a life tenant under a life estate in the property
- you are a life lease holder of the property
- you are a lessee that has continuous possession of the land on which the property is situated under a long-term lease

You are not considered an owner of a residential property if you give continuous possession of the land on which the property is situated to either of the following:

- a life lease holder of the property
- a lessee under a long-term lease

What is a long-term lease

Generally, a **long-term lease** is a lease of land that meets either of the following conditions:

- the lease provides continuous possession of the land for a period of at least 20 years
- the lease contains an option to purchase the land

Who is an excluded owner

Excluded owners are Canadian persons that are excluded from the tax. These persons do not have to file a return or pay the underused housing tax.

You are an **excluded owner** of a residential property if you are any of the following:

- the government of Canada or a province, or an agent of the government of Canada or a province
- an owner of the residential property as a trustee of any of the following trusts:
  - a mutual fund trust for Canadian income tax purposes
  - a real estate investment trust for Canadian income tax purposes
  - a specified investment flow-through (SIFT) trust for Canadian income tax purposes
- an individual who is a citizen or permanent resident of Canada, unless you are an owner of the residential property as either of the following:
  - a trustee of a trust (except if you are the personal representative of a deceased individual, in which case you are an excluded owner of the residential property)
  - a partner of a partnership
- a corporation that is incorporated under the laws of Canada or a province whose shares are listed on a Canadian stock exchange designated for Canadian income tax purposes
- a registered charity for Canadian income tax purposes
- a cooperative housing corporation, hospital authority, municipality, public college, school authority or university as those terms are defined in subsection 123(1) of the Excise Tax Act (ETA)
- a para-municipal organization as defined in section 1 of Part VI of Schedule V to the ETA
- an Indigenous governing body as defined in section 2 of the Department of Indigenous Services Act or a corporation wholly owned by such a body

For an explanation of personal representative of a deceased individual, refer to Underused Housing Tax Notice UHTN12, Exemptions for Deceased Individuals and Their Personal Representatives or Co-owners, which will be published shortly.

Who is an affected owner

If you are an owner of a residential property in Canada on December 31 of a calendar year and you are not an excluded owner of the residential property on that date, the CRA refers to you as an **affected owner** of the residential property for the calendar year.

All affected owners of residential property have to file an annual return.

Although the vast majority of Canadian owners of residential property are excluded owners, there are situations where some Canadian owners of residential property are affected owners and, therefore, have to file an annual return. Those situations are included in the examples below.

Examples of affected owners

The following are examples of individuals who are affected owners of residential property and, therefore, are persons that have to file an annual return:

- individuals who are not citizens or permanent residents of Canada and who are owners of residential property in Canada in any capacity
- 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 (other than as a personal representative of a deceased individual and other than as a trustee of a mutual fund trust, real estate investment trust or SIFT trust for Canadian income tax purposes)
  - as a partner of a partnership

The following are examples of persons (other than individuals) that may be affected owners of residential property and, therefore, may be persons that have to file an annual return:

- 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
- 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
- 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

If you are a corporation mentioned above, be sure to check whether your corporation may be excluded elsewhere in the list of excluded owners.

In this notice, **any capacity** means that a person is an owner of residential property in Canada in any of the following capacities:

- their own right
- as a trustee of a trust (including as a personal representative of a deceased individual, but excluding as a trustee of a trust that is a mutual fund trust, real estate investment trust or SIFT trust for Canadian income tax purposes)
- as a partner of a partnership

Conditions for paying the underused housing tax

You have to pay the underused housing tax for each of your properties in Canada for which all of the following conditions are met on December 31 of a calendar year:

- the property is a residential property
- you are an owner of the residential property
- you are not an excluded owner of the residential property
- your ownership of the residential property is not exempt from the underused housing tax for the calendar year

In other words, if you are an affected owner of a residential property on December 31 of a calendar year, you have to pay the underused housing tax for the residential property for the calendar year, unless your ownership of the residential property is exempt from the tax for the calendar year.

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, as an affected owner, you still have to file a return for the residential property.

Where certain conditions are met, your ownership of a residential property may be exempt from the underused housing tax if the property is any of the following:

- a vacation property that is located in an eligible area of Canada
- used as a primary place of residence or for qualifying occupancy
- not suitable for year-round use
- seasonally inaccessible
- uninhabitable during the calendar year
- newly constructed

Your ownership of a residential property may also be exempt if you are any of the following:

- a partner of a specified Canadian partnership, a trustee of a specified Canadian trust or a specified Canadian corporation
- a new owner
- a deceased individual, or their personal representative or co-owner

To help you determine if your ownership of a residential property is exempt from the underused housing tax for a calendar year, refer to the various notices about exemptions that will be published shortly at Underused housing tax technical information.

Important information for Canadian owners of housing

If you are a Canadian person described in the **Examples of affected owners** section above, you have to file an annual return for the residential property. Whether you have to pay the underused housing tax for the residential property depends on whether your ownership of the residential property is exempt from the tax for a calendar year.

To help you determine if your ownership of a residential property is exempt from the underused housing tax for a calendar year, refer to the various notices about exemptions that will be published shortly at Underused housing tax technical information.

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, if you are an affected owner, you still have to file a return for the residential property and indicate the applicable exemption in your return.

If you are uncertain about your obligations and liabilities under the UHTA, you may request a ruling or interpretation about how the tax applies to your specific situation.

Keeping records

Every affected owner of a residential property must keep records to enable the determination of their obligations and liabilities under the UHTA. Generally, you must keep the records for six years from the end of the year to which they relate.

Further information

For all technical publications related to the UHTA, go to Underused housing tax technical information.

For general enquiries about the underused housing tax, call the applicable telephone number:

- if you are calling about a residential property that is owned by an individual and you are calling from:
  - within Canada or the United States, call **1-800-959-8281**
  - outside Canada and the United States, call **613-940-8495** (collect calls accepted)
- if you are calling about a residential property that is owned by a corporation and you are calling from:
  - within Canada or the United States, call **1-800-959-5525**
  - outside Canada and the United States, call **613-940-8497** (collect calls accepted)

To request a ruling or an interpretation related to the application of the underused housing tax, write to:

GST/HST Rulings Directorate
Canada Revenue Agency
Place de Ville Tower A 5th floor
320 Queen St
Ottawa ON K1A 0L5
Canada

Fax: **1-418-566-0319**

Refer to GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service, which explains the rulings and interpretations service offered by the Canada Revenue Agency.

Calculating the Underused Housing Tax Payable

From: Canada Revenue Agency

Underused Housing Tax Notice UHTN2

January 2023

The purpose of this notice is to help you determine how to calculate the underused housing tax payable for your residential property for a calendar year.

Except as otherwise noted, all statutory references in this publication are to the provisions of the Underused Housing Tax Act (UHTA) and its regulations. The information in this publication does not replace the law found in the UHTA and its regulations.

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Overview

The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The Underused Housing Tax Act (UHTA), which governs the underused housing tax, received royal assent on June 9, 2022. The underused housing tax took effect on January 1, 2022.

Reminder

If you are an affected owner of a residential property on December 31 of a calendar year, you have to pay the underused housing tax for the residential property for the calendar year, unless your ownership of the residential property is exempt from the tax for the calendar year.

For an explanation of affected owner, owner and residential property, and to determine whether the underused housing tax applies to you, refer to Underused Housing Tax Notice UHTN1, Introduction to the Underused Housing Tax.

To help you determine if your ownership of a residential property is exempt from the underused housing tax for a calendar year, refer to the various notices about exemptions that will be published shortly at Underused housing tax technical information.

How to calculate the tax payable

The tax rate of the underused housing tax is 1%. Generally, to calculate the underused housing tax payable, each affected owner of a residential property has to apply the 1% tax rate to the value of the residential property and then apply their respective ownership percentage of the residential property.

As explained below, the value of the residential property is either the taxable value or the fair market value.

What is your ownership percentage

If you are an affected owner of a residential property on December 31 of a calendar year, your **ownership percentage** of the residential property for the calendar year is determined as follows:

- if you are the only owner of the residential property, your ownership percentage of the residential property is 100%
- if you are one of several owners of the residential property, your ownership percentage of the residential property is either of the following:
  - the percentage of your ownership as indicated in the land registration system
  - 100% divided by the number of owners, if no percentage is indicated in the land registration system

Calculating the tax payable using the taxable value – the general rule

If you are an affected owner of a residential property on December 31 of a calendar year, the general rule for calculating your underused housing tax payable for the residential property for the calendar year is to multiply 1% by the taxable value of the property and then multiply that result by your ownership percentage of the property.

The **taxable value** of the residential property for a calendar year is the greater of the following amounts:

- the value of the residential property established by an authority that has the power to establish the assessed value of property for purposes of calculating a property tax
- the residential property's most recent sale price on or before December 31 of the calendar year

Assessed value established by an authority

Provincial or territorial assessment and property tax regimes vary across Canada. Under a typical assessment and property tax regime, an authority establishes the assessed value of residential properties in its jurisdiction and sends property assessment notices (or similar documents) to the owners. The authority also sends the assessed value of the residential properties to the applicable municipality. The municipality calculates the property tax for residential properties by applying municipal tax rates to all (or part of) the assessed value of the residential properties and then sends property tax bills to the owners.

A property assessment notice (or similar document) and a property tax bill are generally two separate and distinct documents. However, in some parts of Canada, the property assessment notice and the property tax bill may form one single document.

The assessed value of the residential property, as established by the authority, may not necessarily be the same as the value used by the municipality to calculate the property tax. In some parts of Canada, the property tax may be calculated on only part of the assessed value established by the authority.

To determine the taxable value of the residential property for a calendar year for purposes of the underused housing tax, use the full assessed value as established by an authority and as stated in the property assessment notice (or similar document).

Example

An individual is not a citizen or permanent resident of Canada. The individual is the only person identified in the land registration system as an owner of a property in Canada (a detached house) that they purchased for $500,000 in 2019. It is the only property that the individual owns in Canada and their ownership of the property is not exempt from the underused housing tax.

In 2022, the individual receives a property assessment notice from an authority that establishes the assessed value of property for purposes of calculating the municipal property tax. The notice states that the assessed value of the property for 2022 is $600,000.

As an affected owner of the property, the individual has to file a return for the property for the 2022 calendar year. They also have to pay the underused housing tax for their ownership percentage of the property for the 2022 calendar year because their ownership of the property is not exempt from the tax for the calendar year.

To calculate the underused housing tax payable, the individual determines that the taxable value of the property is $600,000 (which is the greater of the assessed value of $600,000 and the property's most recent sale price of $500,000). Also, the individual determines that their ownership percentage is 100% because they are the only owner of the property.

The underused housing tax payable by the individual for the 2022 calendar year is $6,000 (1% × $600,000 [taxable value] × 100% [ownership percentage]).

Calculating the tax payable using the fair market value – election required

If you are an affected owner of a residential property on December 31 of a calendar year, you may elect to use the fair market value of the residential property instead of its taxable value to calculate your underused housing tax payable for the residential property for the calendar year.

What is fair market value

The Canada Revenue Agency (CRA) has guidelines and criteria under the goods and services tax/harmonized sales tax (GST/HST) to determine the fair market value of real property. Similar guidelines and criteria may be used for purposes of the election to calculate the underused housing tax payable using the fair market value of a residential property.

Generally, fair market value is the highest price, expressed in terms of money or money's worth, obtainable in an open and unrestricted market between knowledgeable, informed and prudent parties that are acting at arm's length, neither party being under any compulsion to transact.

Electing to use fair market value

If you want to use the fair market value of a residential property to calculate your underused housing tax payable for the residential property for a calendar year, you have to file an election with the CRA. You may determine the fair market value of the residential property at any time on or after January 1 of the calendar year and on or before April 30 of the following calendar year, but the election has to be filed with the CRA by April 30 of the following calendar year.

When the due date for an election falls on a Saturday, Sunday or a public holiday recognized by the CRA, the election is on time if the CRA receives it on the next business day. Since April 30, 2023, falls on a Sunday, your election is on time if the CRA receives it on May 1, 2023.

If you are an affected owner of a residential property on December 31 of a calendar year and you file an election with the CRA to use the fair market value of the residential property, your underused housing tax payable for the residential property for the calendar year is calculated by multiplying 1% by the fair market value of the property and then multiplying that result by your ownership percentage of the property.

How to file the election

You may make the election for a residential property in your return filed for the residential property using Form UHT-2900, Underused Housing Tax Return and Election Form.

Keeping records

Every affected owner of a residential property must keep records to enable the determination of their obligations and liabilities under the UHTA. Generally, you must keep the records for six years from the end of the year to which they relate.

Further information

For all technical publications related to the UHTA, go to Underused housing tax technical information.

For general enquiries about the underused housing tax, call the applicable telephone number:

- if you are calling about a residential property that is owned by an individual and you are calling from:
  - within Canada or the United States, call **1-800-959-8281**
  - outside Canada and the United States, call **613-940-8495** (collect calls accepted)
- if you are calling about a residential property that is owned by a corporation and you are calling from:
  - within Canada or the United States, call **1-800-959-5525**
  - outside Canada and the United States, call **613-940-8497** (collect calls accepted)

To request a ruling or an interpretation related to the application of the underused housing tax, write to:

GST/HST Rulings Directorate
Canada Revenue Agency
Place de Ville Tower A 5th floor
320 Queen St
Ottawa ON K1A 0L5
Canada

Fax: **1-418-566-0319**

Refer to GST/HST Memorandum 1.4, Excise and GST/HST Rulings and Interpretations Service, which explains the rulings and interpretations service offered by the Canada Revenue Agency.

Filing a Return and Paying the Underused Housing Tax

From: Canada Revenue Agency

Underused Housing Tax Notice UHTN3

January 2023

The purpose of this notice is to provide you with information about filing an underused housing tax return and paying the underused housing tax for your residential property for a calendar year.

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The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The Underused Housing Tax Act (UHTA), which governs the underused housing tax, received royal assent on June 9, 2022. The underused housing tax took effect on January 1, 2022.

Reminders

If you are an affected owner of a residential property on December 31 of a calendar year, you have to pay the underused housing tax for the residential property for the calendar year, unless your ownership of the residential property is exempt from the tax for the calendar year.

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, as an affected owner of a residential property on December 31 of a calendar year, you still have to file a return for the residential property using Form UHT-2900, Underused Housing Tax Return and Election Form.

There are significant penalties if you fail to file an annual return when it is due. Affected owners who are individuals are subject to a minimum penalty of $5,000. Affected owners that are corporations are subject to a minimum penalty of $10,000.

For an explanation of affected owner, owner and residential property, and to determine whether the underused housing tax applies to you, refer to Underused Housing Tax Notice UHTN1, Introduction to the Underused Housing Tax.

To help you determine if your ownership of a residential property is exempt from the underused housing tax for a calendar year, refer to the various notices about exemptions that will be published shortly at Underused housing tax technical information.

Filing a return

Multiple residential properties

If you are an affected owner of two or more residential properties on December 31 of a calendar year, you have to file a separate return, Form UHT-2900, for each residential property for the calendar year. You have to file a return for a residential property even if your ownership of it is exempt from the underused housing tax.

Multiple owners

If there are two or more affected owners of a residential property on December 31 of a calendar year, each of them has to file a separate return, Form UHT-2900, for the residential property for the calendar year even if their respective ownership of it is exempt from the underused housing tax.

When is the return due

Your return, Form UHT-2900, for a residential property for a calendar year is due by April 30 of the following calendar year.

When the due date for a return falls on a Saturday, Sunday or a public holiday recognized by the Canada Revenue Agency (CRA), your return is on time if the CRA receives it on the next business day.

For example, if you have to file a return for a residential property for the 2022 calendar year, your return is due by April 30, 2023. Since April 30, 2023, falls on a Sunday, your return is on time if the CRA receives it on May 1, 2023.

In order to file your return, you will need to have a valid CRA tax identifier number such as a social insurance number (SIN), an individual tax number (ITN) or a Canadian business number (BN) with an underused housing tax (RU) program account identifier code to file the return. For more information about these tax identifier numbers, go to the Tax identifier numbers section of the Underused Housing Tax.

Penalties for failing to file a return

If you are an affected owner of a residential property, there are significant penalties if you fail to file your return when it is due. In addition to the penalties, you will also have to pay any underused housing tax and interest due.

Failure to file your return by April 30 of the following calendar year

If you fail to file your return for a residential property for a calendar year by April 30 of the following calendar year, you have to pay a penalty that is the greater of the two following amounts:

- $5,000 for affected owners who are individuals or $10,000 for affected owners that are not individuals (such as corporations)
- the amount that is the total of the following:
  - 5% of your underused housing tax payable for the residential property for the calendar year
  - 3% of your underused housing tax payable for the residential property for the calendar year multiplied by the number of complete calendar months that the return is past due

Failure to file your return by December 31 of the following calendar year

If you fail to file your return for a residential property for a calendar year by December 31 of the following calendar year, there is an adjustment to the penalty calculation that could result in even higher penalties. The adjustment is applicable only to affected owners that claimed one of the following exemptions for the calendar year:

- exemption for properties that cannot be used throughout the year (that is, the residential property is not suitable for year-round use as a place of residence or is seasonally inaccessible because public access is not maintained year-round)
- exemption for uninhabitable properties (that is, the residential property is uninhabitable due to a disaster, hazardous condition or renovation)
- exemption for primary place of residence
- exemption for qualifying occupancy

If you fail to file your return for a residential property for a calendar year by December 31 of the following calendar year, the second amount in the penalty calculation (that is, the total of the two percentages applied to the underused housing tax payable, as described in the **Failure to file your return by April 30 of the following calendar year** section of this notice) is calculated as if the above exemptions do not apply.

Therefore, while you may not be liable for an amount of underused housing tax in respect of a residential property for a calendar year because you have qualified for one of the above exemptions, the penalty for failing to file a return by December 31 of the following calendar year is calculated based on the amount of underused housing tax that would have been payable in the absence of the exemption.

Examples of penalties for failing to file your return

Example 1 – penalty for failure to file by April 30 of the following calendar year

An individual is not a citizen or permanent resident of Canada. The individual is the only person identified in the land registration system as an owner of a property in Canada (a detached house) that they purchased in 2018. The taxable value of the property for the 2022 calendar year is $2,000,000.

Due to a severe rainstorm in early October 2022, a river near the property overflows its banks and the property is flooded and uninhabitable until repairs are completed in late March 2023.

The individual has to file a return for the property for the 2022 calendar year by April 30, 2023. The individual does not have to pay the underused housing tax for their 100% ownership percentage of the property for the 2022 calendar year because it was uninhabitable for at least 60 consecutive days in that calendar year as a result of a disaster caused by circumstances beyond their reasonable control and this exemption did not apply to the property for the same disaster in any previous calendar year. Therefore, the individual's underused housing tax payable for the residential property for the 2022 calendar year is $0 because the exemption for uninhabitable properties applies.

The individual fails to file their return for the property for the 2022 calendar year by April 30, 2023, however, they file the return by December 31, 2023. The penalty for failing to file their return when required is calculated taking into account that the exemption for uninhabitable properties applies for that calendar year.

As a result, the penalty amount that the individual has to pay is equal to the greater of:

- $5,000 (they are an affected owner who is an individual)
- $0, which is the total of the following:
  - $0 (5% of $0 [the underused housing tax payable because the exemption for uninhabitable properties applies])
  - $0 (3% of $0 [the underused housing tax payable because the exemption for uninhabitable properties applies])

Therefore, the penalty amount that the individual has to pay is $5,000.

Example 2 – penalty for failure to file by December 31 of the following calendar year

If, in Example 1, the individual files their return for the property for the 2022 calendar year on January 10, 2024, the return is past due by eight complete calendar months (that is, May to December 2023). The penalty for failing to file their return when required is calculated as if the exemption for uninhabitable properties did not apply for that calendar year.

The individual's underused housing tax payable would have been $20,000 (1% × $2,000,000 taxable value × 100% ownership percentage) if the exemption for uninhabitable properties did not apply for the 2022 calendar year.

As a result, the penalty amount that the individual has to pay is equal to the greater of:

- $5,000 (they are an affected owner who is an individual)
- $5,800, which is the total of the following:
  - $1,000 (5% of $20,000 [the underused housing tax payable if the exemption did not apply])
  - $4,800 (3% of $20,000 [the underused housing tax payable if the exemption did not apply] multiplied by 8 complete calendar months past due)

Therefore, the penalty amount that the individual has to pay is $5,800.

Assessment period extended

If you fail to file your return for a residential property for a calendar year when required, there is no time limit for the CRA to assess you the underused housing tax, penalties and interest in respect of the property for the calendar year.

Paying the tax

When is the payment due

If your ownership of a residential property is not exempt from the underused housing tax for a calendar year, your payment for the calendar year is due by April 30 of the following calendar year.

When the due date for a payment falls on a Saturday, Sunday or a public holiday recognized by the CRA, your payment is on time if the CRA receives it on the next business day.

For example, if you have to pay the underused housing tax for a residential property for the 2022 calendar year, your payment of the tax is due by April 30, 2023. Since April 30, 2023, falls on a Sunday, your payment is on time if the CRA receives it on May 1, 2023.

If you do not pay your underused housing tax for a calendar year by April 30 of the following calendar year, the CRA will begin charging you interest on the outstanding amount. To find out more, go to Prescribed interest rates.

For information on how to make a payment with the CRA, refer to the Payments section in the Additional Information of Form UHT-2900, and go to Payments to the CRA.

Keeping records

Every affected owner of a residential property must keep records to enable the determination of their obligations and liabilities under the UHTA. Generally, you must keep the records for six years from the end of the year to which they relate.

Further information

For all technical publications related to the UHTA, go to Underused housing tax technical information.

For general enquiries about the underused housing tax, call the applicable telephone number:

- if you are calling about a residential property that is owned by an individual and you are calling from:
  - within Canada or the United States, call **1-800-959-8281**
  - outside Canada and the United States, call **613-940-8495** (collect calls accepted)
- if you are calling about a residential property that is owned by a corporation and you are calling from:
  - within Canada or the United States, call **1-800-959-5525**
  - outside Canada and the United States, call **613-940-8497** (collect calls accepted)

To request a ruling or an interpretation related to the application of the underused housing tax, write to:

GST/HST Rulings Directorate
Canada Revenue Agency
Place de Ville Tower A 5th floor
320 Queen St
Ottawa ON K1A 0L5
Canada

Fax: **1-418-566-0319**

Refer to GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service, which explains the rulings and interpretations service offered by the Canada Revenue Agency.

Exemptions for Specified Canadian Partnerships, Trusts and Corporations

From: Canada Revenue Agency

Underused Housing Tax Notice UHTN4

January 2023

The purpose of this notice is to help you determine if your ownership of a residential property qualifies for the exemptions for partners of specified Canadian partnerships, trustees of specified Canadian trusts, or specified Canadian corporations.

Except as otherwise noted, all statutory references in this publication are to the provisions of the Underused Housing Tax Act (UHTA) and its regulations. The information in this publication does not replace the law found in the UHTA and its regulations.

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Overview

The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The Underused Housing Tax Act (UHTA), which governs the underused housing tax, received royal assent on June 9, 2022. The underused housing tax took effect on January 1, 2022.

The underused housing tax

If you are an affected owner of a residential property on December 31 of a calendar year, you have to pay the underused housing tax for the residential property for the calendar year, unless your ownership of the residential property is exempt from the tax for the calendar year.

Where certain conditions are met, your ownership of a residential property may be exempt from the underused housing tax if the property is any of the following:

- a vacation property that is located in an eligible area of Canada
- used as a primary place of residence or for qualifying occupancy
- not suitable for year-round use
- seasonally inaccessible
- uninhabitable during the calendar year
- newly constructed

Your ownership of a residential property may also be exempt if you are any of the following:

- a partner of a specified Canadian partnership, a trustee of a specified Canadian trust, or a specified Canadian corporation
- a new owner
- a deceased individual, or their personal representative or co-owner

For more information about the above exemptions, refer to the various notices that will be published shortly at Underused housing tax technical information.

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, as an affected owner, you still have to file a return for the residential property using Form UHT-2900, Underused Housing Tax Return and Election Form.

There are significant penalties if you fail to file an annual return when it is due. Affected owners who are individuals are subject to a minimum penalty of $5,000. Affected owners that are corporations are subject to a minimum penalty of $10,000. For more information, refer to Underused Housing Tax Notice UHTN3, Filing a Return and Paying the Underused Housing Tax.

For an explanation of affected owner, excluded owner, owner and residential property, and to determine whether the underused housing tax applies to you, refer to Underused Housing Tax Notice UHTN1, Introduction to the Underused Housing Tax.

Exemptions for specified Canadian partnerships, trusts and corporations

If you are an affected owner of a residential property on December 31 of a calendar year, your ownership of the residential property is exempt from the underused housing tax for the calendar year if one of the following applies:

- you are an owner of the residential property solely as either of the following:
  - a partner of a partnership that is a specified Canadian partnership for the calendar year
  - a trustee of a trust that is a specified Canadian trust for the calendar year
- you are a specified Canadian corporation for the calendar year

What are specified Canadian partnerships, trusts and corporations

A **specified Canadian partnership** is a partnership whose members are all, on December 31, any of the following:

- excluded owners
- individuals who are citizens or permanent residents of Canada and who would be excluded owners if they were not owners of the residential property as partners of a partnership
- specified Canadian corporations

A **specified Canadian trust** is a trust whose beneficiaries that have a beneficial interest in a residential property are all, on December 31, excluded owners or specified Canadian corporations.

A **specified Canadian corporation** is a corporation that is incorporated or continued in Canada and that meets either of the following on December 31:

- it is a corporation where more than 90% of either its equity shares or voting shares are owned or controlled, directly or indirectly, by:
  - an individual who is either a citizen or permanent resident of Canada
  - a corporation that is incorporated or continued under the laws of Canada or a province
  - any combination of those individuals or corporations
- it is a corporation without share capital where both of the following conditions are met:
  - the chairpersons and other presiding officers are citizens or permanent residents of Canada
  - more than 90% of its directors are citizens or permanent residents of Canada

Example 1 – specified Canadian partnership

Individual A and Individual B are both citizens of Canada and the only members of a partnership. Individual A is the only person identified in the land registration system as an owner of a property in Canada (a residential condominium unit) that they purchased in 2018. Individual A is an owner of the property as a partner of the partnership.

Although Individual A is a citizen, they are an affected owner of the property because they own it as a partner of the partnership. For purposes of the exemption for specified Canadian partnerships, Individual A would be an excluded owner if they did not own the property as a partner of the partnership.

Individual B is an excluded owner because they are a citizen of Canada and they do not own the property either as a partner of a partnership or as a trustee of a trust.

The partnership is a specified Canadian partnership for the 2022 calendar year because all of its members are, on December 31, 2022, excluded owners (that is, Individual B) or citizens who would be excluded owners if they were not owners of the property as a partner of a partnership (that is, Individual A).

Individual A has to file a return for the property for the 2022 calendar year by April 30, 2023. Individual A does not have to pay the underused housing tax for their 100% ownership percentage of the property for the 2022 calendar year because the partnership is a specified Canadian partnership for that calendar year.

Example 2 – specified Canadian trust

Two individuals are spouses and citizens of Canada. They jointly purchased a property in Canada (a detached house) in 2001.

The spouses transferred and settled the property into a family trust in 2018. Their three children, who are also citizens of Canada, are the beneficiaries of the trust and each has a beneficial interest in the property.

Individual C, who is also a citizen of Canada, is the trustee of the family trust. Since becoming the trustee in 2018, Individual C is the only person identified in the land registration system as an owner of the property. Individual C is an owner of the property as the trustee of the family trust.

Although Individual C is a citizen, they are an affected owner of the property because they own it as the trustee of the family trust. The family trust is a specified Canadian trust for the 2022 calendar year because all of the beneficiaries of the trust are excluded owners on December 31, 2022.

Individual C has to file a return for the property for the 2022 calendar year by April 30, 2023. Individual C does not have to pay the underused housing tax for their 100% ownership percentage of the property for the 2022 calendar year because they are an owner of the property solely as a trustee of a trust that is a specified Canadian trust for that calendar year.

Example 3 – specified Canadian corporation

Individual D and Individual E are citizens of Canada who own and control 100% of both the equity shares and the voting shares of a corporation. The corporation is incorporated in Canada and its shares are not listed on a Canadian stock exchange designated for Canadian income tax purposes. The corporation is the only person identified in the land registration system as an owner of a property in Canada (a residential condominium unit) that it purchased in 2018.

The corporation is a specified Canadian corporation for the 2022 calendar year because Individual D and Individual E are citizens who have ownership and control of shares representing more than 90% of the equity in the corporation and carrying more than 90% of the voting rights of the corporation on December 31, 2022.

The corporation has to file a return for the property for the 2022 calendar year by April 30, 2023. The corporation does not have to pay the underused housing tax for its 100% ownership percentage of the property for the 2022 calendar year because it is a specified Canadian corporation for that calendar year.

Keeping records

Every affected owner of a residential property must keep records to enable the determination of their obligations and liabilities under the UHTA. Generally, you must keep the records for six years from the end of the year to which they relate.

If you do not have adequate records to support that your ownership of a residential property is exempt from the underused housing tax for a calendar year, the Canada Revenue Agency may disallow your exemption.

Further information

For all technical publications related to the UHTA, go to Underused housing tax technical information.

For general enquiries about the underused housing tax, call the applicable telephone number:

- if you are calling about a residential property that is owned by an individual and you are calling from:
  - within Canada or the United States, call **1-800-959-8281**
  - outside Canada and the United States, call **613-940-8495** (collect calls accepted)
- if you are calling about a residential property that is owned by a corporation and you are calling from:
  - within Canada or the United States, call **1-800-959-5525**
  - outside Canada and the United States, call **613-940-8497** (collect calls accepted)

To request a ruling or an interpretation related to the application of the underused housing tax, write to:

GST/HST Rulings Directorate
Canada Revenue Agency
Place de Ville Tower A 5th floor
320 Queen St
Ottawa ON K1A 0L5
Canada

Fax: **1-418-566-0319**

Refer to GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service , which explains the rulings and interpretations service offered by the Canada Revenue Agency.

Exemption for Vacation Properties

From: Canada Revenue Agency

Underused Housing Tax Notice UHTN5

January 2023

The purpose of this notice is to help you determine if your ownership of a residential property qualifies for the exemption for vacation properties.

Except as otherwise noted, all statutory references in this publication are to the provisions of the Underused Housing Tax Act (UHTA) and its regulations. The information in this publication does not replace the law found in the UHTA and its regulations.

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Overview

The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The Underused Housing Tax Act (UHTA), which governs the underused housing tax, received royal assent on June 9, 2022. The underused housing tax took effect on January 1, 2022.

The underused housing tax

If you are an affected owner of a residential property on December 31 of a calendar year, you have to pay the underused housing tax for the residential property for the calendar year, unless your ownership of the residential property is exempt from the tax for the calendar year.

Where certain conditions are met, your ownership of a residential property may be exempt from the underused housing tax if the property is any of the following:

- a vacation property that is located in an eligible area of Canada
- used as a primary place of residence or for qualifying occupancy
- not suitable for year-round use
- seasonally inaccessible
- uninhabitable during the calendar year
- newly constructed

Your ownership of a residential property may also be exempt if you are any of the following:

- a partner of a specified Canadian partnership, a trustee of a specified Canadian trust, or a specified Canadian corporation
- a new owner
- a deceased individual, or their personal representative or co-owner

For more information about the above exemptions, refer to the various notices that will be published shortly at Underused housing tax technical information.

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, as an affected owner you still have to file a return for the residential property using Form UHT-2900, Underused Housing Tax Return and Election Form.

There are significant penalties if you fail to file an annual return when it is due. Affected owners who are individuals are subject to a minimum penalty of $5,000. Affected owners that are corporations are subject to a minimum penalty of $10,000. For more information, refer to Underused Housing Tax Notice UHTN3, Filing a Return and Paying the Underused Housing Tax.

For an explanation of affected owner, excluded owner, owner and residential property, and to determine whether the underused housing tax applies to you, refer to Underused Housing Tax Notice UHTN1, Introduction to the Underused Housing Tax.

Exemption for vacation properties

If you are an affected owner of a residential property on December 31 of a calendar year, your ownership of the residential property is exempt from the underused housing tax for the calendar year if both of the following conditions are met:

- based on the last census by Statistics Canada before the calendar year, the residential property is located in an eligible area of Canada—an eligible area is a place that is any of the following:
  - outside both a census metropolitan area and a census agglomeration
  - inside a census agglomeration that is not a specified census agglomeration
  - inside a census metropolitan area or a specified census agglomeration but outside a population centre that is part of such an area or agglomeration
- you, or your spouse or common-law partner, personally use the residential property as a place of residence or lodging for at least 28 days in the calendar year

Only affected owners who are individuals qualify for this exemption.

What are census metropolitan areas, census agglomerations and population centres

Census metropolitan areas, census agglomerations and population centres are statistical areas defined by Statistics Canada.

Census metropolitan areas and census agglomerations are densely populated areas made up of adjacent municipalities that are economically and socially integrated.

A **census metropolitan area** has a total population of at least 100,000 residents, of which 50,000 or more live in the core population centre.

A **census agglomeration** has 10,000 or more residents living in the core population centre. For purposes of the exemption for vacation properties, a **specified census agglomeration** is a census agglomeration having a population of at least 30,000 residents.

A **population centre** is an area that has a population of at least 1,000 residents and a population density of 400 persons or more per square kilometre.

Is your residential property located in an eligible area of Canada

The CRA has developed an online tool that will help you determine if your residential property is located in an eligible area of Canada for the purposes of this exemption. It is important for you to perform this verification each year before claiming the exemption for vacation properties on your return. To use this tool, go to Underused housing tax vacation property designation tool.

It is recognized that, in rare situations, the Underused housing tax vacation property designation tool will be unable to tell you whether your residential property is located in an eligible area for purposes of the exemption for vacation properties. In these rare situations, you will have to conduct a manual place search to determine whether your residential property is located in an eligible area. For instructions on how to perform a manual place search, refer to Underused Housing Tax Notice UHTN14, Exemption for Vacation Properties: Manual Place-Search Instructions, which will be published shortly.

Example 1 – use of a residential property by the owner

An individual is not a citizen or permanent resident of Canada. The individual is the only person identified in the land registration system as an owner of a property located in Nova Scotia (a detached house) that they purchased in 2019.

The property is located outside both a census metropolitan area and a census agglomeration. Therefore, it is located in an eligible area of Canada. The property is suitable for year-round use as a place of residence and it is accessible in all seasons because public access is maintained year-round.

The individual uses the property as their personal vacation home, typically in July and September each year. No one else uses the property when the individual returns to their primary place of residence outside Canada.

2022 calendar year

In the 2022 calendar year, the individual uses the property for 21 days in July and 14 days in September.

The individual has to file a return for the property for the 2022 calendar year by April 30, 2023. They do not have to pay the underused housing tax for their 100% ownership percentage of the property for the 2022 calendar year because it is located in an eligible area of Canada and the individual uses the property as a place of residence or lodging for at least 28 days in that calendar year.

2023 calendar year

In the 2023 calendar year, the individual uses the property for 21 days in July. For personal reasons, they are unable to use the property at all in September or at any other time in the remainder of the 2023 calendar year.

The individual has to file a return for the property for the 2023 calendar year by April 30, 2024. Although the property is located in an eligible area of Canada, the individual does not use the property as a place of residence or lodging for at least 28 days in that calendar year. Assuming their ownership of the property does not qualify for any other exemption, they also have to pay the underused housing tax for their 100% ownership of the property for the 2023 calendar year.

Example 2 – use of a residential property by spouses or common-law partners

Individual A and Individual B are common-law partners and are not citizens or permanent residents of Canada. Each individual is identified in the land registration system as having 50% ownership of a property in Canada (a residential condominium unit) that they jointly purchased in 2018.

The property is located in a small resort village that is inside a census agglomeration having a total population of less than 30,000 residents, and thus, inside a census agglomeration that is not a specified census agglomeration. Therefore, it is located in an eligible area of Canada. The property is suitable for year-round use as a place of residence and it is accessible in all seasons because public access is maintained year-round.

Both individuals use the property as their personal vacation home on weekends during the golf season, typically from the beginning of May to the end of September each year. They personally use the property and do not place it in a rental pool for short-term rentals when they are not there. No one else uses the property when they return to their primary place of residence outside Canada.

2022 calendar year

In the 2022 calendar year, both individuals use the property together at the same time for 40 days between the beginning of May and the end of September.

Individual A and Individual B each have to file a separate return for the property for the 2022 calendar year by April 30, 2023. Neither of them has to pay the underused housing tax for their respective 50% ownership percentage of the property for the 2022 calendar year because it is located in an eligible area of Canada and they use the property as a place of residence or lodging for at least 28 days in that calendar year.

2023 calendar year

In the 2023 calendar year, neither individual uses the property from the beginning of May to the middle of June. Individual A uses the property in June and July for a total of 10 days. Individual B uses the property in August for 14 days and in September for 7 days.

Individual A and Individual B each have to file a separate return for the property for the 2023 calendar year by April 30, 2024. Neither of them has to pay the underused housing tax for their respective 50% ownership percentage of the property for the 2023 calendar year because it is located in an eligible area of Canada and, as common-law partners, their combined use of the property as a place of residence or lodging is for at least 28 days in that calendar year.

Keeping records

Every affected owner of a residential property must keep records to enable the determination of their obligations and liabilities under the UHTA. Generally, you must keep records for six years from the end of the year to which they relate.

If you do not have adequate records to support that your ownership of a residential property is exempt from the underused housing tax for a calendar year, the CRA may disallow your exemption.

Further information

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