

March 15, 2023

Dear Valued Client:

RE: Underused Housing Tax (UHT)

We are contacting you regarding a new federal government tax called the Underused Housing Tax (UHT) on residential properties owned on December 31, 2022. Although the tax is directed at non-resident, non-Canadians who own residential properties, for example the Vancouver market, many Canadians are impacted by the reporting requirements of the UHT. Even if you are not subject to the tax, you may be required to file a UHT-2900 Tax Return and Election Form (UTH-2900).

Failure to file this tax return, even if you are not subject to the tax, **will result in minimum penalties of \$5,000 for individuals and \$10,000 for corporations for each property.** The 2022 UHT-2900 must be filed with the Canada Revenue Agency by **April 30, 2023.**

The UHT rules are complex and basically levy a 1% tax on the value of vacant and underutilized Canadian residential properties owned by non-Canadian citizens.

If you answer yes to any of the three questions below, please contact us to discuss your specific situation as you may be required to file a UHT return to avoid these severe penalties:

1. Do you own any real property in Canada (land or a lot in town) in a corporation, trust or partnership that has a home on it?
2. Do you **personally own** any real property in Canada (land or lot in town) with others that has a home on it? **This excludes your primary residence or your home on your home quarter or vacation properties jointly owned with your spouse which are used only for your family's enjoyment.**
3. For estate planning purposes, have you added any of your adult children to titles that have a home on it? Have you been added to title on any Canadian real property that has a home on it by your parents? This relates to Bare Trusts rather than joint beneficial ownership.

The following are some of the most common situations where UHT filings are required:

1. Canadian controlled private corporations (CCPC), including farm corporations, owning residential property.
2. Residential property owned by a partnership, which is different than simply 'co-ownership'. This may include rental properties that are owned jointly with your spouse or a non-related person. Note that each partner must file a return for each property owned in the partnership.
3. Your principal residence is situated on corporate owned land, even if you paid for the residence with personal funds. An exception to this is where there is a written lease agreement in place for a term of 20 years or greater.
4. Residential property owned by a trust (including bare trust arrangements involving the adult children being placed on title for estate planning purposes only).

Please visit the following website for more information:

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

If you determine you are required to file a UHT-2900 and intend to file for yourself, a copy of the required form and instructions can be located at:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/uht-2900.html>.

CRA has confirmed that individuals and corporations are able to file the UHT-2900 returns on-line through "My Account" or "My Business Account" after March 14, 2023 or through the following website:

https://apps.cra-arc.gc.ca/ebci/sres/ext/pub/ntrUhtFlng?request_locale=en_CA.

If you require our assistance in completing these returns, please contact us as soon as possible to discuss next steps.

The details and UHT forms were not available until the end of January 2023, which is very challenging to deal with. The impact of this poorly drafted legislation cannot be changed; however, we continue to voice our concerns over the unintended consequences and costs. **We encourage you to contact your Federal Member of Parliament to express your concerns about the poor timing, lack of clarity and onerous responsibilities and costs associated with UHT.**

Yours truly,

WILDE & COMPANY



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