

UNDERUSED HOUSING TAX

ABOUT THE UNDERUSED HOUSING TAX

The [Underused Housing Tax](#) is a federally regulated annual 1% tax on the ownership of vacant or underused housing in Canada. The tax took effect on January 1, 2022, and applies primarily to foreign national owners of housing in Canada; however, in some situations it also applies to Canadian owners.

Residential property owners can be categorized into three groups: owners with no UHT reporting or tax obligation (**excluded owner**); owners required to file a UHT return and pay tax (**affected owner**); and owners required to file the return but with no tax payable due to an exemption (**affected owner**).

If you are an **affected owner** of a residential property in Canada on December 31, you must file an [Underused Housing Tax return](#) for the calendar year. Even if your ownership of the property qualifies for an exemption and you do not owe any tax, **you still must file a return**. You may either use electronic filing, or you may file your return by mail.

WHO QUALIFIES AS AN EXCLUDED OWNER?

The UHT rules do not apply to **'excluded owners'**, which includes:

- an individual who is a Canadian citizen or permanent resident - unless included in the list of affected owners below
- any person - including an individual who is a Canadian citizen or permanent resident - that owns a residential property as a trustee of a mutual fund trust, real estate investment trust, or specified investment flow-through trust (SIFT) for Canadian income tax purposes
- a Canadian corporation 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 for Canadian GST/HST purposes
- an Indigenous governing body or a corporation wholly owned by an Indigenous governing body

If you are an excluded owner of a residential property in Canada, you have no obligations or liabilities under the Underused Housing Tax Act.

WHO IS AN AFFECTED OWNER?

If you are not an excluded owner, you are referred to as an **'affected owner'** and you have obligations under the Underused Housing Tax Act for your residential property in Canada. An affected owner includes, but is not limited to:

- An individual who is not a Canadian citizen or permanent resident
- An individual who is a Canadian citizen or permanent resident and who owns a residential property as a trustee of a trust (other than as a personal representative of a deceased individual)
- Any person – including an individual who is a Canadian citizen or permanent resident – that owns a residential property as a partner of a partnership
- A corporation that is incorporated outside of Canada
- A Canadian corporation whose shares are not listed on a Canadian stock exchange designated for Canadian income tax purposes
- A Canadian corporation without share capital

If you are a Canadian Corporation who owns property that may be subject to the UHT, please check with your accountant regarding payment or exemption.

If you are an affected owner, you must file an Underused Housing Tax return for each residential property that you own in Canada on December 31. You must also pay the Underused Housing Tax, unless your ownership qualifies for an exemption for the calendar year.

WHAT EXEMPTIONS ARE AVAILABLE FOR AFFECTED OWNERS?

Your ownership of a residential property may be exempt from the Underused Housing Tax for a calendar year depending on:

- the type of owner you are
- the availability of the residential property
- the location and use of the residential property
- the occupant of the residential property

Exemptions based on the type of owner

Your ownership of a residential property may be exempt for a calendar year if you are:

- a specified Canadian corporation
- a partner of a specified Canadian partnership, or a trustee of a specified Canadian trust
- a new owner in the calendar year
- a deceased owner, or a co-owner or personal representative of a deceased owner

Exemptions based on the availability of the residential property

Your ownership of a residential property may be exempt for a calendar year if the property is:

- newly constructed
- **not suitable to be lived in year-round, or seasonally inaccessible**
- uninhabitable for a certain number of days because of
 - a disaster or hazardous conditions
 - renovations

Exemption based on the location and use of the residential property

Your ownership of a residential property may be exempt for a calendar year if the property is:

- **a vacation property located in an eligible area of Canada and used by you or your spouse or common-law partner for at least 28 days in the calendar year**

Refer to the [Underused housing tax vacation property designation tool](#) to determine if your residential property is located in an eligible area of Canada for the purposes of this exemption. Please note that Whistler is located in an eligible area of Canada for purposes of the vacation property exemption.

Exemptions based on the occupant of the residential property

Your ownership of a residential property may be exempt for a calendar year in either of the following situations:

- it is the primary place of residence for you or your spouse or common-law partner, or for your child who is attending a designated learning institution
- at least 180 days in the calendar year are included in one or more qualifying occupancy periods for your ownership of the residential property

A **qualifying occupancy period** is at least one month in a calendar year during which one of the following qualifying occupants has continuous occupancy of the residential property:

- an individual with a written contract who deals at arm's length with you and your spouse or common-law partner
- an individual with a written contract who does not deal at arm's length with you or your spouse or common-law partner, and who pays at least fair rent for the property
- you, or your spouse or common-law partner, who has a Canadian work permit
- your spouse or common-law partner, parent, or child who is a Canadian citizen or permanent resident

If between you and your spouse or common-law partner you own multiple residential properties, your ownership **may not qualify** for the exemptions for either primary place of residence or qualifying occupancy unless you file an election with the CRA to designate only one property for the purposes of the exemption

WHAT ARE KEY DATES TO NOTE?

You must file your return for a calendar year by April 30 of the following calendar year.

If you are an affected owner, you must file an [Underused Housing Tax return](#) for each residential property that you own in Canada on December 31. You must also pay the Underused Housing Tax, unless your ownership qualifies for an exemption for the calendar year. Even if your ownership qualifies for an **exemption**, you must still file an Underused Housing Tax return for the calendar year.

Although the deadline for filing the Underused Housing Tax (UHT) return and paying the UHT payable is April 30, 2023, no penalties or interest will be applied for UHT returns and payments that the CRA receives before November 1, 2023.

MORE INFORMATION:

If you have any questions regarding the Underused Housing Tax please contact your accountant; you can also access information on the Government of Canada's site below:

[Underused Housing Tax](#) – Government of Canada

[Underused Housing Tax Return and Election Form](#) – Canada Revenue Agency