

UNDERUSED HOUSING TAX – BEWARE!

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Dear Client:

The Underused Housing Tax (UHT) is now law, and if you own residential property in Canada, you will want to be familiar with it. The purpose of the UHT is to tax residential properties that are vacant or underused and not owned by Canadian citizens or permanent residents of Canada. However, many Canadian individuals, corporations, partners, and trustees who hold legal title to residential real estate in Canada also **need to file a UHT return by May 1, 2023.**

WHY SHOULD YOU BE CONCERNED ABOUT THE UHT?

Even if no tax is owing, failure to file a UHT return on time is subject to steep **penalties starting at \$5,000 for individuals or \$10,000 for corporations.** This penalty is levied per return, which covers only one property for one taxpayer. These penalties can multiply quickly! For example, without filing on time:

- a Canadian corporation holding five residential properties would owe \$50,000 in penalties; or
- two partners of a partnership holding two residential properties would owe \$20,000 in penalties.

If any of the following situations describes you, you need to file a UHT return to avoid penalty.

- a. Your corporation holds a residential property in Canada, regardless of how the residence is used.
- b. You are a partner in a partnership that holds property in Canada with a residence on it, including farm partnerships with a residential property, residential rental partnerships, and short-term rental business partnerships.
- c. You are a trustee of a trust that holds property in Canada with a residence on it, including informal trust arrangements where you are on title only for financing or administrative purposes or to avoid a merger of titles.
- d. You are not a citizen or permanent resident of Canada and hold a residential property in Canada.

In summary, the exclusions from filing a UHT return are limited to a few situations, including taxpayers that:

- did not own residential property on December 31, 2022;
- are a Canadian citizen or permanent resident of Canada who personally owned residential property as an individual or co-owner (not as a trustee of a trust or partner of a partnership); or
- a registered charity, a listed government body, investment trust, or a public corporation.

Almost all other individuals, private corporations, partners, and trustees will need to file a separate UHT return for each residential property owned, whether or not the tax actually applies. Baker Tilly has published a [Tax Alert](#), including a [UHT flowchart](#), to assist you in determining whether you need to file a UHT return and whether you may owe the 1% tax on the property's value. Please review these publications.

A separate UHT return is required for each residential property owned on December 31 and for each owner. Responsibility for filing the UHT return lies with those identified on title to the property.

WHEN AND HOW TO FILE THE UHT RETURN

The UHT return is due each year on April 30 regardless of the owner's income tax return filing due date. Because that date falls on a Sunday this year, the 2022 filing deadline will be Monday, May 1, 2023. Please note that the UHT return is a separate form and is not filed as part of any personal, corporate, or trust tax return.

You can find a copy of the UHT return (CRA form UHT-2900), including instructions for filing it, on [the CRA's website](#). You can also complete the UHT return online using [the CRA's online tool](#) after requesting a [Digital Access Code](#). A summary guide to preparing the UHT return is below.

1. For corporate affected owners, first open a "RU" account on the corporate business number using the CRA's [Business Registration Online](#) service or by calling the CRA at 1-800-959-5525.
2. **Complete UHT-2900 Part 1 for the affected owner.**
 - 2.1. Lines 25-31 are necessary only if you are authorizing a person other than the owner to discuss this UHT return with the CRA.
 - 2.2. Lines 110-125 are required for situations b. and c. on page 1. You may first need to register for a partnership RZ account as directed in step 1 or apply for a trust account number [online](#) or by mail.
3. **Complete UHT-2900 Part 2 for the residential property.**
 - 3.1. Line 230 appears to request the Property Identification Number (PIN), which you could find on the land registry documents (deed) or by searching the Ontario property address within the relevant Land Registry Office at [onland.ca](#).
 - 3.2. Lines 260-275 and 285 can be found in the property purchase documents. Where land title does not specify an ownership percentage, each owner is considered to hold an equal interest in the property.
 - 3.3. Lines 235 and 280 can be found on your most recent property tax assessment from MPAC.
4. **Complete UHT-2900 Parts 3-6 to claim an exemption from the UHT, if eligible.**
 - 4.1. Corporate owners in situation a. on page 1 may skip Parts 3-5, check "Yes" on Part 6 line 605, and check the box on Part 6 line 625. Please confirm eligibility for this exemption by reviewing the definitions on page 9 of the return.
 - 4.2. Partners and trustees in situation b. or c. on page 1 may skip Parts 3-5, check "Yes" on Part 6 line 605, and check the box on Part 6 line 620. Please confirm eligibility for this exemption by reviewing the definitions on page 9 of the return.
 - 4.3. Other exempt owners will need to work through the details of the exemptions to identify the one that applies to their specific situation.
5. **Complete UHT-2900 Parts 7-8 to calculate the UHT payable, if required.** We expect that most of our clients will be able to claim an exemption in step 4 and skip Parts 7-8.
6. **Complete UHT-2900 Part 9 to certify the return.**
 - 6.1. Line 961 can be left blank if the owner is signing the return directly. For corporations, estates, and individuals who lack capacity to sign for themselves, line 961 is required.
7. **Mail or fax UHT-2900 to the CRA** as directed on page 8 of the return on or before May 1, 2023.

Please note that **completion of UHT returns is not included in any of our current engagements**. If you require our assistance with these filings, we will invoice you on an hourly basis for any UHT consulting services provided.

ENGAGING BAKER TILLY GWD TO PREPARE UHT RETURNS

We will prepare your UHT returns only if you separately engage us to do so. Please request a UHT engagement letter from our office if you would like to engage us for UHT services. Our fees for preparation of UHT returns start at \$700 for the first UHT-2900 return plus \$300 per additional UHT-2900 return prepared in respect of each residential property owned by each engaged identified owner, plus GST/HST as applicable.

We cannot guarantee timely completion of the UHT return on your behalf unless you engage us and provide all required information by March 17, 2023. If we do not hear from you by March 17, 2023, we will presume that you are preparing any required UHT returns for yourself and for any other persons or entities related to you or under your control.

To prepare your UHT returns, we would require a signed engagement letter and all information listed on [form UHT-2900](#), including the following details, for each residential property owned on December 31, 2022.

- Your country of citizenship if you are neither a Canadian citizen nor permanent resident of Canada
- Most recent property tax assessment, including:
 - full address of the property
 - property tax roll number
 - name of each owner on title
 - assessed value of the property
- Land title documents including all the following, or provide these details from your records:
 - Property Identification Number (PIN) under Land Titles or Land Registry
 - ownership type (sole, joint tenancy, or tenants in common)
 - name and percentage ownership of each owner on title
 - year of purchase
 - most recent purchase/sale price
- If owned in the capacity of a partner or trustee, the partnership or trust account number
- Detailed description of the property type (e.g., detached house, duplex, townhouse, condo)
- Confirmation that you as an individual owner or all partners, trustees, or corporate shareholders of the owner are Canadian citizens or permanent residents; if not, details on what other exemption from UHT you may meet
- If you do not meet any exemption from the UHT, and the market value of the residential property is less than the greater of the assessed value and most recent purchase price, provide a formal appraisal supporting the lower fair market value

We appreciate the opportunity to be of service to you in navigating this complex area of accounting, tax, and financial planning to achieve optimal results.

Yours truly,



Baker Tilly GWD