

THE BALANCE SHEET



SMITH | SYKES | LEEPER | TUNSTALL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



A NOTE FROM THE PARTNERS

October! We are into the final few months of 2023 and there is lots on the go!

We'd like to announce that Monica Brown (our former office administrator) has left the firm after eleven years to move closer to her new home in Gravenhurst. We wish her all the best in her new ventures!

Welcome Gelareh Abdollahian who joins us with over 10 years of Administrative experience.

The third quarterly tax instalment was due on September 15th and the final tax instalment of 2023 is due December 15th. CRA's interest rate on unpaid instalments has increased. Please ensure you are keeping up-to-date with your instalment payments.

A reminder that the CEBA loan repayment is due by January 18, 2024. If the loan remains outstanding it will convert to a non-amortizing term loan with full principal repayment due on December 31, 2026.

As always, [contact us](#) with any questions.

George, Bryan, Dale, Trent, Brad, David, Paul & Brennan

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UNDERUSED HOUSING TAX (UHT)

The Underused Housing Tax (UHT) was introduced last year aiming to penalize foreign investors in residential real estate in Canada. The UHT levies a 1% tax on the value of residential properties that are vacant or underused.

The deadline for filing the UHT return is October 31, 2023, to avoid the imposition of penalties and interest.

The rules require residential property owners (with some exceptions, as discussed below) to file an annual UHT return, even if only to claim an exemption from the tax. This means that even where there is no tax payable a return must be filed for each eligible property. Significant penalties apply if the UHT return is not filed on time.

Properties subject to UHT

Unless an exemption is available, the UHT applies to residential properties located in Canada including:

- detached houses (containing up to three dwelling units),
- semi-detached houses,
- rowhouse units,
- residential condominium units, or
- any other similar premises intended to be owned as a separate unit or parcel.

Property owners that are excluded

An *excluded owner* is not subject to the UHT and is not required to file the annual UHT return. An excluded owner is one of the following:

- An individual Canadian citizen or permanent resident of Canada
- A publicly traded Canadian corporation
- A person with title to the property in their capacity as trustees of various widely held trusts
- A registered charity
- A cooperative housing corporation
- A municipal organization or other public institutions and government bodies.

UNDERUSED HOUSING TAX (UHT)

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All other owners, *called affected owners*, are required to file an annual return and pay the UHT unless they meet an available exemption. Specifically, all private corporations, partnerships, and trusts which own residential property in Canada, as well as individuals who are neither a Canadian citizen nor a permanent resident, are required to file an annual return to either claim an exemption from the tax or to determine the tax payable.

Available Exemptions

Certain characteristics or uses of the property may exempt a residential property from UHT for a given calendar year. An annual return must be filed to claim the exemption. Exemptions include:

- *Primary place of residence*: The residential property (or a dwelling unit within) is the primary place of residence for the owner, the owner's spouse or common-law partner, or the owner's child. Special rules apply to owners with multiple properties.
- *Qualifying occupancy*: The property was occupied for at least 180 days in the year, made up of one or more periods that are at least one month by:
 - A third party under a written rental agreement
 - A related person paying fair rent to the owner
 - The owner's spouse or common-law partner in Canada under a work permit
 - The owner's spouse, common-law partner, parent, or child who is a Canadian citizen or permanent resident
- *Limited seasonal access*: The property was not suitable for year-round use as a place of residence or was inaccessible during part of the year.
- *Disaster or hazardous condition*: The property was uninhabitable for at least 60 consecutive days in a calendar year due to disaster or hazardous conditions (limits apply to how many times an exemption can be claimed for the same disaster/condition).

UNDERUSED HOUSING TAX (UHT)

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- *Renovation or construction:* The property was uninhabitable for at least 120 consecutive days in a calendar year due to renovation or where construction of the property was not substantially completed before April of the calendar year.
- *Construction of property for sale:* The property was substantially completed after March of the year, was offered for sale to the public and was not previously occupied.
- *Year of acquisition:* The property was first acquired by the owner during the year (by sale or transfer)
- *Upon death of owner:* This exemption applies to the year in which the owner died as well as the following calendar year. It extends to the personal representative of a deceased individual as well as to surviving owners of jointly owned property of which the deceased owned at least 25 percent.
- *Specified Canadian corporation:* The property was owned by a Canadian corporation with less than ten percent foreign ownership.
- *Partner of specified Canadian partnership:* The property was owned by partners of a partnership where all members were either excluded owners or specified Canadian corporations.
- *Trustee of specified Canadian trust:* The property was owned by a trustee of a trust where all beneficiaries with an interest in the property were either excluded owners or specified Canadian corporations.
- *Prescribed area:* The property was located in a prescribed area based on census data and the owner, spouse, or common-law partner resided in the property for at least 28 days in the calendar year.

UNDERUSED HOUSING TAX (UHT)

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How is the UHT calculated?

The UHT payable is calculated as one percent of the property value multiplied by the applicable ownership percentage.

The property value is the greater of (i) the assessed value for the year for property tax purposes, and (ii) the most recent sale price on or before December 31 of the calendar year. Owners can also make an election to use the fair market value where a written appraisal is obtained to support the value.

What else do I need to know?

A sale or transfer by a non-resident person of property located in Canada gives rise to specific tax and reporting requirements, including requesting a certificate of compliance from the CRA under section 116 of the *Income Tax Act*.

THE BOTTOM LINE:

The spirit of the UHT is to penalize foreign investors in residential real estate. *If you are an excluded owner you are not subject to the UHT and not required to file an annual return.*

That being said, the UHT is new and on the surface seems complex. Please contact us with any questions you might have.

KEY DATES

A few key dates to keep in mind:

Oct 31, 2023: UHT filing deadline to avoid imposition of penalties and interest

November: Financial Literacy Month

Dec 15, 2023: Fourth (last) personal tax instalment date for 2023

Jan 18, 2024: CEBA loan repayment due

Q. Why don't skunks have to pay taxes?

A. They are good with scents!

ARTICLES OF INTEREST

Top 5 Questions About RESPS

[Find out what they are here](#)

CRA to introduce new automatic tax filing system as many Canadians miss out on benefits

[Find out more here](#)

10 fun facts about taxes in Canada

[Click here to see what they are](#)

Life in the Tax Lane - video

[An overview of all the latest in tax news.](#)

