



March 14, 2023

BEWARE OF SIGNIFICANT PENALTIES!

Dear Client:

Did you own a **residential** property on December 31, 2022? If so, this is very important information for you.

There is new tax legislation – Underused Housing Tax (UHT). While the purpose of this law is to tax foreign owned residential properties, **many Canadian individuals, corporations, partners and trustees will be required to file a UHT return by April 30, 2023** in order to claim their exemption from the UHT. A UHT return is required to be filed **each year** by April 30th.

Failure to file the UHT return by the due date will result in significant penalties as follows:

- \$5,000 per individual per property
- \$10,000 per corporation per property
 - For example, if a corporation has 3 residential properties, failure to file the UHT return for each of the 3 properties by the deadline will result in \$30,000 in penalties – even if no UHT tax applies.

The new legislation is complicated and there are still many unanswered questions. You will need to file a UHT return by the due date to avoid penalties if any of the following situations apply:

- You are a partner in a partnership that holds property in Canada with a residence on it. This would include residential rental partnerships and short term rentals as well as farm partnerships that have a residential property.
- You are a trustee of a trust that has property in Canada containing a residence. This would include trust arrangements such as:
 - Bare trusts
 - Informal trusts where a person is on title for an aging parent, or to assist with financing a first home for a relative.
 - Executor of an estate
- You are on title on a residential property located in Canada and you are not a citizen or permanent resident of Canada.
- You have a residential property owned by a Canadian private corporation
- There may be other situations that apply.

Is your name registered on land containing a residential property in Canada? Beware and do not ignore as the penalties are significant and multiply quickly!

There are some **exclusions** from filing requirements for a UHT; however, they are very limited. Some of the most common examples are as follows:

- On December 31, 2022 you didn't own land containing a residential property in Canada.
- You are a Canadian citizen or permanent resident and you personally own a property containing a residence either as an individual or a co-owner

We have attached a document that provides more detailed information regarding the UHT.

Please note that **you are responsible to file this form each year**. If you would like Olsen Joly LLP to prepare your UHT return or to assess your situation to determine if you have a filing requirement, please contact us.

A separate engagement letter will apply in these situations and our fee structure is as follows:

- Minimum of \$1,000 per UHT return
 - plus \$500 for each UHT return for every additional owner on title
- Minimum of \$500 for assessment for your requirement to file a UHT return. Please note, in most cases it will be quicker and less costly to actually file the UHT-2900 form than to determine if one needs to be filed. There is a lot of uncertainty and grey area surrounding who has to file, if you are unsure, filing is the safer approach.

If you would like to engage Olsen Joly LLP for above noted services please contact our office to obtain an engagement letter. Once received, please sign the engagement letter and return it along with the documents noted below to our office by **March 31, 2023**. If you do not hear from us by April 17, 2023 please contact our office to ensure we received your signed engagement letter and documentation.

These are the standard items we will require in order to prepare your UHT return:

- Your citizenship or Canadian residency status
- The citizenship or Canadian residency status of each owner on title
- The citizenship or Canadian residency status of each corporate shareholder, partner or trustee
- Description of the property (eg. detached house, townhouse, condo, duplex)
- Description of ownership (eg. whether in capacity as a partner or a trustee)
- The most recent property tax assessment notice which should contain the following information:
 - Complete address of the property
 - Tax roll number
 - Each owner's name that is on title
 - Property value assessment
- Registered land title documents or other documents that provide the following:
 - Year of purchase
 - Property Identification Number (PIN)
 - Legal land description
 - Registered name(s) and the percentage ownership
 - Ownership type (sole, tenants in common, joint tenancy)
 - Most recent purchase price (or sale price if sold in 2023)

Further information may be required.