



HARBR

ACCOUNTING SERVICES

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The Underused Housing Tax (UHT) is a tax implemented in Canada, targeting residential properties that are considered underused or vacant. Here's a breakdown of key points about the UHT:

What Constitutes a Residential Property for UHT?

- For UHT purposes, a residential property is defined as one with three or fewer dwelling units.
- A dwelling unit typically consists of a residential unit with a kitchen and a bathroom.
- Larger apartment complexes are generally excluded unless they are stratified into separate legal titled units.

Who Needs to File?

- The owner listed in the property title or registry system is typically the one who must file.
- In cases of bare trusts, the legal owner is responsible for filing.
- Individuals, corporations, partnerships, and nonprofit organizations may all have filing obligations based on ownership.

Exceptions and Exclusions:

- Certain owners are excluded from filing, such as Canadian citizens, permanent residents, registered charities, Canadian public companies, Indigenous groups, cooperative housing societies, etc.
- Nonprofit organizations owning residential property must file but may be exempt from the tax based on ownership criteria.

Penalties for Non-Compliance:

- Penalties for late filing can be substantial, starting from a minimum of \$5,000 for individuals and \$10,000 for corporations.
- It's crucial to determine filing obligations accurately to avoid penalties.

Obligations for Affected Owners:

- Affected owners must file for each residential property they own.
- Multiple owners of one property must ensure consistency in filing positions.

Eligibility for Exemption:

- Exemptions are available based on property occupancy and ownership type.
- Properties owned by specified Canadian corporations or partnerships controlled by Canadian citizens or permanent residents may be exempt.

Guidance and Uncertainties:

- Given the complexity of the legislation, it's essential to consult reference materials, CRA guidance, or tax advisors for clarity.
- It's better to seek certainty upfront regarding filing obligations rather than risk penalties later.

In summary, the UHT imposes taxes on underused or vacant residential properties in Canada, with specific criteria for defining residential properties, determining filing obligations, and assessing exemptions. Understanding these rules and seeking guidance can help property owners comply with the tax regulations effectively.