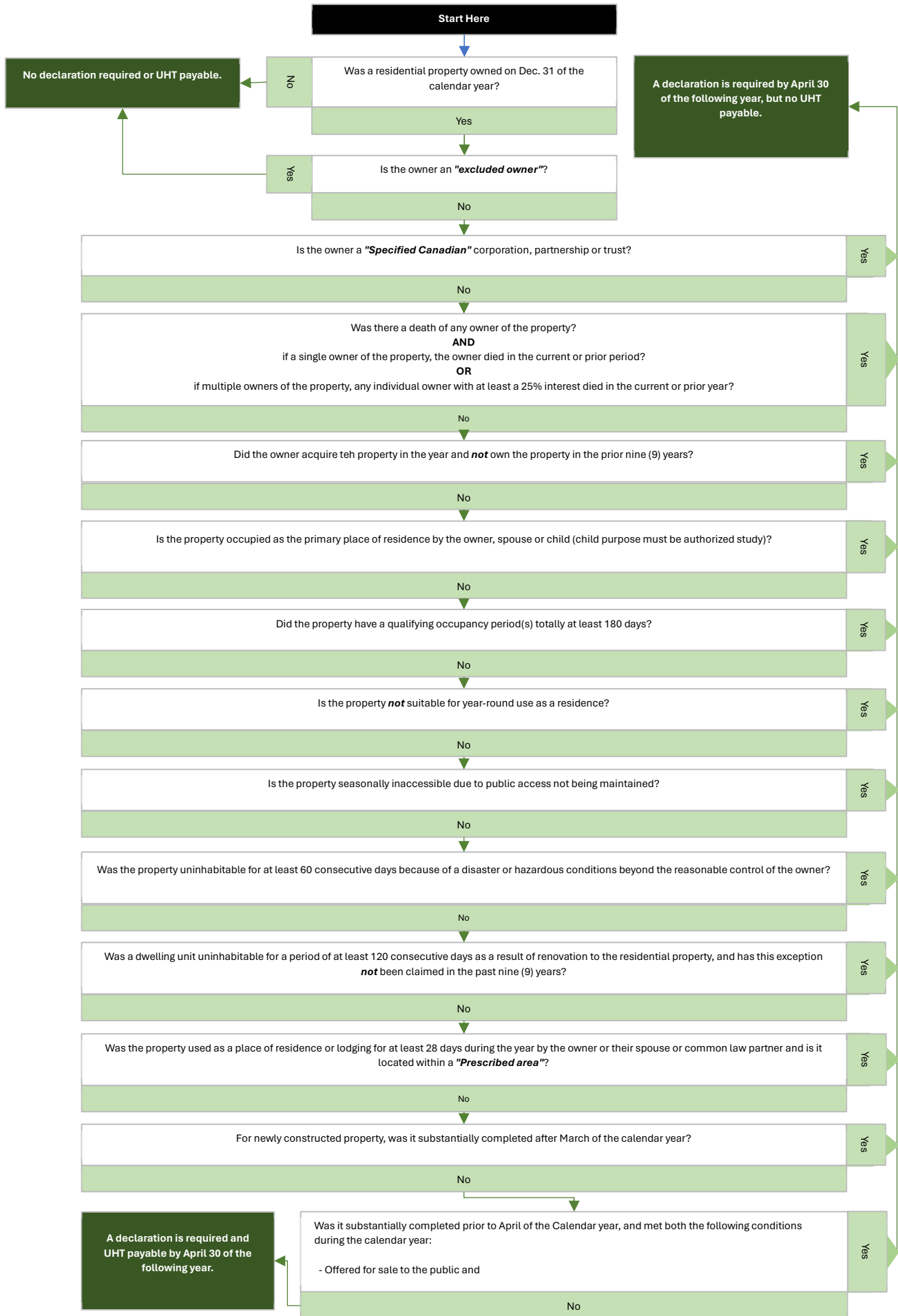


Underused Housing Tax (UHT) test

Bill C-8 introduced the Underused Housing Tax Act (UHTA) and received Royal Assent on June 9, 2022. The UHTA was further amended by Bill C-32 which received Royal Assent on December 15, 2022.

Answer the following questions to determine whether you could be required to pay or declare the Underused Housing Tax (UHT). Current as of January 20, 2023.



Terms

Dwelling unit - a residential unit that contains private kitchen facilities, a private bath and a private living area.

Excluded owner - a person who is on December 31st of the calendar year:

- A Canadian citizen or permanent resident, unless an owner in their capacity as a trustee or partner
 - A public corporation listed on a Canadian stock exchange.
- An owner in their capacity as a trustee of a mutual fund trust, real estate investment trust or a SIFT trust.
- A registered charity
- A cooperative housing corporation, a hospital authority, a municipality, a public college, a school authority, or a university
- an indigenous governing body
- His Majesty in right of Canada or a province or an agent of His Majesty in right of Canada or a province
- a prescribed person

Fair rent - the amount determined in prescribed manner, otherwise, 5% of the taxable value in respect of the residential property.

Owner - a person identified under the land registration system or other similar system applicable, or that could reasonably be considered an owner under such a system, in respect of the property. Includes various life interests in long term lease arrangements (see definition in UHTA for details)

Permanent resident - same meaning as in subsection 2(1) of the immigration and refugee protection act

Prescribed area - an area not within a census metropolitan area or a census agglomeration with a total population of at least 30,000 or within a census metropolitan area or a census agglomeration with a total population of at least 30,000 but outside a population centre

Qualifying occupancy - A period of at least one month in a calendar year during which one of the following individuals (other than an excluded individual) has continuous occupancy of a dwelling unit that is part of the residential property:

- An individual who deals at arms length with the owner (including spouse or common law partner) and is given continuous occupancy under a written agreement.
- An individual who does not deal at arms length with the owner (including spouse or common law partner) and is given continuous occupancy of the dwelling unit under a written agreement for at least fair rent.
- An individual who is the owner (or spouse or common law partner), who is in Canada for the purpose of pursuing authorized work under a Canadian work permit and occupies for that purpose.
- An individual who is a spouse, common law partner, parents, or child of the owner and who is a Canadian citizen or permanent resident, or
- A prescribed person

Note: a non arms length individual must not reside or lodge in another property for an equal or greater number of days than they reside or lodge at the residential property during the "qualifying occupancy period."

Residential property – Property situated in Canada that is:

- A detached house or similar building containing not more than three dwelling units used as a place of residence for individuals.

- A part of a building that is a semi-detached house, row house unit, residential condominium unit or other similar premises used as a place of residence for individuals.
- A prescribed property

Specified Canadian Corporation - Incorporated or continued under the laws of Canada or province other than incorporation that on December 31st:

- 1) Has the following persons with ownership or control, directly or indirectly, of shares representing 10% or more of the votes or value under all or some circumstances:
 - a) an individual who is neither a Canadian citizen nor permanent resident
 - b) A corporation that is incorporated or continued otherwise than under the laws of Canada, or
 - c) Any combination of (a) and (b)
- 2) As without share capital having:
 - a) a chairperson or other presiding officer who is neither a citizen nor a permanent resident, or
 - b) 10% or more of its directors who are neither citizens nor permanent residents.
- 3) A prescribed corporation

Specified Canadian Partnership - A prescribed partnership or a partnership, each member of which is, on December 31st, an excluded owner or a specified Canadian corporation.

Specified Canadian Trust - He prescribed trust or a trust under which each beneficiary having a beneficial interest in the residential property is, on December 31st, an excluded owner or a specified Canadian corporation.

Taxable value - The prescribed amount or otherwise, the greater of:

- The assessed value for property tax purposes, and,
- The property's most recent sales price on or before December 31st.

The terms provided are paraphrase from the legislation in the UHTA. Reliance should not be placed on these terms without reviewing the specific wording of the legislation in the UHTA.

This information is provided for broad illustrative purposes only and is not warranted for accuracy or applicability to any particular situation. Please review the latest legislation an/ or engage a qualified professional to determine exact results. The preceding information is for educational purposes only and is subject to change without notice. As it is impossible to include all situations, circumstances and exceptions, a further review should be done by a qualified professional.

No individual or organization involved in either their preparation or distribution of this content accepts any contractual, tortuous, or any other form of liability for its contents or for any consequences arise from its use.

The UHTA makes reference to prescribed throughout the legislation. No prescribed amounts, persons, properties, partnerships, or trusts have been identified in the legislation at this time.

Contact the Koss Accounting team to learn more.

Or visit kossaccounting.ca