

KEEPING CURRENT

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CRA Extends the Underused Housing Tax Deadline to October 31, 2023

By Ian Spiegel and Mitchell Hajnal

Founded in the 1920s, Gardiner Roberts LLP has grown to become a strategically placed mid-sized business law firm with a diverse client base which includes several of Canada's largest banks, public companies including mining, high tech and software companies, real estate enterprises, lenders and investors.

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On January 1, 2022, the *Underused Housing Tax Act*¹ (the “**Act**”) came into effect. The Act requires certain owners of residential property in Canada to pay an annual underused housing tax (the “**UHT**”), equal to 1% of the value of vacant or underused residential property. For the purposes of the UHT, the value of a residential property is generally calculated using its taxable value. To use the fair market value of the property rather than the taxable value, a taxpayer must file an election with the Canada Revenue Agency (“**CRA**”).²

Each owner of a residential property on December 31 of a particular year, other than an “excluded owner”, must file an annual return, regardless of whether any UHT is payable under the Act.³ An “excluded owner” includes persons who, on December 31 of the relevant calendar year, are:

- Canadian citizens or permanent residents owning residential property personally;
- Corporations incorporated under the laws of Canada or a province whose shares are listed on a Canadian stock exchange;
- Trustees of mutual fund trusts, real estate investment trusts and SIFT trusts;
- Registered charities; and
- Prescribed persons (to date this term is not defined in the Act or regulations).

On March 27, 2023, the CRA announced that it would waive penalties and interest for any late-filed returns and late-paid UHT for the 2022 calendar year, provided that the CRA receives the return or UHT payable by October 31, 2023. The Minister of National Revenue waived the penalties and interest in order to provide transitional relief to

¹Underused Housing Tax Act, S.C. 2022, c. 5, s. 10 [UHTA].

² [Underused Housing Tax - Canada.ca](https://www.cra.ca/underused-housing-tax)

³ UHTA ss. 2.

affected owners.⁴ This effectively extends the filing deadline for 2022 from April 30, 2023 to October 31, 2023.

Every person who fails to file a return before November 1, 2023 will be liable to a minimum penalty equal to the greater of:

1. \$5,000 if the person is an individual or \$10,000 if the person is not an individual, and
2. the amount that is the total of:
 - a. 5% of the UHT payable by the person in respect of the residential property for the calendar year, and
 - b. 3% of the UHT payable multiplied by the number of complete months from the date on which the return was required to be filed.⁵

If you have any questions about the above information, please contact a member of Gardiner Roberts LLP's experienced Tax and Estates Planning Group.

(This newsletter is to be used for educational purposes only. Any views expressed herein are not necessarily the views of Gardiner Roberts LLP.)

⁴ [Underused Housing Tax penalties and interest waived - Canada.ca](#)

⁵ UHTA ss. 47(1)