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# Introduction to the Underused Housing Tax

From: [Canada Revenue Agency](#)

Underused Housing Tax Notice UHTN1

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The purpose of this notice is to help you determine if you have to file a return and pay the underused housing tax for your residential property for a calendar year.

Except as otherwise noted, all statutory references in this publication are to the provisions of the Underused Housing Tax Act (UHTA) and its regulations. The information in this publication does not replace the law found in the UHTA and its regulations.

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## Overview

The Government of Canada has introduced an underused housing tax on the ownership of vacant or underused housing in Canada. The [Underused Housing Tax Act \(UHTA\)](#), which governs the underused housing tax, received royal assent on June 9, 2022. The underused housing tax took effect on January 1, 2022.

## The underused housing tax

Generally, the underused housing tax is payable by non-resident non-Canadian owners of vacant or underused housing in Canada. The vast majority of Canadian owners of residential property are excluded owners and, therefore, do not have any obligations and liabilities under the UHTA. [However, the underused housing tax is payable by certain Canadian owners of housing in limited situations.](#) For more information, refer to the **Important information for Canadian owners of housing** section in this notice.

[Starting with the 2022 calendar year](#) and for each following calendar year, owners of housing in Canada have to determine their obligations and liabilities under the UHTA. Some affected owners have to file an annual return and pay the underused housing tax. Other affected owners have to file an annual return but not pay the underused housing tax. Excluded owners do not have to file an annual return or pay the underused housing tax. For more information, refer to the **Who is an affected owner** and **Who is an excluded owner** sections in this notice.

There are significant penalties if you fail to file an annual return when it is due.

[Affected owners who are individuals are subject to a minimum penalty of \\$5,000.](#)

[Affected owners that are corporations are subject to a minimum penalty of \\$10,000.](#)

For more information, refer to [Underused Housing Tax Notice UHTN3, Filing a Return and Paying the Underused Housing Tax.](#)

## Conditions for filing a return

You have to file a return, [Form UHT-2900, Underused Housing Tax Return and Election Form](#), for each of your properties in Canada for which all of the following conditions are met on December 31 of a calendar year:

- the property is a residential property
- you are an owner of the residential property
- you are not an excluded owner of the residential property

### What is a residential property

The underused housing tax applies to residential property in Canada. Generally, **residential property** is defined as property that is either of the following:

- a detached house or similar building that contains not more than three dwelling units, along with any appurtenances and the related land
- a semi-detached house, rowhouse unit, residential condominium unit or other similar premises, along with any common areas, appurtenances and the related land

### What is a dwelling unit

A **dwelling unit** is a residential unit that contains:

- private kitchen facilities
- a private bath
- a private living area

Generally, a **residential unit** is a single self-contained set of rooms in a building or part of a building that is distinguished from any other such set of rooms in the building or part and that is characteristic of, and suitable as, a residence.

### What is related land

Related land refers to the land that is subjacent or immediately contiguous to a residential building and that is reasonably necessary for the building's use and enjoyment as a place of residence for individuals.

The Canada Revenue Agency (CRA) has guidelines and criteria under the goods and services tax/harmonized sales tax (GST/HST) to determine the amount of land that is reasonably necessary for the use and enjoyment of a residential building as a place of residence for individuals. Similar guidelines and criteria may be used for purposes of the definition of residential property.

Generally, up to a half hectare of land that is subjacent and immediately contiguous to a residential building is considered to be reasonably necessary for the building's use and enjoyment as a place of residence for individuals.

### **Examples of residential properties**

The following residential buildings, along with any common areas, appurtenances and related land, are examples of residential properties for purposes of the underused housing tax:

- detached houses
- duplexes and triplexes
- laneway houses and coach houses
- cottages, cabins and chalets that are not commercial cottages, cabins and chalets
- semi-detached houses
- residential condominium units
- rowhouse units or townhouses

### **Examples of buildings that are not residential properties**

The following are examples of buildings, premises and structures that are not residential properties for purposes of the underused housing tax:

- quadruplexes (buildings that have four dwelling units)
- high-rise apartment buildings
- buildings that are primarily (more than 50%) for retail or office use and that contain an apartment
- commercial condominium units
- boarding houses and lodging houses
- commercial cottages, cabins and chalets (that is, those that are used by the operator of an establishment to provide lodging to several unrelated business or leisure travellers at once in separate cottages, cabins or chalets)
- hotels, motels, inns, and bed and breakfasts
- floating homes
- mobile homes
- park model trailers
- travel trailers, motor homes and camping trailers

### **Who is an owner**

You are an **owner** of a residential property if any of the following apply:

- you are identified as an owner of the property in the land registration system where the property is located
- you are considered an owner of the property based on such a land registration system
- you are a life tenant under a life estate in the property
- you are a life lease holder of the property
- you are a lessee that has continuous possession of the land on which the property is situated under a long-term lease

You are not considered an owner of a residential property if you give continuous possession of the land on which the property is situated to either of the following:

- a life lease holder of the property
- a lessee under a long-term lease

### What is a long-term lease

Generally, a **long-term lease** is a lease of land that meets either of the following conditions:

- the lease provides continuous possession of the land for a period of at least 20 years
- the lease contains an option to purchase the land

### Who is an excluded owner

Excluded owners are Canadian persons that are excluded from the tax. These persons do not have to file a return or pay the underused housing tax.

You are an **excluded owner** of a residential property if you are any of the following:

- the government of Canada or a province, or an agent of the government of Canada or a province
- an owner of the residential property as a trustee of any of the following trusts:
  - a mutual fund trust for Canadian income tax purposes
  - a real estate investment trust for Canadian income tax purposes
  - a specified investment flow-through (SIFT) trust for Canadian income tax purposes
- an individual who is a citizen or permanent resident of Canada, **unless** you are an owner of the residential property as either of the following:
  - a trustee of a trust (except if you are the personal representative of a deceased individual, in which case you are an excluded owner of the residential property)
  - a partner of a partnership
- a corporation that is incorporated under the laws of Canada or a province whose shares

- are listed on a Canadian stock exchange designated for Canadian income tax purposes
- a registered charity for Canadian income tax purposes
- a cooperative housing corporation, hospital authority, municipality, public college, school authority or university as those terms are defined in subsection 123(1) of the Excise Tax Act (ETA)
- a para-municipal organization as defined in section 1 of Part VI of Schedule V to the ETA
- an Indigenous governing body as defined in section 2 of the Department of Indigenous Services Act or a corporation wholly owned by such a body

For an explanation of personal representative of a deceased individual, refer to [Underused Housing Tax Notice UHTN12, Exemptions for Deceased Individuals and Their Personal Representatives or Co-owners.](#)

## Who is an affected owner

If you are an owner of a residential property in Canada on December 31 of a calendar year and you are not an excluded owner of the residential property on that date, the CRA refers to you as an **affected owner** of the residential property for the calendar year.

All affected owners of residential property have to file an annual return.

Although the vast majority of Canadian owners of residential property are excluded owners, there are situations where some Canadian owners of residential property are affected owners and, therefore, have to file an annual return. Those situations are included in the examples below.

## Examples of affected owners

The following are examples of individuals who are affected owners of residential property and, therefore, are persons that have to file an annual return:

- individuals who are not citizens or permanent residents of Canada and who are owners of residential property in Canada in any capacity
- individuals who are citizens or permanent residents of Canada and who are owners of residential property in Canada in either of the following capacities:
  - as a trustee of a trust (other than as a personal representative of a deceased individual and other than as a trustee of a mutual fund trust, real estate investment trust or SIFT trust for Canadian income tax purposes)
  - as a partner of a partnership

The following are examples of persons (other than individuals) that may be affected owners

of residential property and, therefore, may be persons that have to file an annual return:

- corporations that are incorporated otherwise than under the laws of Canada or a province and that are owners of residential property in Canada in any capacity
- corporations that are incorporated under the laws of Canada or a province whose shares are not listed on a Canadian stock exchange designated for Canadian income tax purposes and that are owners of residential property in Canada in any capacity
- corporations that are incorporated under the laws of Canada or a province without share capital and that are owners of residential property in Canada in any capacity

If you are a corporation mentioned above, be sure to check whether your corporation may be excluded elsewhere in the list of excluded owners.

In this notice, **any capacity** means that a person is an owner of residential property in Canada in any of the following capacities:

- their own right
- as a trustee of a trust (including as a personal representative of a deceased individual, but excluding as a trustee of a trust that is a mutual fund trust, real estate investment trust or SIFT trust for Canadian income tax purposes)
- as a partner of a partnership

## Conditions for paying the underused housing tax

You have to pay the underused housing tax for each of your properties in Canada for which all of the following conditions are met on December 31 of a calendar year:

- the property is a residential property
- you are an owner of the residential property
- you are not an excluded owner of the residential property
- your ownership of the residential property is not exempt from the underused housing tax for the calendar year

In other words, if you are an affected owner of a residential property on December 31 of a calendar year, you have to pay the underused housing tax for the residential property for the calendar year, unless your ownership of the residential property is exempt from the tax for the calendar year.

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, as an affected owner, you still have to file a return for the residential property.

Where certain conditions are met, your ownership of a residential property may be exempt from the underused housing tax if the property is any of the following:

- a vacation property that is located in an eligible area of Canada
- used as a primary place of residence or for qualifying occupancy
- not suitable for year-round use
- seasonally inaccessible
- uninhabitable during the calendar year
- newly constructed

Your ownership of a residential property may also be exempt if you are any of the following:

- a partner of a specified Canadian partnership, a trustee of a specified Canadian trust or a specified Canadian corporation
- a new owner
- a deceased individual, or their personal representative or co-owner

To help you determine if your ownership of a residential property is exempt from the underused housing tax for a calendar year, refer to the various [Underused housing tax notices](#).

## Important information for Canadian owners of housing

If you are a Canadian person described in the **Examples of affected owners** section above, you have to file an annual return for the residential property. Whether you have to pay the underused housing tax for the residential property depends on whether your ownership of the residential property is exempt from the tax for a calendar year.

To help you determine if your ownership of a residential property is exempt from the underused housing tax for a calendar year, refer to the various [Underused housing tax notices](#).

Even if your ownership of a residential property is exempt from the underused housing tax for a calendar year, if you are an affected owner, you still have to file a return for the residential property and indicate the applicable exemption in your return.

If you are uncertain about your obligations and liabilities under the UHTA, you may request a ruling or interpretation about how the tax applies to your specific situation.



## Keeping records

Every affected owner of a residential property must keep records to enable the determination of their obligations and liabilities under the UHTA. Generally, you must keep the records for six years from the end of the year to which they relate.

## Further information

For all technical publications related to the UHTA, go to [Underused housing tax technical information](#).

For general enquiries about the underused housing tax, call the applicable telephone number:

- if you are calling about a residential property that is owned by an individual and you are calling from:
  - within Canada or the United States, call **1-800-959-8281**
  - outside Canada and the United States, call **613-940-8495** (collect calls accepted)
- if you are calling about a residential property that is owned by a corporation and you are calling from:
  - within Canada or the United States, call **1-800-959-5525**
  - outside Canada and the United States, call **613-940-8497** (collect calls accepted)

To request a ruling or an interpretation related to the application of the underused housing tax, write to:

GST/HST Rulings Directorate  
Canada Revenue Agency  
Place de Ville Tower A 5th floor  
320 Queen St  
Ottawa ON K1A 0L5  
Canada

Fax: **1-418-566-0319**

Refer to [GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service](#), which explains the rulings and interpretations service offered by the Canada

Revenue Agency.

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