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# Underused Housing Tax

The Underused Housing Tax is an annual 1% tax on the ownership of vacant or underused housing in Canada that took effect on January 1, 2022. The tax usually applies to non-resident, non-Canadian owners. In some situations, however, it also applies to Canadian owners.

This is a summary of some of the most important information about the Underused Housing Tax. More information and details about the tax will be available over the coming weeks.

### On this page



Visit the Underused housing tax technical information page for publications, forms and other technical information.

## Who must file a return and pay the tax

If you are an **excluded owner** of a residential property in Canada, you have **no obligations or liabilities** under the Underused Housing Tax Act.

An excluded owner includes, but is not limited to:

- an individual who is a Canadian citizen or permanent resident - unless included in the list of affected owners below
- any person - including an individual who is a Canadian citizen or permanent resident - that owns a residential property as a trustee of a mutual fund trust, real estate investment trust, or specified investment flow-through trust (SIFT) for Canadian income tax purposes
- a Canadian corporation 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 for Canadian GST/HST purposes
- an Indigenous governing body or a corporation wholly owned by an Indigenous governing body

If you are not an excluded owner we refer to you as an affected owner and you have obligations under the Underused Housing Tax Act for your residential property in Canada. An **affected owner** includes, but is not limited to:

- an individual who is not a Canadian citizen or permanent resident
- an individual who is a Canadian citizen or permanent resident and who owns a residential property as a trustee of a trust (other than as a personal representative of a deceased individual)
- any person - including an individual who is a Canadian citizen or permanent resident - that owns a residential property as a partner of a partnership
- a corporation that is incorporated outside Canada
- a Canadian corporation whose shares are not listed on a Canadian stock exchange designated for Canadian income tax purposes
- a Canadian corporation without share capital

If you are an affected owner, you must file an Underused Housing Tax return for each residential property that you own in Canada on December 31. You must also pay the Underused Housing Tax, unless your ownership qualifies for an exemption for the calendar year. Even if your ownership qualifies for an **exemption**, you must still file an Underused Housing Tax return for the calendar year.

# Penalties for failing to file the return on time

There are significant penalties if you fail to file an Underused Housing Tax 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.

# Exemptions

Your ownership of a residential property may be exempt from the Underused Housing Tax for a calendar year depending on:

- the type of owner you are
- the availability of the residential property
- the location and use of the residential property

- the occupant of the residential property

Remember if you are an affected owner of a residential property in Canada on December 31 you still have to file an Underused Housing Tax return for the residential property for the calendar year, even if your ownership qualifies for an exemption.

## Exemptions based on the type of owner

Your ownership of a residential property may be exempt for a calendar year if you are:

- a specified Canadian corporation
- a partner of a specified Canadian partnership, or a trustee of a specified Canadian trust
- a new owner in the calendar year
- a deceased owner, or a co-owner or personal representative of a deceased owner

## Exemptions based on the availability of the residential property

Your ownership of a residential property may be exempt for a calendar year if the property is:

- newly constructed
- not suitable to be lived in year-round, or seasonally inaccessible
- uninhabitable for a certain number of days because of
  - a disaster or hazardous conditions
  - renovations

## Exemption based on the location and use of the residential property

Your ownership of a residential property may be exempt for a calendar year if the property is:

- a vacation property located in an eligible area of Canada and used by you or your spouse or common-law partner for at least 28 days in the calendar year

Refer to the Underused housing tax vacation property designation tool to determine if your residential property is located in an eligible area of Canada for the purposes of this exemption.

## Exemptions based on the occupant of the residential property

Your ownership of a residential property may be exempt for a calendar year in either of the following situations:

- it is the primary place of residence for you or your spouse or common-law partner, or for your child who is attending a designated learning institution
- at least 180 days in the calendar year are included in one or more qualifying occupancy periods for your ownership of the residential property

A **qualifying occupancy period** is at least one month in a calendar year during which one of the following qualifying occupants has continuous occupancy of the residential property:

- an individual with a written contract who deals at arm's length with you and your spouse or common-law partner
- an individual with a written contract who does not deal at arm's length with you or your spouse or common-law partner, and who pays at least fair rent for the property
- you, or your spouse or common-law partner, who has a Canadian work permit
- your spouse or common-law partner, parent, or child who is a Canadian citizen or permanent resident

## Special rule for individual owners of multiple residential properties

If between you and your spouse or common-law partner you own multiple residential properties, your ownership **may not qualify** for the exemptions for either primary place of residence or qualifying occupancy unless you file an election with the CRA to designate only one property for the purposes of the exemption.

## Calculate what you owe

If your ownership of a residential property **does not qualify for an exemption** from the Underused Housing Tax for a calendar year, you must calculate what you owe for the calendar year.

The tax rate of the Underused Housing Tax is 1%. To calculate what you owe, multiply the value of the residential property by the 1% tax rate. Then multiply that result by your **ownership percentage** of the property.

### Determine the value of the property

There are two ways to determine the value of a residential property. The general rule is to use its taxable value. If you want to use its fair market value instead, you must file an election with the Agency.

An affected owner electing to use the fair market value of a residential property to calculate Underused Housing Tax owing must get an appraisal of the property. The appraisal report must be prepared by an accredited, professional real estate appraiser operating at arm's length from the owner. The intended use of the appraisal report must be to assist in the administration of the Underused Housing Tax Act.

#### Acceptable Professional Associations and Designations

- Appraisal Institute of Canada (AIC)
  - Accredited Appraiser Canadian Institute (AACI)
  - Canadian Residential Appraiser (CRA)
- Canadian National Association of Real Estate Appraisers
  - Designated Appraiser Residential (DAR)
  - Designated Appraiser Commercial (DAC)
- Ordre des évaluateurs agréés du Québec (OEAQ)
  - Chartered Appraiser (C.App./É.A.)

## Filing the return

If you are an **affected owner** of a residential property in Canada on December 31, you must file an Underused Housing Tax return for the calendar year. Even if your ownership of the property qualifies for an exemption and you do not owe any tax, you still must file a return. You may either use electronic filing, or you may file your return by mail.

### File your return electronically

When you file your underused housing tax electronically, you will be presented with a list of requirements to complete your submission.

### File your return by mail

Where you send it depends on:

- the place where you reside (for individuals)
- the physical address of your corporation (for corporations)

#### Winnipeg Tax Centre

Mail your completed return to the Winnipeg Tax Centre if the address of your residence or corporation is in one of the following:

- Countries - United States of America, United Kingdom, France, Netherlands or Denmark
- Canadian provinces or territories - Alberta, British Columbia, Manitoba, Saskatchewan, Northwest Territories, Nunavut or Yukon
- Places in Ontario - anywhere except Barrie, Sudbury, or Toronto

Winnipeg Tax Centre
Post Office Box 14001
Station Main
Winnipeg MB R3C 3M3
Canada

### Sudbury Tax Centre

Mail your completed return to the Sudbury Tax Centre if the address of your residence or corporation is in one of the following:

- Countries - any country other than the United States of America, United Kingdom, France, Netherlands, or Denmark
- Canadian provinces - New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, or Quebec
- Places in Ontario - Barrie, Sudbury, or Toronto

Sudbury Tax Centre
1050 Notre Dame Avenue
Sudbury ON P3A 5C2
Canada

## When to file the return or an election

You must file your return for a calendar year by April 30 of the following calendar year.

You must pay any Underused Housing Tax you owe for a calendar year by April 30 of the following calendar year.

Elections to use the fair market value to calculate the tax you owe, or to qualify for the exemptions for primary place of residence or qualifying occupancy, are due by April 30 and are filed on the return.

Remember, there are significant penalties if you fail to file an Underused Housing Tax return when it is due.

### Tax identifier numbers

You must have a valid CRA tax identifier number to file your Underused Housing Tax return. The following tax identifier numbers may be used depending on the situation:

- a social insurance number (SIN)
- an individual tax number (ITN)
- a Canadian business number (BN) with an Underused Housing Tax (RU) program account identifier code

> **Note**
>
> A trust account number (TAN) cannot be used to file Underused Housing Tax returns.

#### Tax identifier numbers for individuals

Depending on your citizenship, if you are an individual, you must file your Underused Housing Tax return using either a SIN or an ITN.

If you are an individual who is a **Canadian citizen or permanent resident**, you **must use a SIN** to file your return.

If you do not already have a SIN, please contact Service Canada for information on how to apply for one.

If you are an individual who is **not a Canadian citizen or permanent resident**, and you already have a SIN, you must use your SIN to file your return.

If you **do not have a SIN**, you **must use an ITN** to file your return. If you do not have an ITN, you must apply for one.

Application for a CRA individual tax number (ITN) for non-residents (Form T1261)

### Tax identifier numbers for corporations

If you are a corporation, you must use a business number (BN) with an Underused Housing Tax (RU) program account identifier code to file your Underused Housing Tax return.

If you already have a BN, you will have to register your RU program account before you can file your return.

If you do not have a BN, you must apply for one **and** register your RU program account before you can file your return.

You will be able to register your RU program account online after **February 6, 2023** through the following link:

How to register for a business number or CRA program account

## Multiple residential properties

If you are an affected owner who owns two or more residential properties in Canada on December 31, you must file a separate Underused Housing Tax return for each property.

## Multiple owners

If you are an affected owner of a residential property in Canada on December 31 who shares ownership with one or more co-owners who are also affected owners, **each of you** must file **separate** Underused Housing Tax returns for the property. You must each file separate returns even if your respective ownership qualifies for an exemption.

# Keeping records

If you are an affected owner of a residential property in Canada on December 31, you must file an Underused Housing Tax return for the residential property. You must also keep records to support the determination of your obligations and liabilities. Even if your ownership is exempt and you do not have to pay the tax, you must still keep records. If you claim an exemption but do not have adequate records to support that exemption, we **may disallow** it.

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