

**APAS Communication
August 21, 2023**

Underused Housing Tax - Important information for Farmers

Please find the information below about the Underused Housing Tax

The Underused Housing Tax (UHT) Act implements an annual 1% tax on the value of vacant and underused residential properties directly or indirectly owned by those who are not permanent residents or Canadian citizens. It became effective Jan. 1, 2022, and the first tax return for year-end Dec. 31, 2022, is due at the end of April 2023.

CFA would like to urge its members to distribute the following information to its members, as all Canadian farm corporations, farm partnerships or trusts that own residential property will HAVE to file a UHT this year, even if they are exempt from paying the tax. Detailed information on the UHT can be found here: <https://www.bdo.ca/en-ca/insights/tax/canadian-tax/underused-housing-tax-and-farming/?fbclid=IwAR1n8YVC0q4wwA1fwhjSkf6B9I64vHqgsWqlsZ9PQmOI4KY3xUuYXOo7c>

The application of penalties and interest under the UHTA for the 2022 calendar year will be waived for any late-filed underused housing tax (UHT) return and for any late-paid UHT payable, provided the **return is filed or the UHT is paid by October 31, 2023.**

This transitional relief means that although the deadline for filing the UHT return and paying the UHT payable is still April 30, 2023, no penalties or interest will be applied for UHT returns and payments that the CRA receives before November 1, 2023. Learn more here: <https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2023/underused-housing-tax-penalties-and-interest-waived.html>

Click here for a Q&A on the UHT: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/uhtn15/questions-answers-underused-housing-tax.html>

CFA is seeking an exemption to the UHT for agricultural businesses in the future to reduce the administrative burden of this tax. While CFA is seeking long-term solutions for this issue, our efforts will most likely not impact the current tax year, so we still encourage producers follow the guidance laid out below.

How does the UHT impact your farming operation?

If you operate your farm through a Canadian corporation or Canadian partnership and it owns a residential property, you will be required to file a UHT return even if no UHT is owed due to applicable exemptions noted below. If you do not file, the late filing penalty will apply.

Let's look at the example of a Canadian corporation carrying a cash crop operation. The corporation is 100% owned by Canadian citizens and possesses several residential homes on its farms. This corporation is required to file a UHT return. It would be exempt from the UHT as a Specified Canadian Corporation, but the UHT return must still be filed to claim the exemption. It could be subject to a \$10,000 penalty if it does not file a UHT return on time. This penalty would apply for each year a UHT return is required and not filed by the April 30 deadline.

How much is the UHT?

The UHT on vacant or underused residential property is 1% of the home's taxable value or 1% of its most recent sale price, whichever is greater. Owners can also file an election between Jan. 1 and April 30 of the following calendar year to use the property's fair market value (FMV) to determine the owing UHT and if they can obtain an appraisal. If two or more individuals hold title to a property, each owner will be responsible for the UHT based on their ownership interest.

What are the UHT filing requirements and penalties?

Failure to file a UHT return by April 30 of the following year, when required, could result in a penalty of at least \$5,000 for individuals and \$10,000 for other entities, such as Canadian corporations, partnerships, and trusts.

If an owner qualifies for an exemption but is not an excluded owner, the UHT return still must be filed, even if an exemption applies and no UHT is owed. The penalty for late filing will apply.

What should farm owners do next?

The UHT has received little attention since it became law, as many Canadians believe it simply does not apply to them—but the law affects a broad range of

property owners. Countless numbers of farm corporations and farm partnerships across this country will have an obligation to file a UHT return, even if they owe no UHT. Non-filing can result in substantial financial penalties.

If you are concerned the UHT may apply to your farm operation, contact your advisors for guidance.