



CONNELLY & KOSHY
PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANTS

Under a recently passed law (called the Underused Housing Tax Act), certain residential property owners now have a new annual return filing requirement with the CRA, and in some cases a new tax payment obligation.

This new annual compliance obligation applies to all private corporations that are the legal owners (i.e. registered titleholders) of a “residential property” under the applicable land registration system. These rules would apply even if these corporations are owned by Canadian citizens and permanent residents.

In addition, the new law also applies to individuals who are not Canadian citizens or permanent residents, if they personally are the legal owners (i.e. registered titleholders) of a residential property.

Moreover, partnerships and trusts which own a residential property may also be subject to this new annual filing and tax obligation.

For the purposes of this new law, a “residential property” includes detached homes, semi-detached homes, row-house units, duplexes, triplexes and residential condominium units.

The MINIMUM ANNUAL PENALTY for late filing this new annual return (even in cases where no Underused Housing Tax is owing) is \$5,000 for individuals and \$10,000 for corporations. An annual return in respect of a property for a calendar year would be required to be filed on or before April 30 of the following calendar year. This means that an owner’s return in respect of a property for the 2022 calendar year would be required to be filed on or before April 30, 2023.

Considering the extremely high penalties for non-compliance, we believed that an announcement was warranted, even though not all clients will be affected.

We strongly recommend that you review whether you or your corporation may be subject to the above noted new annual return filing and tax payment obligations with the CRA.

Considering this is a new legislation, the comments provided herein are very general in nature and only for information purposes. If you have any questions or would like to discuss your situation with us, please contact your Connelly & Koshy advisor to discuss further.

Regards,

Connelly & Koshy

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