
Condo Smarts

Headline: Do condo's file taxes?

Topic: Taxation

Publication / Date: Province, February 16, 2023

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Dear Tony: Our strata corporation is having a dispute over tax filing and financial reports. Are strata corporations required to file a tax return? What if you live in a small strata? We generated almost \$18,000 in interest from our contingency fund last year and have a T5 from the bank. Two owners have requested copies of our tax returns for 2020 and 2021 and requested an audit of our books, but we have never filed returns or had an audit done? Are strata corporations required to have an annual audit as well?

Jenna Marshall, Kelowna

Dear Jenna: Strata and condo corporations across Canada are basically deemed to be non taxable corporations. Every strata corporation and legal section within a strata corporation, is required to file a tax and information return annually. Under the *Strata Property Act Regulations*, within 8 weeks of the fiscal year end, a strata corporation must prepare an updated financial statement for their accounts, including the operating fund, the contingency reserve fund and any special levy funds. This statement will form the financial balances for reporting on the returns, and the closing balances of the accounts for reporting, will form the opening balances for the next fiscal year.

Even though strata corporations are basically deemed to be non taxable corporations, it is important to understand that not all strata corporations are exempt from taxation. There are a number of strata corporations that are solely commercial operations, or residential strata corporations that operation commercial or recreational facilities, or residential corporations who generate substantial revenue from rental units, hotel operations, vacation/guest suites, sub lease agreements for signage and communications equipment, where substantial revenue is generated. That revenue may be taxable. In any of these circumstances, strata

corporations are advised to seek advice from qualified and licensed accountants to ensure they are reporting all revenues, claiming all relevant expenses and filing their tax returns annually.

There is no requirement in the *Strata Property Act* for strata corporations to conduct an audit. An audit must be approved as part of the annual budget along with a line item to approve the funding. Most residential strata corporations pay no taxes because the interest earned on reserve fund or special levies must be deposited to the reserve or levy funds and is not taxable. The best solution, comply with the legislation and file your tax returns.