
Condo Smarts

Headline: Federal Underused Housing Tax Regulations for Strata Corporation Caretaker and Guest Suites

Topic: Taxation

Publication / Date: Province, March 2, 2023

Written by: Tony Gioventu

Dear Tony: Our strata corporation has a guest suite that is part of the common property and is not a titled property. If the strata corporation does not retain a resident caretaker, are we permitted to use the suite as a guest suite without triggering a vacancy tax obligation? We no longer require a resident caretaker accommodation and many owners have expressed an interest in a guest suite in our building.

Genevieve E.

Dear Genevieve: There are three separate jurisdictions that may impose a vacancy tax on residential properties. The local municipality, the province, and in 2022 the newly introduced vacancy reporting for strata and condo corporations across Canada which may apply to strata/condo units or caretaker suites or guest suites owned by the corporation which are not being occupied.

This legislation is identified as the “underused housing tax”. The first tax return must be filed no later than April 30, 2023, and if a strata corporation owes any taxes they must be submitted by the same date. A late filing penalty of \$10,000 minimum may be applied.

As a strata or condo corporation, if you own and operate titled suites, caretaker suites or guest suites, you must file the annual return, whether you are subject to the tax or not.

This is an unfortunate requirement for strata corporations, since 2022 several corporations in metro Vancouver have already decided to terminate their resident caretaker and sell the caretaker suite to avoid the cost of the filing and the risk of penalties. For those strata corporations where the caretaker suite or guest suites are part of the common property, this will be a complicated process as it will be difficult to establish a value for common property as it is an undivided interest

of the owners with no established market value. These units cannot be used to secure a mortgage for the corporation or loans.

CHOA recommends all strata corporations who fall into this classification, who generate revenue from commercial interests, rental of space for communication services, advertising, or operate recreational facilities for revenue, consult with a chartered professional accountant to ensure you are meeting the filing requirements and properly reporting and disclosing your activities.

While strata/condo corporations are generally not taxable corporations, you are still required to file an annual tax return. This is generally in the form of a T-2 short, with a copy of your year end financial statement as required under the Regulations of the *Strata Property Act*, and a 1044 information disclosure. No matter the number of units in your strata, there is still a filing requirement.

For more information, go to the CRA website, download and review the forms. Strata corporations with guest facilities, suites or caretaker suites are required to file a return whether they owe the tax or not.

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/uht-2900.html>