



New Measure to Cool Real Estate Market

In the 2021 federal budget, the Minister of Finance announced a new tax law will be coming in effect on January 1, 2022, regarding **vacant** residential properties owned by foreigners, including those who own private Canadian corporations, partnerships, and trusts.

Is described as a foreigner in the Canada Revenue Agency (CRA) publication, any individual who is not a Canadian citizen or holder of a valid permanent-resident card.

Should they not qualify for any of the exemptions, these foreign owners will be required to pay a 1% annual tax based on the value of the property at year end, if the property was vacant and not occupied by a tenant at any time or used by a family member for at least 50% of the year, during the specific calendar year. The first filing and payment will be due by April 30, 2023. Penalties will apply for late filing.

Example: Property value is 400,000 CAD, per the city tax roll, so the tax payable will be 4,000 CAD.

Penalties for non-compliance could reach 10,000 CAD, even if the owners had been exempted. Full compliance will be required at the disposition of the property and penalties will apply when filing for the disposition certificates, per article 116. Each co-owner will be responsible for his own filing, on his shares.

The tax might not be applicable if the owners are eligible for one of the many exemptions, here are a few examples:

1. They are renting out the property and filing regular Canadian tax returns as well as complying to part XIII of the tax law, which requires them to make a 25% remittance to the CRA
2. They are Canadian citizens
3. They hold a valid permanent-resident card
4. Their child or parent lives in the property for at least 6 months of the year, for minimum continuous periods of 1 month

However, the filing will still apply for the owners to get their yearly exemption.

Please visit this [CRA page](#) to learn about all the details and full exemptions.

This law is still under development and updates will be published periodically by the time the filing is required, in April 2023.

We're Here to Help

Do you have questions about this new measure and on how it may affect you or one of your clients? Please do not hesitate to contact us for more information.

Spread the word:



Julie Côté

ALL POSTS