



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **THE UNDERUSED HOUSING TAX: POTENTIAL IMPACTS AND PROPOSED ACTIONS**

**Report of the Standing Committee on International Trade**

**Honourable Judy A. Sgro, Chair**

**NOVEMBER 2023**

**44th PARLIAMENT, 1st SESSION**

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Chair**

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## **NOTICE TO READER**

### **Reports from committees presented to the House of Commons**

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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# **THE STANDING COMMITTEE ON INTERNATIONAL TRADE**

has the honour to present its

## **ELEVENTH REPORT**

Pursuant to its mandate under Standing Order 108(2), the committee has studied the impacts of the Underused Housing Tax on Canadian border communities and has agreed to report the following:



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# LIST OF RECOMMENDATIONS

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*As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.*

## **Recommendation 1**

**That the Government of Canada review the design of the Underused Housing Tax, including its exemptions and tax return. In considering whether any design changes are needed, the Government should consider the potential impacts on owners of residential properties in Canada and on the attainment of the policy objectives established for the Underused Housing Tax..... 14**

## **Recommendation 2**

**That the Government of Canada, as part of its efforts to maintain and enhance Canada’s trade and other relations with the United States, ensure that it promptly responds to any formal enquiries that the Government of the United States makes, including in relation to the Underused Housing Tax. .... 14**

## **Recommendation 3**

**That the Government of Canada continue with, and enhance, its efforts to assist owners of residential properties in Canada who must file a tax return relating to the Underused Housing Tax. To that end, the Government should ensure that information regarding the Underused Housing Tax and its exemptions is clear and accessible, and that the tax return is as simple as possible. .... 14**

**Recommendation 4**

**That the Government of Canada take immediate steps to streamline the Canada Revenue Agency’s Underused Housing Tax Return and Election Form (UHT-2900 E) in order to assist Canadian residential property owners who must complete the form but who do not have to pay the Underused Housing Tax. These efforts should include, on the first page of the form, the addition of a “check box” that would allow Canadian tax filers to indicate whether they are exempt from the Underused Housing Tax. Moreover, the Government should ensure that the Canada Revenue Agency provides timely guidance to all Canadian residential property owners who may be affected by the Underused Housing Tax..... 15**



# THE UNDERUSED HOUSING TAX: POTENTIAL IMPACTS AND PROPOSED ACTIONS

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## INTRODUCTION

Through the [\*Underused Housing Tax Act\*](#), effective 1 January 2022, the federal Underused Housing Tax (UHT) is applied on the value of certain residential properties in Canada. Calculated at the rate of 1%, the UHT is applied on the greater of: the assigned value of the property for property tax purposes; or the property's most recent sale price. The UHT is payable on 1 April of each calendar year, and failure to make the payment when it is due leads to penalties and interest charges.

Canadian residential property owners must complete a UHT-related tax return if they own the property as part of a partnership or as a trustee of certain kinds of trusts. As well, a Canadian corporation that owns a residential property must submit a tax return if the corporation does not have listed shares on a domestic stock exchange.

Owners of residential properties are UHT-exempt for a given calendar year if they, their property or their property's occupant(s) meet any of the exemption requirements outlined in sections 6(7) to 6(9) of the *Underused Housing Tax Act*. The exemptions are related to Canadian individuals and corporations, as well as to foreign individuals, corporations, partnerships and other entities representing groups of people, that are required to file a UHT-related tax return.<sup>1</sup>

Regarding individual-specific exemptions, owners of residential properties do not pay the UHT in relation to their primary residence, that of their spouse or common-law partner, or that of their child who is studying at a designated learning institution as defined in section 211.1 of the [\*Immigration and Refugee Protection Regulations\*](#).

Furthermore, no UHT is payable regarding a residential property that is occupied in periods of at least one month at a time and totalling at least 180 days in a calendar year by an individual who is a "qualifying occupant." If an occupant deals at arm's length with the property's owner, or with the owner's spouse or common-law partner, the occupant is "qualifying" if that individual has a written occupancy contract; if the parties are not dealing at arm's length, the occupant must pay fair rent for the property in order to be

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1 In this report, the focus is exemptions that might be particularly relevant for individuals.



“qualifying.”<sup>2</sup> As well, an owner, an owner’s spouse or an owner’s common-law partner who has a Canadian work permit is a qualifying occupant. Finally, an owner’s spouse or common-law partner, an owner’s parent and an owner’s child are qualifying occupants if they are a Canadian citizen or permanent resident.

Moreover, the UHT is not applied if a residential property is not suitable for year-round use as a place of residence, or is uninhabitable for at least 60 consecutive days due to disasters or hazardous conditions that are beyond the property owner’s control.<sup>3</sup>

The [Underused Housing Tax Regulations](#) provide an exemption for rural vacation homes, regarding which the UHT is not applied if the property is occupied by the owner, or by the owner’s spouse or common-law partner, for at least 28 days in a calendar year. The Government of Canada has an [online tool](#) designed to assist owners in determining whether their residential property is in a rural region for the purpose of the rural vacation home exemption.

On 27 March 2023, the Government of Canada [announced](#) that penalties and interest charges for 2022 will be waived for any UHT-related tax return that is filed late or for any late tax payment, provided that the tax return is filed or the payment is made by 31 October 2023. In providing a revised timeline for the waiver, on 31 October 2023, the Government [indicated](#) that penalties and interest charges will not be applied so long as the tax return is filed or the payment is made by 30 April 2024.

On 29 May 2023, the House of Commons Standing Committee on International Trade (the Committee) adopted a [motion](#) to study the UHT and its impacts on Canadian border communities. During three meetings held between 5 and 19 June 2023, the Committee heard from Government of Canada officials, a member of the United States (U.S.) Congress, a Canadian mayor from a Canada–U.S. border community, U.S. owners of residential properties in Canada, a Canadian academic, and a Canadian barrister and solicitor. The Committee also received six written briefs, as well as more than 150 emails and letters. A primary focus for some of the Committee’s witnesses was the UHT’s implications for foreign non-resident owners of residential properties in Canada.

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2 People deal at arm's length with each other if they are independent and if one does not have undue influence over the other. The [Income Tax Act](#) deems some people not to be dealing with each other at arm's length, including related persons. Related persons are “individuals connected by blood relationship, marriage or common-law partnership or adoption.”

3 As outlined in section 6(7)(e) of the [Underused Housing Tax Act](#), a property owner cannot claim this exemption for more than one calendar year in relation to a particular disaster or hazardous condition.

This report summarizes comments about the UHT made by witnesses and contained in briefs submitted to the Committee. In particular, the first section provides observations about the UHT's potential impacts, and the second section identifies proposed Government of Canada actions regarding the UHT. The final section contains the Committee's thoughts and recommendations.

## POTENTIAL IMPACTS

Witnesses spoke to the Committee about the UHT's potential impacts on housing availability and affordability. As well, concerning the UHT, they discussed: application across residential property owners; implications for Canada–U.S. border communities; consequences for Canada–U.S. trade and other relations; and the tax return.

### A. Housing Availability and Affordability

Department of Finance [officials](#) pointed out that the UHT's purpose is to help ensure that housing in Canada “is available for the use of Canadians,” that foreign non-resident owners of underused residential properties in Canada “pay their fair share of Canadian tax,” and that revenue will be collected to fund “investments” in housing affordability.

According to Department of Finance [officials](#), UHT-related revenue will be an estimated \$875 million between 2022–2023 and 2027–2028, and \$140 million annually thereafter. [They](#) stated that the Minister of Finance has received a “cost-benefit” analysis regarding the UHT. Moreover, [they](#) commented that “advice to the minister is confidential.” The Canada Revenue Agency [officials](#) said that the projected cost of administering the UHT has been provided to the Treasury Board of Canada Secretariat.

Asserting that the UHT is designed to address issues relating to residential properties in specific locations—Toronto, Ontario, and Vancouver, British Columbia—that are owned by foreigners and that are underused, [U.S. Member of Congress Representative Brian Higgins](#)—who appeared as an individual—contended that vacation homes are not “under-utilized,” but are instead “used fully for the seasonal purpose for which [they] were built.”

[Richard Halinda](#), a Canadian barrister and solicitor who appeared as an individual, endorsed the UHT's goal of addressing the “crisis in the housing market” in Canada's “big urban centres” by taxing foreign owners of “vacant and underused” residential properties. However, in his view, it “makes no sense” for the Government of Canada to apply the UHT on foreigners who have—“for many years”—owned and used vacation homes in Canada. Representative Higgins' [brief](#) submitted to the Committee drew



attention to an online survey of 407 U.S. owners of residential properties in Canada, and noted that—as of the survey’s date—almost 30% of the respondents had owned their Canadian properties for more than 50 years, and nearly 40% had done so for between 20 and 49 years.

[Robert Ketteman](#)—a U.S. owner of a vacation home in Fort Erie, Ontario—supported the Government of Canada’s “efforts to address the problem of foreign investors exploiting the Canadian real estate market exclusively for financial gain.” That said, according to him, the UHT is “carelessly and unfairly” applied on U.S. owners of vacation homes in Canada who actively use those properties.

In the opinion of [Laurie Wright](#), who is a U.S. co-owner of a vacation home in Point Abino, Ontario, Canada’s “housing shortage” is a “large problem.” Nonetheless, she asserted that, because the vacation home that she co-owns is occupied for almost 160 days each year, she and her co-owner are not contributing to this problem.

Likewise, [Fort Erie Mayor Wayne Redekop](#), who appeared as an individual, suggested that seasonal homes in Fort Erie that have U.S. owners are “not really having an impact” on housing availability or affordability in that town. [Robert Ketteman](#) contended that the substantial increase in property values in Fort Erie’s Crystal Beach area during “the past few years” is the result of Toronto-based “absentee Airbnb landlords,” rather than U.S. owners of vacation homes in Canada.

Commenting that the UHT’s purpose is to prevent “offshore investors” from acquiring homes in Canada and “taking them off the market,” [Mayor Redekop](#) argued that the UHT may have unforeseen consequences and may induce U.S. owners of homes in Fort Erie that they use seasonally to sell those homes to Canadian investors who want to rent properties for short periods of time.

However, the University of British Columbia’s [Thomas Davidoff](#)—who appeared as an individual—provided a different view, suggesting that the UHT may cause vacation properties in Canada that are owned by foreigners to become homes occupied by permanent residents. In his opinion, although vacation homes are desirable in some communities that rely on vacationers, homes in other communities should “ideally ... be occupied by people who form part of the tax base.”

## **B. Application Across Residential Property Owners**

Department of Finance [officials](#) said that the Government of Canada intends for the UHT to be applied “broadly and consistently” across Canada, although the rural vacation

home exemption is an exception to such an application. They explained that, to qualify for this exemption, location and use requirements must be met. Concerning location, they stated that the property must be in: a region outside of a census metropolitan area or a census agglomeration having at least 30,000 residents; or in a rural region within such an area or agglomeration. Regarding use, they specified that residential properties in rural regions that are occupied by the owner, or by the owner's spouse or common-law partner, for at least 28 days in a calendar year do not have the UHT applied in relation to them.

According to the [brief](#) that Richard Halinda submitted to the Committee, the rural vacation home exemption is limited in scope, leading to inequities in situations where foreigners who are neither spouses nor common-law partners co-own a residential property in Canada. The brief contained the example of an adult child and one of the child's parents—both of whom are foreigners—who co-own a property in a rural region that the adult child occupies for at least 28 days in a calendar year without the parent also doing so during the same period. The brief argued that the adult child is eligible for this exemption but the parent is required to pay the UHT even though their co-owned property is “certainly not being underused.”

Furthermore, Richard Halinda's [brief](#) contended that it is inequitable for individuals, but not personal holding companies or trusts, to be eligible for the rural vacation home exemption. The brief suggested that, for the purpose of estate planning, many U.S. citizens place the title to their residential properties in Canada into a U.S. personal holding corporation; a U.S. limited liability corporation; or a U.S. trust. As well, the brief emphasized that, although these individuals are not the registered owners of the residential properties, they occupy the properties in their capacity as shareholders of the corporation or as beneficial owners of the trust that owns the properties.

Pointing out that Fort Erie has both urban regions and rural regions, [Mayor Redekop](#) asserted that foreign owners of vacation homes in the town's urban regions are being treated unfairly because they are not eligible for the rural vacation home exemption. [Richard Halinda](#) argued that it “makes no sense” that U.S. owners of residential properties in the town's urban regions are ineligible for this exemption even if they occupy their properties for 128 days in a calendar year. He suggested that the owners of such properties in Fort Erie's Crystal Beach area—an urban region—are required to pay the UHT even though their properties are not underused or vacant.

According to [Robert Ketteiman](#), the rural vacation home exemption is “short-sighted and inequitable.” He questioned why foreign owners of residential properties in Canada who “actively stay” in their properties for “120 days each year”—as he does—are required to



pay the UHT while those who have properties that are “not used nearly as much but [that are] located two miles [away] in a different postal code” are UHT-exempt.

Similarly, [Laurie Wright](#) suggested that the urban–rural boundaries for the purpose of being eligible for the rural vacation home exemption do not “make any sense.” She mentioned her “confusion” in finding out that her neighbour’s property, which is 450 metres across the street, is in a rural region and is thereby UHT-exempt if the use requirement is met, while properties on her side of the street are within an urban region and their residents must pay the UHT.

With a focus on the exemption relating to properties that are unsuitable for year-round use, [Robert Ketteman](#) claimed that there is a lack of clarity about the eligibility requirements for this exemption.

### C. Border Communities

Representative Higgins’ [brief](#) asserted that the “unintended consequences” of the UHT “are harmful to the economy and culture of historic [Canada–U.S.] border communities,” and contended that the UHT “will have negative multiplier effects” in some border communities.

In [Robert Ketteman’s](#) opinion, the UHT will “nearly triple” the cost of owning his residential property in Canada. He indicated that this higher cost may lead him to sell the property, which has been part of his family’s life “for over a century,” and predicted that many other U.S. owners might “reluctantly” sell their properties and “never set foot in Canada again.”

Providing information about foreign owners of residential properties in Fort Erie who must pay the UHT if they are not eligible for an exemption, [Mayor Redekop](#) mentioned that U.S. citizens own about 900 such properties that are typically used as seasonal homes.

The [brief](#) submitted to the Committee by the South Niagara Chambers of Commerce noted concerns that the UHT may cause the Fort Erie and South Niagara community to lose “valued members” who are a “cog” in that community’s “economic engine.” According to the brief, these community members buy groceries locally, “go to Niagara restaurants and attractions, ... support local jobs” and pay property taxes. As well, the brief characterized these individuals as “friendly ambassadors” who “bring other American visitors into a region that crucially depends on them.”

Likewise, [Mayor Redekop](#) described U.S. owners of residential properties who reside in Fort Erie seasonally as “important customers of ... local businesses,” “supporters of local programs, activities and events,” and “a vital element to the richness of life in our community.” Similarly, [Richard Halinda](#) said that these owners are “big supporters of our local businesses and cultural events,” as well as “members of our local community, including our sporting organizations, clubs and churches, a number of which they have founded or co-founded.” [Robert Kette](#)man highlighted that his family contributes “tens of thousands of dollars every year to the local economy,” and commented that he has “paid a significant capital gains tax” to the Canada Revenue Agency, with [Laurie Wright](#) mentioning that she and her family support local farmers, tradespeople and businesses.

## D. Canada–United States Trade and Other Relations

Global Affairs Canada [officials](#) stated that there is no reason to believe that the UHT is affecting—or will affect—Canada’s trade relations with the United States. [They](#) also underlined that the Government of the United States has conveyed Representative Higgins’ concerns about the UHT to the Government of Canada.

Arguing that the UHT does not apply equally to Canadian and U.S. owners of residential properties in Canada, Representative Higgins’ [brief](#) suggested that the UHT violates the *Canada–United States–Mexico Agreement’s* requirement that signatories not discriminate against each other, including with respect to “internal taxation.” As well, the brief asserted that the UHT violates the non-discrimination provisions of the 1984 *Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital*.

[Representative Higgins](#) said that he has asked the United States Trade Representative to initiate UHT-related consultations with Canada pursuant to the *Canada–United States–Mexico Agreement’s* dispute-settlement provisions. Representative Higgins’ [brief](#) indicated that, in response to this request, the United States Trade Representative has noted concerns about a “lack of transparency and ... guidance” from the Canada Revenue Agency to U.S. owners of residential properties in Canada who might be affected by the UHT. Moreover, the brief highlighted the United States Trade Representative’s commitment to working with the U.S. Department of State, the U.S. Embassy in Ottawa and other “partners” to “engage Canada on this matter.”

Moreover, Representative Higgins’ [brief](#) contended that, in May 2022, the United States Trade Representative and Canada’s Minister of International Trade, Export Promotion,



Small Business and Economic Development<sup>4</sup> “agreed to collaborate on addressing [UHT-related] issues.” [Representative Higgins](#) stressed that he is focused on a “diplomatic” resolution to U.S. concerns regarding the UHT.

[Richard Halinda](#) argued that Canada would not want the United States to apply a UHT-like tax in relation to residential properties owned by Canadians who “winter” in the United States. [Thomas Davidoff](#) asserted that it would be “silly” for the United States to “retaliate” against Canada because of the implementation of the UHT. According to [him](#), the United States “historically” required Canadian owners of vacation homes in “expensive [U.S.] housing markets” to pay “higher effective [tax] rates than some U.S. residents.”

The [brief](#) submitted by the South Niagara Chambers of Commerce suggested that the UHT is an “unintentional non-tariff trade irritant with Canada's largest trading partner.”

## E. The Tax Return

Department of Finance [officials](#) described the UHT-related tax return as “not that complex,” adding that the tax filer is required to provide information about the residential property and to “check a box” to indicate any applicable exemption(s). Likewise, Canada Revenue Agency [officials](#) commented that the tax return allows tax filers to identify whether they have to pay the UHT.

With a focus on efforts to assist those required to file a UHT-related tax return, Canada Revenue Agency [officials](#) mentioned the Canada Revenue Agency’s “dedicated phone line,” which—as of 19 June 2023—had received more than 30,000 calls about the UHT. [They](#) stated that, as of that date, the most common enquiries concerned the tax return and exemptions. [Richard Halinda](#) asserted that the Canada Revenue Agency’s “helpline” is “helpful for some things,” but argued that people have had to wait for two or more hours before being able to speak to someone, with that person perhaps not having the information required to answer questions. In his view, “[a] lot of ... calls ... went unanswered because no one could give an answer.”

The Canada Revenue Agency [officials](#) also drew attention to the Canada Revenue Agency’s webinars and information sessions concerning the UHT, and [they](#) said that the Canada Revenue Agency uses “a lot of social media” to provide the public with UHT-related information. As well, [they](#) pointed out the Canada Revenue Agency’s

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4 On 26 July 2023, the title was changed to “Minister of Export Promotion, International Trade and Economic Development.”

“descriptive” websites and its “liaison officer service,” which—as of 19 June 2023—had provided information about the UHT to 350 organizations, including taxpayers’ associations, lawyers, municipalities and chambers of commerce. Moreover, [they](#) emphasized that the Canada Revenue Agency’s “rulings and interpretation service” responds to “very specific, fact-oriented questions.”

Furthermore, the Canada Revenue Agency [officials](#) noted the Canada Revenue Agency’s online “tool” that uses a residential property’s postal code to determine if the location requirement of the rural vacation home exemption is met, indicating that the tool can make a determination in relation to at least 98% of properties.

In [Mayor Redekop](#)’s opinion, many U.S. owners of residential properties in Fort Erie “have little, if any, knowledge” about the UHT’s filing requirements, and these owners will have to pay “extraordinary penalties.” Representative Higgins’ [brief](#) suggested that numerous respondents to a survey of U.S. owners of residential properties in Canada were “surprised” about the implementation of the UHT. The brief also highlighted the survey respondents’ view that obtaining information about two topics had been “difficult and confusing”: UHT exemptions; and filing a UHT-related tax return. [Richard Halinda](#) asserted that the tax return is “complicated.”

The [brief](#) that the National Cattle Feeders’ Association submitted to the Committee suggested that, due to the “significant” accounting fees associated with filing a UHT-related tax return and claiming a UHT exemption, Canadian farmers who provide accommodation for foreign farm workers are experiencing an “unintended and negative” impact because of the UHT’s implementation.

Similarly, a joint [brief](#) submitted to the Committee by seven agricultural organizations<sup>5</sup> underlined that Canadian farmers who have incorporated their operations must submit a UHT-related tax return annually for each of their residential properties, even if they are UHT-exempt. The brief contended that this requirement leads to financial burdens for these farmers, who must “pay an estimated \$500–\$1000 fee for preparing and filing the UHT return.” As well, the brief pointed out that—over the 2010 to 2015 period—126 farm properties in British Columbia, most of which are located in the Delta area bordering the United States, were purchased by foreign individuals or entities. According to the brief, foreign ownership of farm properties in that province is limited and “the

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5 The organizations are the Canadian Federation of Agriculture, Keystone Agricultural Producers of Manitoba, Fruit and Vegetable Growers of Canada, Ontario Greenhouse Vegetable Growers, the Canadian Canola Growers Association, the Canadian Ornamental Horticulture Alliance and the BC Agriculture Council.



burden of the UHT filing requirement ... is therefore disproportionate to its intended purpose.”

## PROPOSED GOVERNMENT OF CANADA ACTIONS

With a focus on changes that they felt the Government of Canada should make to the UHT, witnesses drew the Committee’s attention to their proposals regarding exemptions and the tax return.

### A. Exemptions

Representative Higgins’ [brief](#) called for the Government of Canada to not apply the UHT in relation to residential properties in Canadian communities along the Canada–U.S. border that are owned by foreigners. As well, [Representative Higgins](#) advocated the creation of a UHT exemption for vacation homes in Canada “near a lake or a park,” contending that these properties are “fully utilized” during part of the year.

[Mayor Redekop](#) suggested that residential properties in a rural region or an urban region in Canada should not have the UHT applied in relation to them if they are occupied by the owner or the owner’s spouse for at least three months annually. In his opinion, such an exemption would not only “[provide] relief” to foreign owners who use such a property as a seasonal family residence, but would also ensure that foreign owners who purchase these properties “for investment or commercial purposes” would pay the UHT.

[Richard Halinda](#) encouraged the Government of Canada to eliminate, for the purpose of the UHT, the distinction between residential properties in rural regions and those in urban regions in Canada. Accordingly, [he](#) proposed that the rural vacation home exemption should be based only on use. Richard Halinda’s [brief](#) called on the Government to not apply the UHT on a co-owner of a vacation property in Canada who is a foreigner and who is related “by blood or marriage” to a co-owner who occupies the property for at least 28 days in a calendar year.

[Thomas Davidoff](#) urged the implementation of a “minimum tax based on property value,” with possible exemptions linked to a residential property owner’s rental income, age and number of years that the property has been the owner’s primary residence. He asserted that such a tax would allow the Government of Canada to avoid the “ethical and trade problems associated with nationality-based taxes and bans.” In his view, “it is entirely reasonable to ... [require] owners of properties who do not contribute income taxes [in Canada] to pay higher property taxes.”

## B. The Tax Return

[Richard Halinda](#) called for the Government of Canada to not require owners of residential properties in Canada who are UHT-exempt to file a UHT-related tax return, and the [brief](#) submitted by seven agricultural organizations urged the Government to “exempt [Canadian] farmers from the requirement to file a UHT return.” Similarly, the [brief](#) submitted by the National Cattle Feeders’ Association encouraged the Government to provide Canadian farmers who own homes that provide accommodation to farm workers with an “automatic exemption” from having to file the tax return.

BDO Canada’s [brief](#) submitted to the Committee suggested that the Government of Canada should not require Canadians who own residential properties as part of a Canadian partnership, trust or corporation to file a UHT-related tax return. The brief also proposed that, if the Government does not implement this suggestion, the *Income Tax Act* should be amended to allow information that is relevant for such a tax return to be obtained from income tax returns. As well, the brief called on the Government to allow those who own multiple residential properties in Canada to file one tax return in relation to all of the properties.

## THE COMMITTEE’S THOUGHTS AND RECOMMENDATIONS

The UHT is designed to address housing shortages and to make homes more affordable in Canada. Although the UHT could have housing-related impacts across Canada, the consequences could be relatively greater in Canadian communities that have numerous U.S. owners of residential properties, such as those located along the Canada–U.S. border. The close relationships between U.S. owners and their Canadian neighbours, business people and others contribute to productive, prosperous and multi-faceted bonds.

The *Underused Housing Tax Act* and its regulations outline numerous exemptions from the requirement to pay the UHT. Recognizing that new policy measures do not always have the anticipated effects, the Committee observes that—as a matter of good practice—the Government of Canada should assess the design of a new tax, including any exemptions, to ensure that the intended goals are being realized. In that context, the Government should review the UHT’s design features, including its exemptions and tax return, after a suitable period of time. The Committee is aware that the formal consultation period concerning the UHT has ended, but—consistent with federal officials’ comments during the hearings—encourages interested parties to provide the Government with their views.



The Canada–U.S. relationship is critically important and mutually beneficial, and the close ties between the two countries should be both maintained and strengthened for the benefit of both nations, as well as their residents, businesses and communities. The Committee recognizes the advantages of discussions between representatives of the Canadian and U.S. governments in helping to mitigate any potential negative impacts of actions taken by either government—including implementation of the UHT—on bilateral trade and other relations. Ideally, such discussions should be meaningful, ongoing and solution-oriented.

The Government of Canada uses information on UHT-related tax returns to determine the amount of tax filers' payments that must be made. The Committee is mindful that some owners of residential properties in Canada are experiencing challenges in preparing their tax return, which is a task that should be as simple and easy as possible.

In light of the foregoing, the Committee recommends:

#### **Recommendation 1**

**That the Government of Canada review the design of the Underused Housing Tax, including its exemptions and tax return. In considering whether any design changes are needed, the Government should consider the potential impacts on owners of residential properties in Canada and on the attainment of the policy objectives established for the Underused Housing Tax.**

#### **Recommendation 2**

**That the Government of Canada, as part of its efforts to maintain and enhance Canada's trade and other relations with the United States, ensure that it promptly responds to any formal enquiries that the Government of the United States makes, including in relation to the Underused Housing Tax.**

#### **Recommendation 3**

**That the Government of Canada continue with, and enhance, its efforts to assist owners of residential properties in Canada who must file a tax return relating to the Underused Housing Tax. To that end, the Government should ensure that information regarding the Underused Housing Tax and its exemptions is clear and accessible, and that the tax return is as simple as possible.**

#### **Recommendation 4**

**That the Government of Canada take immediate steps to streamline the Canada Revenue Agency's Underused Housing Tax Return and Election Form (UHT-2900 E) in order to assist Canadian residential property owners who must complete the form but who do not have to pay the Underused Housing Tax. These efforts should include, on the first page of the form, the addition of a "check box" that would allow Canadian tax filers to indicate whether they are exempt from the Underused Housing Tax. Moreover, the Government should ensure that the Canada Revenue Agency provides timely guidance to all Canadian residential property owners who may be affected by the Underused Housing Tax.**



## APPENDIX A LIST OF WITNESSES

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The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
<p><b>As an individual</b></p> <p>Thomas Davidoff, Associate Professor, Sauder School of Business, University of British Columbia</p> <p>Richard Halinda, Barrister and Solicitor</p> <p>Brian Higgins, Member of Congress (NY-26), United States House of Representatives</p>	2023/06/05	69
<p><b>As an individual</b></p> <p>Robert Kettelman, Homeowner</p> <p>Wayne Redekop, Mayor, The Corporation of the Town of Fort Erie</p> <p>Laurie Wright, Homeowner</p>	2023/06/08	70
<p><b>Department of Finance</b></p> <p>Robert Ives, Expert Advisor, Sales Tax Division, Tax Policy Branch</p> <p>Amanda Riddell, Director, Real Property and Financial Institutions, Sales Tax Division, Tax Policy Branch</p>	2023/06/08	70
<p><b>Department of Foreign Affairs, Trade and Development</b></p> <p>Mark Allen, Executive Director, United States</p>	2023/06/08	70

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Canada Revenue Agency</b> Jason Charron, Director General, Small and Medium Enterprises Directorate; Compliance Programs Branch Adnan Khan, Director General, Business Returns Directorate; Assessment, Benefit and Service Branch Alexander Lawton, Director, Non-Resident Compliance Division; Compliance Programs Branch Luisa Rizzo, Director General, GST HST Rulings Directorate, Legislative Policy and Regulatory Affairs Branch Geoff Trueman, Special Advisor to the Commissioner of the Canada Revenue Agency	2023/06/19	72

## **APPENDIX B LIST OF BRIEFS**

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The following is an alphabetical list of organizations and individuals who submitted briefs to the committee related to this report. For more information, please consult the committee's [webpage for this study](#).

**Halinda, Richard**

**Higgins, Brian**

**BDO Canada**

**British Columbia Agriculture Council**

**Canadian Canola Growers Association**

**Canadian Federation of Agriculture**

**Canadian Ornamental Horticulture Alliance**

**Fruit and Vegetable Growers of Canada**

**Keystone Agricultural Producers**

**National Cattle Feeders' Association**

**Ontario Greenhouse Vegetable Growers**

**South Niagara Chambers of Commerce**



## REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 69, 70, 72, 73 and 77](#)) is tabled.

Respectfully submitted,

Hon. Judy A. Sgro  
Chair



## **Report on the Impacts of the Underused Housing Tax on Canadian border communities: Conservative Dissenting Report**

This dissenting report reflects the views of the Conservative Members of Parliament who serve on the Standing Committee on International Trade (CIIT): Kyle Seeback, Vice Chair of the Committee and MP for Dufferin—Caledon, Tony Baldinelli, MP for Niagara Falls, Richard Martel, MP for Chicoutimi—Le Fjord, and Matt Jeneroux, MP for Edmonton Riverbend.

### **Introduction**

While Conservative Members are generally pleased with the Evidence contained within this report, they firmly believe its recommendations fall short of what was being asked by concerned stakeholders.

The Conservative Members also acknowledge that the existing recommendations in the report fail to recognize the federal government's unpreparedness when it comes to implementing the Underused Housing Tax (UHT), and the existing recommendations also fail to prescribe specific changes and tangible solutions that were directly provided to the committee by concerned stakeholders who are being significantly impacted by the UHT.

This dissenting report contains five additional recommendations below that Conservatives members of the Committee want to put on the record for the federal government's consideration and response. These recommendations were put forward from concerned stakeholders who are being impacted by the UHT.

### **Recommendation 1**

Having now extended the filing requirements for the UHT twice, Conservatives call on the Government of Canada to place an immediate pause on the implementation of the Underused Housing Tax.

By now delaying the filing requirements twice, the government has acknowledged it is not prepared to properly implement this new tax. As such, prior to any decisions being made to move forward, the government must recognize it still needs to clarify, rectify where possible, answer and address the significant questions and uncertainty about the UHT and its implementation, particularly amongst taxpayers in rural and border communities.

### **Recommendation 2**

That the Government of Canada amend Section 2(2) of Regulation 2022-12-15, which deals with "prescribed areas" to include a further subsection (c), specifically:

(c) an area that is within the municipal boundary of any municipality having a population of less than 50,000 people.

That the Government of Canada amend Section 2 (3) of Regulation 2022-12-15, which deals with "prescribed condition" to extend the 28-day exemption to any property located in a municipality of less than 50,000 people, specifically:

For the purposes of paragraph 6(7) (m) of the Act, a prescribed condition, for a calendar year and in respect of a person that is an owner of a residential property located in an area referred to in subsection 2 or subsection 3, is that the residential property is used as a place of residence or lodging by the owner or the owner's spouse or common-law partner for at least 28 days during the calendar year.

This recommendation was made to the Committee in a written submission dated June 23, 2023.

By creating a prescribed area of a municipal population with a ceiling of no more than 50,000 people, the intent of the Act to deal with the housing crisis Canada's major urban centres is maintained. This amendment would be a simple way of dealing with the inequitable situation that the current Act and its regulations have created and is not detrimental in the federal government's objective of trying to deal with the housing crisis in our urban centres.

### **Recommendation 3**

That the Government of Canada amend Section 2(3) of Regulation 2022-12-15, which deals with "prescribed condition" to include residential property that is owned by a corporation, LLC or Trust that is used as a place of residence or lodging by a shareholder of the corporation or unit owner of the LLC or beneficial owner of the Trust, or his or her spouse or common-law partner for at least 28 during the calendar year.

As well, the Government of Canada amend Section 2(2) (b) (ii) of Regulation 2022-12-15, which deals with "prescribed area" to provide that whether or not a residential property is located in a "population center or not" it deemed to be a prescribed area for the purpose of Section 2(2) (b) (ii) if it is owned by a person, a corporation, LLC or Trust that is used as a place of residence or lodging by the person, a shareholder of the corporation or unit owner of the LLC or beneficial owner of the Trust, as the case may be, or his or her spouse or common-law partner for at least 28 during the calendar year.

This recommendation was put forward to the Committee in a written submission dated June 23, 2023.

The availability of this exemption to those seasonal homes, cottages and recreational properties that are registered in the names of corporations, LLCs or Trusts where the said properties are used by the shareholders or beneficial owners of those properties. By implementing these two amendments, this exemption is now rightfully available to all families who have seasonal homes, cottages and recreational properties regardless of the manner in which they have decided to hold title for themselves.

### **Recommendation 4**

That the Government of Canada further amend Section 2 (3) of Regulation 2022-12-15, which deals with "prescribed condition" to extend the 28-day exemption to any property owner so long as some other family related property owner has used the property for at least 28 days during the calendar year, specifically:

For the purposes of paragraph 6(7) (m) of the Act, a prescribed condition, for a calendar year and in respect of a person that is an owner of a residential property located in an area referred to in subsection 2 or subsection 3, is that the residential property is used as a place of residence or lodging by the owner or the owner's spouse or common-law partner for at least 28 days during the calendar year, or by any other owner who is related to the property owner by blood or marriage, where the other owner or the owner's spouse or common-law partner has used the residential property as a residence or lodging for at least 28 days during the calendar year.

This recommendation was provided to the Committee in a written submission dated June 23, 2023.

The availability of this exemption to those seasonal homes, cottages and recreational properties to all registered owners of such properties so long as any one of the owners or his or her spouse or his or her common law partner uses such property for at least 28 days in the calendar year. By implementing this amendment, the inequitable situation involving family cottages owned by multiple family members, not all of which may be able to use and occupy the cottage during any given year is not subject to paying of the tax when the cottage is in fact used by other co-owner family members.

#### **Recommendation 5**

That the Government of Canada amend the regulations to exempt Canadian farmers from having to file a UHT return.

This recommendation was put forward by a joint letter supported by the Canadian Federation of Agriculture, Keystone Agricultural Producers of Manitoba, Fruit and Vegetable Growers of Canada, Ontario Greenhouse Vegetable Growers, Canadian Canola Growers Association, Canadian Ornamental Horticulture Alliance, and the BC Agriculture Council in a letter provided to the committee dated June 7, 2023. Additionally known concerned stakeholders included the National Cattle Feeders' Association and the Canadian Cattle Association.

Requiring farmers to submit a UHT return, even when they are exempt from paying the tax, creates an unnecessary financial and administrative burden on farmers, without effectively achieving the stated objective of the UHT. Farmers have minimal involvement in the housing market, and the majority qualify for a UHT exemption. As such, we urge the government to exempt farmers from the requirement to file a UHT return, ensuring that they are not penalized for failing to do so. This exemption should be granted without any additional application or paperwork requirements for the farmers.

