Beyond Borders: Tax Implications for Non-Resident Canadians

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The decision-making framework discussed in this show can transform your investment experiences and increase your odds of becoming financially secure. Learn more and subscribe today at tma-invest.com.

Keith: Welcome to The Empowered Investor. My name is Keith Matthews, and I'm joined by my co-host, Marcelo Taboada. Marcelo, how are you today?

Marcelo: Keith, I'm doing great. We have an interesting guest today and a fun subject, to be honest with you.

Keith: Who's the guest?

Marcelo: We have Julie Cote from Chaise Bleu or Blue Chair. Yeah, very interesting guest. She works in a niche industry but is very qualified, very articulate, and knows her market really well. I enjoyed the conversation because it's something that I'm not used to. And we've dealt with a few cases here in the firm, not that many, but it gave me an opportunity to get to know Julie. And I think listeners will enjoy the show.

Keith: Yeah, she's very niche. We'll get into that in a split second, but we did have her come in and do a meeting with our team, correct? Explain her services. And that's when we realized, "Wow, we've got to get you on the podcast because you're very knowledgeable". Let's talk a little bit about the niche subject, and then let's talk about Julie. What exactly is the subject we're covering today?

Marcelo: Julie and the subject we're going to talk about today is the process of becoming a non-resident and the process of a Canadian who becomes a non-resident and owns property in Canada. What are the types of obligations that person has to the Canadian government in terms of taxes? And also, if that client may want to sell the property down the line and have a capital gain to report, Julie is the person that will grab the hand of this person and walk them through this process. Wow.

Keith: Now, that's super niche. Yes, I know personally in my contacts and the people that I know, maybe two or three people in the last three years that could have benefited from this type of person. One individual didn't know that Julie and her services existed, and I think in hindsight would acknowledge they probably did something they would like to reverse too late. And the other one, we've actually just referred to Julie. What you're talking about specifically is any Canadian that wishes to become non-resident, living in Canada, and then about to go work overseas, Europe, Africa, Asia, doesn't matter.

What are the things that need to be done from a tax perspective, selling property or not, selling a cottage or not, and Julie guides those individuals.

Marcelo: Correct. If, for example, like, you know, something we got into the show is on our side, if a client has an unregistered portfolio, there are withholding taxes, there's no tax return to be done. The person will file taxes where he's a resident of, but if you own a home or a cottage and that's a rental unit, now you have an obligation to file a tax return in Canada. The penalties can go... Anyway, we discussed the penalties in the show, but there are penalties for not reporting. Don't give away, don't give.

Keith: Away all the show, Marcelo. Yeah, okay. You're interviewing, let's leave that in there. Okay, that's point number one, going non-resident. Right. Point number two would be if you're a Canadian and you're living overseas.

Marcelo: Yep. And that includes the United States. Yes. And you wish to purchase property in Canada, a cottage, an investment property, a property for retirement, you would want to speak to Julie to make sure that you are now reporting that property correctly to the authorities, to the tax authorities.

Keith: Correct. Again, very niche, very specialized. All right, that's good. I think that's super cool. Again, a subject that may not be for every single listener, but I bet you every single listener knows somebody that could benefit from this type of expertise and knowledge that Julie's going to share.

Marcelo: Yeah, and she has a lot of experience. She worked 15 years for a very well-known big corporation in tax, and she realized that this was an area where there was a lot of myths, a lot of misinformation, and that's how she started gravitating towards this niche. Tell us a little bit about her background. Thanks. She's a bachelor’s in business administration and she has a certificate in accounting. And then through the years of experience with tax and firms that specialize in tax issues, she started gravitating towards that specific niche and then she ended up leaving the big firm and then started her own company.

Keith: Yeah, I was super impressed with her level of knowledge on owning property in Canada, whether you do it or you don't, non-res, or whether, what do you do if you're a Canadian living overseas? Incredibly knowledgeable. Was it a lively conversation? It is taxed.

Marcelo: No, it was, it was, you know, honestly, like she knows a lot. I try to have very basic questions and to the point questions. At least if somebody listens to it, maybe it won't all apply to them, but at least they'll walk out with a lot more knowledge than before.

Keith: Great. Well, listen, she's a wonderful person, Marcelo. Thank you for doing the interview, folks. I hope you enjoy it. And uh, thank you so much, Marcelo. Thank you.

Marcelo: Welcome to the Empowered Investor. Today I have the pleasure of hosting Julie Cote from Chaises Bleue or Blue Chair. Julie, thank you for joining me.

Julie: Thank you for having me.

Marcelo: Julie, tell me a bit about yourself. How did you end up doing this firm, working in this industry, this niche? Tell me.

Julie: All right. It's a long, short story. Basically, I have a bachelor's degree in business administration and a certificate in accounting. One day I was looking for a new job and I came upon this. Someone else was working in this particular niche that nobody knows about. And I jumped in. And I've been there since 2006. I worked for a large firm for a number of years. Last year, I decided to open my own firm to give a VIP service to all these owners that live abroad. And, um, that's what they deserve.

Marcelo: Yeah, and I'm really curious to know why the name, uh, Chez Bleu, which means blue chair in English, right?

Julie: Yeah, it's Blue Chair Accounting. Honestly, there's no reason. It was our working name during the setup of the project, and we just fell in love with it. And we were trying to find something witty and interesting, and that stuck.

Marcelo: Yeah. And I'll tell you, like, for me, it's when we connected through a mutual friend, or I would say mutual professional. It really piqued my interest because there's not that many firms that do what you do. You specialize working with non-resident Canadians that own property and need tax filing. We'll get into the details of that. What I want to do is I want to break down this show or this podcast into the main areas, which are the following, and then we're going to get into them and do the details.

First, I want to talk to you about non-resident status. What does that mean? How does a person lose that status or gain it? I want to know how to treat Canadian property when you become a non-resident. I also want to know what happens when you're a non-resident and you come back to Canada.

I also want to talk to you about foreign buyers buying Canadian property in Canada; that's been a hot subject in the news. And I also want to talk to you about the underused housing tax; that's been in the news, and I think there's been a lot of confusion in the news about who is supposed to file it, who is supposed to not file it, what are the penalties and all that.

Let's just get going here. When you become a non-resident, like what is the process to become a non-resident in Canada?

Julie: Great question. Let's start by doing a little distinction here. There's non-resident for tax purposes, which is completely different from immigration. Someone could still be a citizen of Canada, a permanent resident of Canada for immigration purposes, but then there's the tax status as well, not to confuse. Another lexical here, it will be non-resident, meaning people living outside Canada, and non-Canadians, who are anyone who's not a Canadian citizen or a permanent resident of Canada. These two will come into play during our conversation.

What's the process of becoming a non-resident of Canada for tax purposes? It's actually a question of fact. Some of these facts are more obvious than others. The first one is physical presence in Canada. If we're here or we're not here, this is the main factor. We will have all different situations where, let's do an example, very clear-cut one. Someone lives in Montreal in Canada and then gets offered a position in Florida. They move to Florida, they become non-residents the day they leave Canada because their intention is to live elsewhere, and that's it. That's pretty much all there is to it.

Some people will try to bring up bank accounts, and a car, and maybe a chalet. These are all secondary and third-level factors. The main factor is you're not living in Canada. This is pretty clear-cut. It's black and white. We could have grey areas where someone, let's take the example again, this person gets offered a job, or a one-year in a closed mandate to go to Florida. And work for a corporation there.

What would happen is they would ask the Canadian government by a specific form to let them continue to be a Canadian resident of Canada during their short stay in the U.S. The government will review the facts and rule and usually for short periods like that, they will say, "Yes, you are still a Canadian resident of Canada." But that means that you still have to tax yourself on your worldwide income, including what you're taxed on already in the U.S.

The tax treaty comes into play and whatnot. It's basically based on intentions, short term, mid-term, and long-term intentions. If my person that leaves and doesn't know when they're coming back and they have no firm plans of coming back to Canada, they will become non-residents the day they leave the country.

Marcelo: Okay, it's the day you leave. It's, again, like a fact. It sounds like you really need to communicate with your accountant to make sure this is done properly, right?

Julie: A study of your case should be made to verify, like, where are you heading with this? Is it temporary? Are you coming back? What are your plans? And sometimes it's black and white. Maybe 50 percent of the time, in my case, it's clear that the person is a non-resident. Other times we have to ask for a ruling.

Marcelo: Yeah, it's interesting because as I was doing the research for this podcast, I was thinking, well, for sure, we don't have many clients. We don't know many people that are Canadian non-residents, right? It's a very niche industry, but it is something that when it's needed, it's extremely valuable. And I do see a world, especially right now where people are retiring and they're saying, look, maybe I don't want to live in Canada, I want to go to a warmer weather and like, I'm going to make it my home somewhere else. But, I still have family here. I still have property.

Or you can think of a case post-pandemic where people get jobs everywhere and they may just want to leave. And you will see, I think, especially in the younger people who are getting jobs abroad, people who may have family here and down the line, 15, 20 years, they become non-residents and now they're coming back to Canada in a few years. I think you're going to see more of that just because of how the world is evolving now, but I guess time will tell.

Julie: Exactly. As you said, with this new world that we're living in, we see all sorts of situations.

Marcelo: Yeah. All right. You leave. That's a fact. We've defined that. What are the tax implications of becoming a non-resident?

Julie: There's not that many. It just needs to be prepared and filed correctly. Make sure you consult a professional, file your last Canadian tax returns with all the proper forms. There's one that is very important, form T1161 named assets owned by an immigrant. And you need to list everything you own in Canada when you leave. If you don't, there's a penalty of $2,500.

If you have your principal residence, you need to do a deemed disposition of that and file some forms. Again, if you don't, you could rack up a penalty that goes up to $8,500 and all sorts of things. Once you leave Canada and it's clear and the government knows and you did all your things perfectly, only your income generated in Canada will be taxed in Canada. But certain income, not all income, is free of tax, but most of it is taxed and its final tax. You don't have to do anything else. We can talk about that a bit later.

Marcelo: Let's say investments, if they generate income, I know non-registered, in our case, you know, we have clients with non-registered accounts and they do generate income, right? They generate interest dividends, capital gains. Is there anything to declare on this?

Julie: Good question. When one leaves Canada, they must contact all their financial institutions. Everywhere they have investments, where they have money, where they get money from, including their pension plans and stuff, they have to contact these people. Let them know they're now non-resident. If they need to provide backup documents, they should start the process with the government to obtain these because it is the responsibility of these institutions and government bodies to tax you accordingly, and they will. And in all these cases, this tax that is withheld at source by either the government or the institutions is final tax. You don't have to file anything regarding these in Canada once you leave the country.

Marcelo: Okay, that includes pensions as well, like let's say you have a pension from a company or the government.

Julie: Exactly.

Marcelo: Okay, perfect, perfect. What about the Medicare and all this type of like provincial coverages that people have? Does that need to be declared as well or do you need to contact the authorities?

Julie: Yes, upon leaving, you should contact the tax authorities. Always tell them that you're leaving. If you're getting child benefits, if you're getting GST rebates and stuff like that, all this needs to be stopped. Otherwise, they will discover you left and then ask for it back, plus interest. Nobody wants that.

Marcelo: All right let's move into the second area I wanted to talk to you about. It's how to treat Canadian property for non-residents. I've often heard people say that when you leave the country and you become a non-resident, you must sell your house. Is that right?

Julie: This is a myth. I honestly don't know where that one comes from. There are many myths. And if anyone follows me on LinkedIn every Monday, I bust a myth. And this is one of them. 50 percent of my Canadian expats, people that left Canada still own the property they lived in. I don't know where that comes from. As long as you do the proper filing when you leave, the disposition, fair market value, change of use, you're fine. And now they're renting them and no issues.

Marcelo: Okay, perfect. That's important because we heard a case once of somebody who was ill-advised and he had to sell a property and the client left money on the table because now he left maybe I can't remember the year, but I think it was 2017 or something like that. And then ended up losing out on a lot of the appreciation that we saw during COVID and right now in the Canadian real estate market. If you end up, if you don't consult the right professional, you may end up leaving money on the table, which is not good.

Julie: Little comment about that. If this person always had the intention of selling. It's a good idea to sell before you leave because we will talk about this later, but there's a lot of tax consequences to sell a property while you are a non-resident. This is the only option where I could raise a red flag and be like, no, sell right now before you leave because otherwise it's not to your advantage. If the intention is to keep the property. To either move back in or to appreciate or to rent. No problem.

Marcelo: That makes sense. Let's talk about that now. Let's say you leave, and you keep your residence. Now, obviously, that ceases to be a primary residence and now that becomes a rental unit, right? You have to obviously keep track of the fair market value now, because now a portion will be taxed on that property, but what tax implications are there? Like what must people do in this case?

Julie: Once they did their final resident tax return, they filed the proper form with deemed disposition. They need to keep the report they used to set the fair market value. That's for that. Once they started generating income, they have to pay taxes. Tax liability from day one as soon as they find a tenant. Part 13 of the tax law will apply withholding tax of 25 percent every month for the owner to remit and then at year-end a tax return needs to be filed.

Marcelo: Okay, you said penalties. What are the penalties if the person fails to comply? Let's say they get a tenant and they're not doing the proper reporting.

Julie: This happens often, part 13 is mandatory, even if you file a tax return. The government do want their 25 percent every month. They don't want it at the end of the year. They don't want it on the net after expenses. This is very important. You can compare this to an employer failing to remit the deduction at source for an employee. It's the same way. The penalty is 10%. It's actually interest they charge you. We call it penalty because it's penalizing. It's 10 percent of the amount that was not remitted. Let's take an example, $10,000 of rent. I should have been remitting $2,500 along the year. They will charge me a $250 penalty. At the end of the year when they discover I was renting, and I was not doing the proper things. What is very painful is that the government doesn't have a status of limitation for non-residents. They can go back 10, 20 years back and reassess everything.

Marcelo: Wow.

Julie: Not seven years as a lot of people think.

Marcelo: That's crazy. Okay, you got to make sure that like, let's say I leave the country and I have a house and now I'm renting it. I have an obligation because now that property is becoming. It's generating income, right?

Julie: Exactly. I wanted to bust another myth. Something I hear often. And it's probably, I don't know where it comes from, honestly. People think that if you don't generate $10,000 or $15,000 of income, you don't have to file a tax return. First of all, that's untrue.

Even for a Canadian to live here and not declare their income is a tax fraud. They should absolutely declare their income, even if they don't owe anything to the government. And it's all very important for them to do that because they're preventing themselves from getting more of the government benefits. They might not get their GST rebates, their children’s allocations, and benefits. It's important. For non-residents. From dollar one, they're taxed, as opposed to us individuals living in Canada, we are allowed this basic tax. I think it's $13,000 now, which eliminates most of any tax payable. If you earn between $10,000 and $15,000, non-residents are not allowed this basic tax cut because they don't live here. They don't have a cost of living in Canada. They're taxed on the first dollar they make at the rate of 22.2%.

Marcelo: Yeah, and I do see like we have a few clients who live abroad. They don't own any property, but they have an unregistered account. And we never have to file a tax return because there is a withholding tax. And then if the other country has a tax agreement, the client gets a tax credit on the tax that he paid in Canada to avoid the double taxation. I think a lot of people may look at that and say, Hey, I've never had to pay on my non-registered portfolio. Why should I pay for the income I'm getting on my property? But you're clearly saying that, no, like that needs to be filed and a tax return needs to be prepared. Right.

Julie: And the basic logic behind that is with the portfolio, you have a third middleman, like a third party doing the withholding on your behalf and paying tax for you. Whereas when you collect rent, it's all on you.

Marcelo: Perfect. Perfect. Thank you for that. That's really helpful. The big question I want to ask you, and I think this is where a lot of people could create a lot of stress is like, what happens if a non-resident Canadian decides to sell this real estate property while living overseas? Like what are the tax implications?

Julie: It's a long and painful process. It involves compliance certificates to be requested to Revenue Canada and Revenue Quebec when it's a Quebec property. We're the only province who's asking for capital gain on anything from non-residents.

Right now, this takes about eight months. During that period, the notary or attorney must withhold a certain amount of money can go from between 25 percent to 65 percent of the sale price. Basically, it means a good chunk of your money will be stuck in escrow for many, many months. You will be asked to pay income tax up front as installments. And then you will have to file a tax return for capital gain tax at the end of the year. And get refunds maybe. In the fall of the year after. You do get your money in not small increments, but in various increments. It's very difficult if you have to buy something else or you intend to buy something else.

Marcelo: Right. I mean, we'll talk about that later, but, but it makes sense on the process of selling and doing the proper reporting. What are your recommendations for a non-resident Canadian who decides to keep his real estate? What are the do's and what are the don'ts?

Julie: The dos are consult with a tax specialist, maybe a few. To get a big picture of everything, make sure that you're overlaying opinions. The don’ts: don't assume anything, ever. Don't assume anything, it's not because back in the day it was this way, or because one of your friends did this thing, or a family member did this thing, and it worked for them, and it works for you. It's a life lesson, don't assume anything.

Marcelo: Yeah. Something I wanted to, uh, just clarify before we move on to the next section is when you leave and you declare the fair market value on your, all your property, you know, whether that's a portfolio or a home or a vacation property, who decides what the fair market value is? Do you have to get an evaluator? Is a municipal evaluation? Like, what is it?

Julie: Yes. When it comes to real property, you need an appraiser report. That's the best. Acceptable is a realtor report, not an email, not a word, not a number. You need a report. For all the other investments you might have.

Marcelo: It's easy, right?

Julie: Yeah. Your specialists in that world can...

Marcelo: Yeah, I think we can go back, we have databases, I mean, not for our portfolios, but I think there's they, and when it comes to the markets, there's databases going back all the way to 1929 for, uh, indices and stock prices now. If it's trading publicly, it's easy to get, but I guess for a house, it's a little bit more complicated than that.

Julie: Yeah. For your investments, ask Marcelo.

Marcelo: Yes, exactly. Let's move on to the next subject I want to talk to you about. And it's when a non-resident decides to return to Canada, like I said, I envisioned this, that it could happen sometimes that people leave the country, become non-residents, and then they decide to come back because, you know, they have grandkids or they have family, or they really like the cold weather. I don't know. Let's talk about that. What do non-residents need to do if they wish to return to Canada? What does that process look like?

Julie: It's a bit the reverse of what we were discussing in the beginning. You need to be physically in Canada. You need to be here for the foreseeable future. I'm not talking three months or six months. We're talking years. Someone that comes back to Canada is, is not even sure they want to settle back here and everything. For listening. They will remain a non-resident. You want to come back, you come back for good, or for a very long period, and I'm talking years, come back to Canada, and then you will have to call the various, Government bodies to let them know you're back, reactivate a few things, get a new address. But before you do, verify with a tax expert in the country where you were living if there are any tax consequences there.

I have to tell you, 50 percent of my clients that are U.S. citizens that plan to come back to Canada, come back or come in after talking to a cross border specialist, 50 percent of that decide not to do it. It's very penalizing to leave the USA. It might be penalizing to leave other countries such as France, the UK or whatnot. Check with your tax specialist in your country. What are the consequences? Don't assume anything again, do your homework, don't act harshly because it might cost you in the end.

Marcelo: That's such a great point. I'm sitting here just thinking about what happens in Canada, but there is another country at the end of the day that you have to deal with a hundred percent.

Julie: It's easier to leave Canada than it is to leave the US. Let's put this out there. The U.S. government doesn't want people to leave for good reasons. There's a lot of planning that needs to take place in the U.S. before you move to Canada.

Marcelo: My follow up on this subject, while we're on the subject of coming back, you know, as we talked about, Throughout this podcast so far, there are many Canadians who live and now they decide to come back and, you know, they keep a house. it used to be a primary residence. Then it became a rental unit and now they may be coming back and living in that house. How does a non-resident who become a resident deal with that?

Julie: I'm happy that you're bringing this up because a lot of people don't think when they move back, or they don't think about that when they decide to leave and keep and it's a bit tedious. Remember when we left, we did a deemed disposition, we set a new value for the property, it became an investment property de facto once you started renting it or you're not occupying it as your primary residence. And now if you come back and you want to reintegrate this property, you're doing another change of use. It was a principal residence, we changed to rental, and now we're changing back to principal residence. It's the same work all over again, I need a fair market value, but this time I do not have the opportunity to claim principal residence on the value between my departure and the value right now. This will trigger tax.

You're putting something out of the market to use for yourself, you have to pay tax on the value. As long as people know, that's fine. But it can come up as a nasty surprise if they do without consulting anyone. When my people leave, I tell them, remember, if you decide to come back, there's going to be tax consequences. If you stop renting this property, there's a choice to make.

We either take this property back. We pay the taxes on it. We have a new fair market value done. This is my new acquisition cost for the future. And I pay the taxes, or I sell it. That's the most logical, non-emotional decision to take. Let's sell this, cash in, and then buy something else.

Or, if you have the means, buy something else altogether. But most of my owners, when they discover that they will need to pay taxes to buy back this property from themselves, they do decide to sell it. Take the money, invest in something else, but this is taking all emotional attachment out of the picture, of course.

Marcelo: Just so we're clear, when you say, uh, rebuy it from yourself, this is all done on paper, right? Like there's no money exchanging hands.

Julie: There's no money exchanging hands, but there's money paid to the government.

Marcelo: How often do you see this from Canadians, is it something that happens often or no?

Julie: Yeah, it happens often, but like I said, I educate my clients as soon as they leave. They know exactly what's the consequence and most of my clients they sell it instead of reintegrating this property. Better have money in your pocket, take advantage of the market, make money with this property, and reinvest this money elsewhere.

Marcelo: And I guess at that point, you're riding a wave essentially in the real estate market, right? Like if it's high, you're all buying high, but you're selling it high. And if it's lower, you're selling it at a price that it's in the market, but you're all buying something that's lower. And you already have that principal resident exemption from those years that you lived in there, right?

Julie: Exactly.

Marcelo: Okay, perfect. Makes sense. All right. Next thing I want to talk to you about is the foreign buyers of Canadian property. That's been on the news a lot. Okay. Don't quote me on this, but I feel almost that it's become like a scapegoating where people are trying to blame foreign buyers. I did look at some stats of the percentage of foreign buyers buying Canadian homes and it's quite low. It's anywhere between two to six percent. What's accurate? I don't know. Like, do you have any comment on this? Like, what's the statistics that you're familiar with when it comes to this?

Julie: We're talking about Bill C-19. That was announced in the federal budget in March 2022. It was announced in the federal budget of 2022, taking effect January 1st, 2023, for two years, 2023 and 2024. I honestly don't know where that comes from. Maybe there was some lobbying, there was a general discontent with the population about what they felt that what investors from other countries were doing in Canada. We will never know. My research is all pointing to two percent, two to four percent, depending on the area. The government decided that for two years, Only Canadians could buy, we will get into that immigration status.

Right now, Canadian citizens can still buy. They can buy with a spouse who's not, we call this a piggyback, it needs to be a spouse, cannot be a friend, a family member of other kind. People who are permanent resident of Canada, who still have a valid card, or all they fall into that category, they can buy with a spouse who's a non-Canadian. And then they opened up a little bit, maybe in May of this year, and they allowed people that were on work visas.

In Canada that still had six months on the permit to buy. Again, they can buy with a non-Canadian spouse. There's an option for refugees and stuff like that. It's very complicated. I'm not going to get into that. There's all an option for students. I'm not going to get into that because it's ridiculously complicated. They need to be here five years and its nonsense. Let's say that students Under Visa are not allowed to buy because I don't think anyone will qualify for this. So far this is what it is. Anyone that is a foreigner that is the main shareholder of a corporation, even if it's Canadian corporation, cannot buy. Same goes for estates and trusts. Anyone that is involved to a certain point in an entity is not allowed to buy either.

Marcelo: Okay, but if you are a Canadian citizen, but a non-resident, you can buy.

Julie: Exactly, it goes by citizenship.

Marcelo:

Okay, yeah, I want to make sure the distinction is clear because we're talking about non-residents. But if you're a Canadian citizen who is a non-resident, you can still come back and buy, right?

Julie: Exactly.

Marcelo: Okay, perfect. It's an interesting one. I think about that a lot. And I think at the end of the day, it's the housing market. It's become almost a generational issue. And I think we can all agree now that we have a supply problem. But it is a really tough thing to fix because it's a political problem, an economic problem, and an incentives problem between the government and the municipality. Yeah, it's just interesting that they chose that law to appease people, but yeah.

Julie: Yeah. You know, actually, it's not a law, just, you know, a ban. It's not a law, important to note, but they reserve the right to renew it after two years. Hopefully they will not.

Marcelo: Interesting.

Julie: Knowing the government, they will announce if it's renewed or not, probably somewhere in January 2025, just to keep us on our toes.

Marcelo: Perfect. That's something we're going to have to keep an eye on. Something I saw the last thing I wanted to talk to you about, Julie, is I've seen this circulating around the news a lot in the last month because there was a deadline on October 31st. And I think a lot of people were panicking. And to my surprise, there were a lot of things that we did not know about this underused housing tax. Just to begin with, what is the underused housing tax and why was it created?

Julie: I just want to go back to Bill 19. This Bill C-19 was very well documented. It was well advertised. The information available online is clear, it's precise, we know exactly where we're going.

With this UHT filing, it's the total opposite. I wish it would be the same people handling it, it's not. It's a total mess. They did not do a lot of advertising about it. They're still hiding behind the administrative rule that everybody should keep up with their Canadian tax obligations, which is not very easy. And, uh, we get information bit by bit. There's a lot of nuances that was not put in their writings. We are still debating with them. A lot of professionals are still debating with this government body about various situations.

Right now, they're sticking to the notion that this filing applies to anyone who is not a Canadian citizen, who is not a permanent resident of Canada. We're again talking about non-Canadians, the same group of people that the ban applies to. And the thing is, their description of a residential property is very summary. They refuse to be more precise about what constitutes a residential property. Right now, we're having problems with individuals that own condo rooms, hotel rooms.

The objective of the government is to put tenants in all these places, but not all places are suitable for this type of rental. We do have people that own hotel rooms, and the only criteria is that there would be a summary kitchen, a bathroom, and a living area. You can get that if you go to certain Marriott hotels; they have a little kitchenette. But then again, this was not bought as a residential property. It is a commercial property, but the government refuses to understand that.

We have all sorts of other situations where people have a chalet up north where you cannot put a tenant. But they're still asking people to pay this 1 percent tax because it's not rented, it's not occupied otherwise. They're not targeting the real problems. For me, this UHT came all messed up; we're still dealing. By the way, the deadline of October 31st was postponed again on the 31st at 5 p.m.

We were really, really bad because we've been rushing like crazy people to finish. And now the new deadline is April 30th at the same time as the 2023 filing. Anyone that has this type of property needs to do the filing, even if they don't owe the 1 percent tax. This tax is 1 percent of the city value if it's not rented, occupied by a child that goes to school, by a spouse who's on a work visa here, or yourself, if you're on a work visa here, it's not rented to a third party and is not under construction, was not damaged by any sort of disaster or something like that. The exemptions are very few and far between. Anyone who owns something just as a pied-à-terre is the target of this 1 percent tax. Furthermore, it also applies to Canadian corporations. In one of my publications in the past, I said, be careful if you own this beautiful chalet in Sutton, let's say, or in Mont Tremblant, that is not doing anything. It's for your personal usage. You own it through a Canadian corporation. This 1 percent tax could apply to you.

Marcelo: I think that was a surprise for a lot of people because there are people, I have personal friends who own many properties through a corporation and they're maybe incorporated or, It's under a trust or what you call it. It's not in a personal name. And if it's empty, you have to pay the tax and you have to do the proper filing.

Julie: You could be subject to the tax, and you need to do your homework to verify if you need to file, if you're allowed an exemption. And, uh, if the 1 percent is payable, could not be, but need to be sure because penalties are $5,000 per individual. We've never seen a penalty this small. $5,000 per individual. Let's agree most people do this with their spouse, we're at $10,000 right there and $10,000 for a corporation. And this is for failure to do the filing. It's a six-page form that can only be submitted on paper. There's a website to do it, but it doesn't work very well. We're pushing the government to put this through my account or a representative account to be able to file online. Yeah, as I said before, it's not very well thought of, it's not prepared, there are still too many questions. We got an example of a company who owned a property that is a house on farmland and is now a chicken coop, but there's still a kitchen and a bathroom right that are fully operational in there.

Marcelo: Wow.

Julie: And they don't know what to do about it because it does fall into the description of a residential property.

Marcelo: Right. I think what I'm getting out of this, Julie, is when in doubt, always consult your accountant or your professional, because it sounds very complicated.

Julie: It's very messy.

Marcelo: Right. Okay. Do you see a lot of people who own property from abroad and like it's empty? I mean, is this something common?

Julie: Yes. One of my specialties is disposition. When people sell their properties, half of my clientele comes from there. I have to admit that maybe 70 percent of the people I encounter through this service had these properties as pied-à-terre or something for their children to live in while they're studying in Montreal or in other cities.

Marcelo: Excuse my ignorance, but pied-à-terre is when you just own a property — you can have like a foot on the ground type of thing, right?

Julie: Yeah, it's like a vacation property, but I don't like to use the word vacation because some people are like, well, I don't come here to do my vacation. Sometimes it's another usage. Yeah, okay.

Marcelo: Perfect. Look, I think we've covered everything I wanted to ask you and it's been a great conversation. I mean, we can talk about this forever because I'm super passionate about this. I love taxes. I love the housing market. I really think it's a fascinating subject. But anything else, any other services that you provide that we didn't discuss today, any other expertise that you provide?

Julie: We do help foreign owners and ex-Canadians to comply with all their tax requirements, rental income, sell of a property, and we do planning. But just to end this podcast, little wise words, never assume anything. And always consult the tax specialist.

Marcelo: For sure. Listen, Julie, we'll put your information in the notes. That's where people can reach you. I think you've done a great job on your website. I've been through it many times and you have all your details there, how to get in touch with you, your team. I do appreciate you coming on the podcast. We will hear you all on the French podcast. Just FYI for the listeners. If you want to hear Julie in French, that'll be available in the near future as well. And I thank you for your time.

Julie: Thank you for having me.

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