

**GOVERNMENT RESPONSE TO THE 11th REPORT OF THE STANDING  
COMMITTEE ON INTERNATIONAL TRADE, ENTITLED: “THE UNDERUSED  
HOUSING TAX: POTENTIAL IMPACTS AND PROPOSED ACTIONS”**

## **INTRODUCTION**

The Government of Canada is pleased to respond to the 11<sup>th</sup> Report of the Standing Committee on International Trade (the Committee), entitled “The Underused Housing Tax: Potential Impacts and Proposed Actions”, tabled in the House of Commons on November 20, 2023. The Government of Canada appreciates the work of the Committee and welcomes its analysis, views and recommendations.

Below is the Government of Canada’s Response to each recommendation.

**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.**

The Government of Canada acknowledges this recommendation, while noting that it has taken recent steps to simplify the Underused Housing Tax (UHT).

The Government of Canada continues to work on the implementation of this measure, including changes announced in the 2023 Fall Economic Statement. These changes included a reduction to the minimum penalties that apply when someone fails to file a UHT return as and when required, the introduction of a new UHT exemption for certain employee accommodations, as well as a series of other UHT changes of a more technical nature to ensure the UHT applies in accordance with the policy intent. It is expected that the proposed changes will significantly reduce complaints about the compliance burden associated with the UHT.

**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.**

The Government of Canada supports this recommendation. Given the highly integrated nature of the Canadian and U.S. economies, the Government of Canada agrees that it is fundamental that our respective government officials respond promptly to any formal enquiries made in relation to bilateral, trade and economic issues to mitigate any negative impacts. Canadian officials regularly engage with their U.S. counterparts through various channels, including within the framework of Canada-United States-Mexico Agreement through Minister level Free Trade Commission meetings and at working level committee meetings among trade experts.

**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.**

The Government of Canada supports this recommendation in principle and agrees to ensure that information regarding the UHT and its exemptions is clear and accessible, and that the UHT return is as simple as possible. The Government of Canada continues to recognize the importance of affected owners understanding their obligations and liabilities under the UHTA. In pursuit of generating public awareness of the UHT, the Government of Canada has actively undertaken outreach, stakeholder engagement, communications and marketing activities directed to domestic and international audiences and will continue to do so.

Evaluation of previous outreach, communications and marketing activities will provide best practices to build on and adapt strategies for future promotional campaigns. Improved performance indicators will be developed to establish benchmarks that will inform decision making regarding promotional activities that will contribute to improving reach of messaging.

**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.**

The Government of Canada supports the recommendation in principle. Steps to streamline the CRA's Underused Housing Tax Return and Election Form (UHT-2900 E) have already been taken, enabled by legislative and regulatory changes proposed as part of the 2023 Fall Economic Statement. Notably, those proposed changes would result in fewer property owners needing to file in 2023 and subsequent calendar years.