

## Condo Smarts

Headline: Taxable status of strata corporations in BC

Topic: Taxes and Taxation

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**Dear Tony:** Our strata council is getting mixed information from our owners, our accountant, and our property manager. The accountant says we have to file a tax return, the property manager says it not necessary because we don't pay taxes, and our owners don't want us to file anything to avoid being on the tax radar screen. We have a resort strata in the Okanagan with an 18 hole golf course for members and the public and we manage 8 guest suites in the club house that are accessible for resident use only, not the public. We have a business number and company name for the golf course, so we separate all of the commercial service from the strata under strata lot 1, and the guest house is part of our residential area. No one wants to pay taxes, but I am concerned that if we are not reporting our revenues correctly we may be paying back taxes and get penalized.

*Gillian, Council President*

**Dear Gillian:** It is true that strata corporations (condominium corporations in other provinces) are non-taxable corporations. However, strata corporations may and do pay taxes in a variety of ways, including income tax if the revenues are for commercial purposes and beyond the definitions set out under the Tax Act. There are also taxes that may also be imposed for other activities and through other jurisdictions. For example, if your strata has mixed residential and commercial strata lots, depending on the value, the strata may be required to collect and remit GST on the commercial strata lot fees. Likewise, if there is a rental pool, those strata lots, even though they are residential units may trigger GST on their strata fees. Provincial sales tax and hotel tax may also apply if a strata corporation is operating a specific number of accommodations.

A residential strata operating a single guest suite is not the concern. Your strata corporation operates 8 guest

suites and charges \$75 a night for the suite. That triggers GST, PST and likely a hotel tax. Even though the strata is operating the suites only for residents and their guests, they are still operating a commercial enterprise. Your strata should also be aware of the risks associated with operating the guest suites and confirm your liability insurance covers these activities, and your ratified rules or bylaws authorize the user rates that are being charged.

The other side of taxation is strata corporations who generate significant revenues from commercial enterprises. These include items such as billboards or building advertising, public parking garages, communications leases, and activities such as your golf course owned by the strata and operating on strata lot 1. Even though you have attempted to separate it from the strata, it is still a commercial entity of the strata corporation and subject to all federal and provincial tax legislation, labour relations legislation and safety legislation including WorkSafe and the BC Safety Authority. For more information on taxation go to: <http://www.cra-arc.gc.ca> or <http://www2.gov.bc.ca/gov/content/taxes>