

# Condominium Home Owners Association

A non-profit association serving strata owners since 1976

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## Condo Smarts

Headline: Stratas earning profits are not tax-exempt

Topic: tax and filing tax returns

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A Fraser Valley strata corporation was recently fined and back charged by Revenue Canada for having hired a full-time resident caretaker, but not filing employee source deductions or employee submissions. The strata council's claim was that they thought taxes did not apply because, as a strata, they were exempt. Their claim to a small extent is true. However, there are several areas of taxation that the strata is not exempt.

**Strata law/tax law:** A condominium corporation (strata in B.C.) created under Canadian provincial or territorial legislation is a corporation without share capital whose members are the owners. Generally, the expenditures are met by its members' contributions/strata fees. Excess contributions over expenses are not considered to be income of the corporation, and income such as revenue from contingency reserve investments is not taxable.

**Tips:** There are several important factors that strata corporations need to know. When the strata is operating commercial ventures that are revenue generating, such as golf courses, marinas, rental properties, that are intended to generate a reasonable expectation of profit, the revenues

can become taxable, and GST may also be mandatory. In addition, all employment standards both federally and provincially apply, along with requirements for WCB coverage and source deductions. While most strata corporations do not pay taxes, they must file tax returns.

Here's a list of guides available on the CRA site/[www.cra.gc.ca](http://www.cra.gc.ca) or from our office.  
Employee or Self Employed? RC4110, Income Tax: Condominiums IT-304R2, NPO Information Return T1044, T2 Corporation Return, Schedule 200.

For more information on CHOA resources and benefits visit [www.choa.bc.ca](http://www.choa.bc.ca)  
or contact the office at 1-877-353-2462 or email [office@choa.bc.ca](mailto:office@choa.bc.ca).

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