

Condominium Home Owners' Association

Serving BC's Strata Property Owners since 1976

Bulletin: 300-184

Condo Smarts

Headline: Your strata needs only to report

Topic: Taxation in stratas

Publication date: July 2, 2006

Publication: The Province

Written by: Tony Gioventu

Dear Condo Smarts: Our strata corporation, a 180-unit highrise, has recently received a notice from Canada Revenue Agency advising us that we have to file a tax return for 2004.

Our strata has never filed a tax return and we were under the impression that strata corporations don't pay taxes, so why would we file a return? Does this mean we're going to have to pay taxes on the interest our investments have earned?

-- Jason C., Vancouver.

Dear Jason: Yes, strata corporations are required to file an annual tax return. Strata corporations are generally considered non-taxable entities, and the tax filing forms for non-taxable strata corporations are very short and simple to complete.

The basic management of the property, maintenance, use of facilities, assessment and collection of strata fees and the investments of reserves are all part of your tax exempt financial functions, but here's the twist; the exceptions.

If a condominium/strata corporation carries on business, any profits from that business must be included in its income and it will likely not be considered a non-profit corporation any longer. For example, strata

corporations that own and operate golf courses, ski hills, marinas, gas bars or community centres, for the purpose of profit

and revenue, are not tax exempt.

Commercial, industrial strata properties also operate under a different tax status.

In addition, many of these strata corporations also collect and remit GST on the strata fees. A caution to strata owners though, if the strata corporation intends to use their interest earned on investments for profit to the owners that may also alter your tax status.

I suspect in your situation your strata corporation have a substantial contingency reserve with investments and the reporting interest form has triggered your tax filing requirements but your net profit is zero. If this is the only revenue then it has likely not changed your tax status and only requires annual reporting.

It is unlikely your strata will be taxed on the interest earned on your reserves. For more information and to file the correct tax form, go to <http://www.cra-arc.gc.ca/menu/AFAF-e.html> and download a T-2 short form for the return. Also, enter the search IT-304R2, for the guide on Condominiums.

For more information on CHOA resources and benefits visit www.choa.bc.ca
or contact the office at 1-877-353-2462 or email office@choa.bc.ca.

No part of this publication may be reproduced without the prior written permission of CHOA

This publication contains general information only and is not intended as legal advice. Use of this publication is at your own risk. CHOA will not be liable to you or any other person for any loss or damage arising from, connected with or relating to the use of this publication or any information contained herein by you or any other person.