

Condo Smarts

Headline: Tax Returns & HRTC for a Strata

Topic: Taxes & Taxation

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Dear Condo Smarts: Could you please tell us whether or not strata corporations have to file tax returns? We are only a 24-unit townhouse complex and our budget is limited to insurance, landscaping and a building maintenance contract. Our strata fees are \$250 per month and at the year end we always break even and show no profit. We called an accounting office and were told not to bother as we don't pay taxes anyhow. We are also a bit confused about how to give receipts to each of our owners for the home renovation tax credit. Marjorie Simpson, Qualicum

Dear Marjorie: Strata corporations for the most part are classed as non-taxable corporations under tax laws, but not all strata corporations are tax exempt. There are several types of strata corporations such as industrial, commercial, retail, food services, and hotel services that are not necessarily tax exempt. They are usually non-residential, but there are even exceptions to that rule where a residential strata corporation is operating a commercial enterprise as part of the strata functions. If a condominium corporation carries on a business, any profits from that business must be included in its income and it will not be considered a non-profit corporation. The following quote from the CRA FORM IT-304R2 is very clear. "Paragraph 150(1)(a) of the Income Tax Act, requires all corporations, including condominium corporations, to file an income tax return each year, even if they are exempt from paying tax under Part I. A residential condominium corporation that qualifies as a non-profit organization under paragraph 149(1)(f) is exempt from Part I tax on its taxable income but is required to file Form T1044, *Non-Profit Organization (NPO) Information Return*, with its T2 tax return. Although it is a question of fact

whether a particular condominium corporation qualifies for an exemption under paragraph 149(1)(f), most residential condominium corporations qualify as non-profit organizations within the meaning of this paragraph."

A Home Renovation Tax Credit statement from the strata corporation must contain the following:

- the vendor/contractor's name, the vendor/contractor's business address,
- if applicable, the vendor/contractor's GST/HST registration number, and
- a description of the work and when it was performed.

In addition to providing owners with the statement as indicated above, it is recommended the strata corporation keep the following records in case they are required:

- information that clearly identifies the vendor/contractor, their business address and, if applicable, the GST/HST registration number;
- a description of the goods and the date when the goods were purchased;
- the date when the goods were delivered (keep your delivery slip as proof) and/or when the work or services were performed;
- a description of the work performed including the address where the work was performed;
- the amount of the invoice;
- proof of payment (receipts and invoices) - invoices must indicate "paid" or be accompanied by other proof of payment, such as a credit card slip or cancelled cheque.

For more information visit the CRA @: www.cra-arc.gc.ca or CHOA @ www.choa.bc.ca.

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