Top Asked Question 2. Does my Condo have to file with CRA?

Answer 2: What Condominiums need to know about: Filing Corporate Income Tax

All Canadian condominium corporations must file a corporate income tax return each year, even if there is no tax payable. Generally, condominium corporations are considered non-profit organizations that are exempt from tax under paragraph 149 (1)(I) of the Income Tax Act (ITA). A condominium corporation's taxation status is based on the particulars of the condominium corporation each fiscal year.

# 1. What returns does a condominium corporation have to file each year?

A condominium corporation must file a Corporation Income Tax Return (T2) or a T2 Short Return.

### 2. What is the difference between a T2 Return and a T2 Short Return?

A T2 Return is required to be filed by condominium corporations who do not meet the requirements to file a T2 Short Return.

A T2 Short Return is a simpler version of the T2 return that may only be used by two types of corporations:

• a Canadian-controlled private corporation that has either a loss or a nil net income for tax purposes this year;

□ a corporation that is exempt from tax under section 149 of the ITA (such as non-profit organization).

In addition, the corporation must meet ALL of the conditions below to file this type of return:

□ it has a permanent establishment in only one province or territory;

- □ it is not claiming any refundable tax credits (other than a refund on installments paid);
- □ it did not receive or payout any taxable dividends;

□ it is reporting in Canadian currency;

□ it does not have an Ontario transitional tax debit; and

□ it does not have an amount calculated under section 34.2 of the federal Income Tax Act.

This form is only 2 pages long and simply requires addresses, the Business number if applicable), and the declaration that the corporation is a non-profit organization for purposes of the income tax act.

The financial results for the year must be reported on the GIFI, or GIFI short (General index of financial information return).

The notes to the financial statements must also be provided, if there are any.

### 3. Does a condominium corporation need to obtain a business number?

Not all businesses need a BN and program accounts. If you do not need a program account, you do not need a BN.

A program account is what your business gets when it registers for a program. Programs help you meet some tax and accounting responsibilities, such as payroll deductions if you have employees, if you collect GST or PST, etc.

### 4. What is a business number

The business number is a nine-digit number that gives each registered business its own unique identifier.

It does not change your tax status. To register for a business number go to CRA's website http://www.cra-arc.gc.ca/.

### 5. When must a condominium corporation file its tax return?

T2 returns (long or short) are due 6 months after the fiscal year end. Penalties and interest are assessed on taxes payable on late returns.

### 6. What is a T1044 Return?

T1044 is a Non-Profit Organization Information Return.

Similar to the T2 return, a T1044 return is due 6 months after the fiscal year end. Generally, a T2 return and the T1044 Return are filed together. *Failure to send the T2 and/orT1044 return within six months of the fiscal year end can result in a fine of \$25 per day to a maximum of \$2,500.* 

A condominium corporation must file a T1044 if:

• It received or is entitled to receive taxable dividends, interest (*e.g. on bank deposits, savings, reserve fund*), or royalties totaling more than \$10,000 in one fiscal year;

• It owns assets valued at more than \$200,000 at the end of the immediately preceding fiscal period (i.e.

cash and cash equivalents, accounts receivable, prepaid expenses, investments, tangible capital assets

– e.g. Suite for an on-site manager, guest suites, recreational and other facilities, work vehicles, etc.)

• It had to file a non-profit organization (NPO) return for a previous fiscal year.

# The T1044 Non-Profit Information return must be completed by every non-profit organization that meets one of the above 3 criteria

# 7. What if we didn't know we had to file for taxes or a non-profit organization return? Is there any relief given to condominium corporations from penalties and interest?

Generally, penalties are assessed based on taxes payable. Therefore it is unlikely there would be penalties levied on late filed returns for condominium corporations that have no tax owing.

If a condominium corporation voluntarily comes forward to correct inaccurate or incomplete information or to disclose information that they have not reported (like filing a T1044 for the first time) there may be relief from penalties that may be assessed by the Canada Revenue

Agency (CRA). Contact your accountant for more information on tax relief through the Voluntary Disclosure Program.

### 8. How do we know if we are exempt from paying taxes?

Generally, a condominium corporation is considered a non-profit organization that is exempt from paying taxes on its earnings. However, if your condominium corporation is earning income from activities that do not relate to the administration of the condominium corporation then the condominium corporation's non-profit status could be challenged by the Canada Revenue Agency. Examples of activities that would provide a condominium corporation with income include rental income suites, leases of roof-top space to communication companies for cell phone towers, *rental of parking spots*, or operating a golf course or marina. If CRA revokes a condominium corporations non-profit status, taxes will be payable on revenue earned.

### 9. Does a condominium corporation have to pay income tax or GST?

If your condominium corporation operates a commercial business, such as a golf course, hotel, rental pool, marina or rents or leases space to third parties, the condominium corporation may be in a position where it must report the revenue and pay tax. In addition, GST may also be applicable to condominium fees for commercial condominium lots and residential condominium lots in rental pools depending on the amount collected during the year. Interest paid by financial institutions on operating accounts, contingency reserve funds and special levy funds are generally non-taxable provided the interest becomes part of those funds.

## 10. How long do we need to keep our tax returns for?

Along with filing a tax return condominium corporations must also retain the T2 return and T1044 return

and any supporting documents for a period of 6 years from the end of the current fiscal year.

### 11. Who may access our tax returns?

An owner, a tenant who has been assigned a landlord's right or a person authorized in writing may request the condominium corporation to make the tax returns available for inspection or provide copies as requested.

For further information please contact your accountant or the Canada Revenue Agency (CRA) at;

http://www.cra-arc.gc.ca/

Corporation Internet Filing Help Desk: 1-800-959-2803

T2 Short http://www.cra-arc.gc.ca/E/pbg/tf/t2short/README.html

GIFI Short http://www.cra-arc.gc.ca/E/pub/tg/rc4089/rc4089-16e.pdf

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