

## Condo Smarts August 17<sup>th</sup>-21<sup>st</sup>, 2017

### Filing tax returns and are strata corporations taxable corporations?

Dear Tony: Do strata corporations pay income tax? Our strata negotiated an agreement with a communications provider to lease our rooftop for \$ 50k a year plus 25% of any sub lease agreements they negotiate. We are in year 3 of a 10 year agreement, and just received a notice of assessment from CRA. Our strata corporation also has a public parking area which is rented out to the public daily, weekly and monthly. We were under the impression that we were tax exempt as a non-profit association and could not be taxed. If that is correct how could we be taxed for this revenue? Has this ever occurred to other strata corporations? Sebastian

Dear Sebastian and council members: Strata corporations qualify as tax exempt non-profit organization provided they are not generating revenues for profit. The portion of a strata corporation revenues that are deemed to be non-taxable are strata fees, special levies, fines and penalties, and interest that may be earned on investments of contingency or special levy funds that are permitted by the Act. Since a residential condominium corporation is organized as a requirement of the Strata Property Act, and is normally not operated as a business, it will usually be considered to be nonprofit and operated for other than commercial or financial reasons. All of those conditions may change when a strata corporation chooses to create profit from exterior sources that are not exempt. Public Signage revenues, public parking fees, marinas, golf courses and leases such as communications services may all be considered revenue and taxable. Yes, you may be required to pay tax on your revenues.

Every condo/strata association in Canada is required to file an annual tax return and a director's information form. For strata corporations who generate revenue other than the considered exemptions, CHOA always recommends the strata corporation have their tax prepared by a qualified, certified accountant who has experience with the classification and status of strata corporations. If you do not owe taxes and have never filed a return it is never too late. There have been no penalties imposed for strata corporations in BC who have voluntarily started filing and have no outstanding taxable income. An excellent source of information is the CRA guide specifically for condo corporations in Canada. Go to: <https://www.canada.ca/en/revenue-agency.html> and search Income Tax Guide to the Non-Profit Organization (NPO) Information Return. Strata corporations generally file a T-2 Short Return and complete a 1044 form included with the guide. One thing you can be sure of, if CRA requires more information, they will be in touch!

Sincerely,

Tony Gioventu, Executive Director  
Condominium Home Owners' Association (CHOA)  
website: [www.choa.bc.ca](http://www.choa.bc.ca)