Dear Strata Council Members and Property Managers:

We are writing to inform you of the requirements under the Income Tax Act (Canada) (the “Act”) regarding income tax return filings for Strata Corporations. Under the Act, each Strata Corporation is required to file an annual T2 Corporation Income Tax Return (“T2”), in addition to a T1044 Non-Profit Organization Information Return (“T1044”), if applicable. These obligations exist even though there may be no income taxes payable.

We have noted increased attention to these requirements by Canada Revenue Agency (“CRA”) and consequently recommend that you review if the T2 and T1044 are being filed. It should be noted that unless specifically engaged to prepare an annual T2 or T1044 return, the auditors would not normally prepare them.

**Corporation Income Tax Return – T2**

CRA requires a Strata Corporation that may be exempt under paragraph 149(1)(l) of the Act to file a T2 annually. The T2 must be filed within 6 months of the Strata Corporation’s taxation year end. Currently, there are no penalties for late filing a T2 provided that the Strata Corporation is considered exempt from income tax under the Act.

**T1044 Non-Profit Organization Information Return – T1044**

Strata Corporations that are exempt under paragraph 149(1)(l) of the Act are required to file a T1044 within 6 months of their taxation year end if:

1. The Total of all amounts received or receivable of interest, rentals or royalties in the period exceeds $10,000.

2. The total assets exceeds $200,000 at the end of the preceding fiscal period.

The requirement to file a T1044 under the Act is applicable to fiscal periods ending after 1992. If a Strata Corporation late files a T1044, there is a penalty of $25/day up to a maximum of $2,500 for each late filed return.

Once the T1044 has been filed, the Strata Corporation **must** file every year even though they are below the above two requirements.

**Solutions to Late-Filing of T1044**

In respect to the late filing of the T1044, there may be relief from penalties otherwise assessed by CRA under the “Taxpayer Relief” legislation, referred to as the Voluntary Disclosure Program (“VDP”).
This program provides relief to taxpayers who “voluntarily” come forward and correct inaccurate or incomplete information or to disclose information they have not reported, without penalties or prosecution, for the preceding 10 years (if information is available). In order to qualify for VDP, all of the following 4 conditions must be met:

1. The disclosure is voluntary;
2. The disclosure is complete;
3. The disclosure involves a penalty; and
4. The disclosure includes information that is at least one year past due.

Failing to meet all the above conditions may result in CRA assessing penalties of up to $2,500 per late filed T1044.

**Services**

**VDP:**

We have engaged a third-party accounting firm that offers the services of preparing the T1044 and T2 submission to CRA using VDP. They have quoted a fee of $375 plus GST for each year of T1044 filings. There is also a single fee of $300.00 plus GST for the completion of the VDP application.

It is recommended that older Strata Corporations should file the T1044 for its current and 5 preceding years along with the VDP Application. There is a possibility that CRA may ask for further prior years and in this case, penalties would apply for the ones not selected using VDP. There is no assurance that CRA will not ask for prior years.

A complete VDP involves filing of all tax returns for all years.

Ultimately, the Council must make the decision on which years to file a T1044.

**T2:**

The firm’s fee for the preparation of a T2 corporation income tax return is $275 plus GST. There are currently no penalties assessed by CRA provided that the Strata Corporation is exempt under paragraph 149(1)(l) of the Act. Therefore, it is recommended that only the current year’s T2 be filed with CRA.

Please contact us if you have any questions or would like us to proceed with your Strata Corporation’s income tax return filings.