

BC Speculation and Vacancy Tax

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As part of its 2018 Budget, on February 20, 2018, the BC government announced that it would be introducing legislation to impose an annual tax on residential properties, effective in 2018.

BC introduced proposed legislation for the Speculation and Vacancy Tax ("the SV tax") on October 16, 2018. BC has stated the SV tax is designed to discourage housing speculation and people from leaving homes vacant in BC's major urban centres.

The SV tax may apply to you if your residential property is located in one of these specified areas: municipalities within the Capital Regional District, municipalities within the Metro Vancouver Regional District (excluding Bowen Island, the Village of Lions Bay and Electoral Area A, but including UBC and the University Endowment Lands), the City of Abbotsford, the District of Mission, the City of Chilliwack, the City of Kelowna, the City of West Kelowna, the City of Nanaimo, and the District of Lantzville.

Reserve lands, treaty lands, and lands of self-governing Indigenous Nations are not included in the specified areas nor are islands that are accessible only by air or water.

Some residential properties are excluded from the SV tax even if they are located in a specified area. These include residential properties owned by Indigenous Nations, municipalities, regional districts, governments, and other public bodies, registered charities, housing co-ops, and qualifying not-for-profit organizations.

There are several exemptions from the SV tax. The two most commonly used exemptions will be the principal residence exemption and the rental exemption.



A principal residence is specifically defined for purposes of the SV tax. Principal residence means the place in which an individual resides for a longer period in a calendar year than any other place (there are separate rules relating to principal residence of spouses in situations where there is more than one principal residence).

Generally, in order to claim the principal residence exemption, the owner of the residence will have to be a resident of BC at the end of the calendar year. This will tie to the Federal Income Tax Act, which means in most cases if an owner is going to claim the principal residence exemption from the SV tax for a specific year, that owner will need to be a resident of BC for income tax purposes for that year as well.

In order to claim the rental exemption for 2019 and subsequent years, a home must be rented for at least 6 months per year (3 months for 2018). Short term rentals of less than one month do not count towards the 6-month total (3-month total for 2018).

The SV tax will be charged to owners who own the property on December 31 of each year and will be based on the assessed value of the property as determined by BC Assessment.

For a property which is owned on December 31, 2018, the SV tax will be 0.5% of the assessed value of the property on July 1, 2018.

For 2019 and subsequent years, the SV tax will be 2% for foreign owners and satellite families and 0.5% for BC residents and for other Canadian citizens or Canadian residents who are not members of a satellite family.

BC has stated a satellite family is an individual or a spousal unit where the majority of the total worldwide income for the year is not reported on a Canadian tax return.

All owners of residential property in specified areas of BC will have to complete an annual declaration for the SV tax. The annual deadline to complete the declaration is March 31. Any relevant exemptions will be claimed on this annual declaration. If there is SV tax owing for 2018, payment is due by July 2, 2019.

A tax credit may be available to reduce SV tax paid. An owner who is a resident of BC is eligible for a tax credit of up to \$2,000 on a secondary property. An owner who is not a BC resident, but is a Canadian citizen or Canadian resident, will be eligible for a tax credit based on income earned in BC. Foreign owners and satellite families may be eligible to claim a tax credit up to 20% of their income earned in BC. The form to be used for a tax credit application has not yet been released.

Note: the SV tax is different from the City of Vancouver's Empty Homes Tax. If you own residential property in Vancouver, you may have to pay both taxes.