



Speculation and Vacancy Tax:

➡ **Annual Mayors Consultation**

TECHNICAL BRIEFING | 2020 TAX YEAR



Ministry of
Finance



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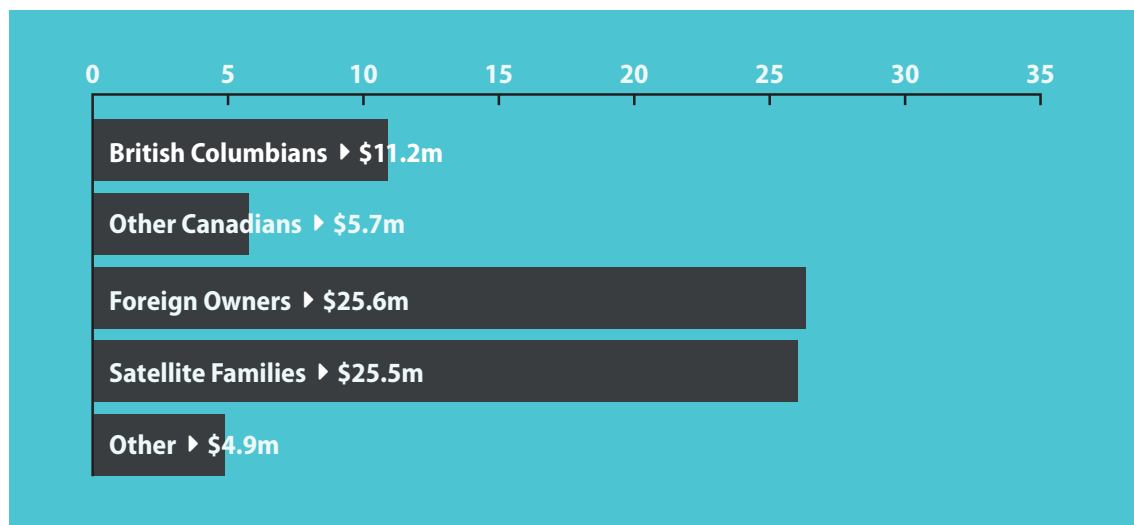
Speculation and Vacancy Tax:

➔ Key Facts

For the third year, more than 99 per cent of British Columbians are exempt from the tax.



The majority of tax revenue based on received declarations comes from foreign owners and satellite families.



COVID-19 and the Housing Market

On March 17, 2020, the government declared a provincial state of emergency to support the province-wide response to the novel coronavirus (COVID-19) pandemic.

- The emergence of COVID-19 heading into FY2021/22 provided high-levels of uncertainty for federal, provincial, and local governments around the world, as the pandemic delivered a combination of health, economic and social challenges.
- The pandemic has added pressure to the housing market as record low interest rates, increased demand and low supply has led to significant upward pressure on housing prices.
- The Province provided assistance to residential renters and landlords during the COVID-19 pandemic through B.C.'s COVID-19 Action Plan, which included a temporary rental supplement, halting of evictions, freezing of rents, and other actions.
- One thing this pandemic has not changed is the need for accessible housing, including rental housing in our major urban areas. The Government of B.C. is committed to doing what it takes to support the people of B.C. as we get through the pandemic together.

Moderation in the Housing Market

The SVT is contributing to moderation in B.C.'s housing market. Increased demand and prices have been primarily driven by the effects of pandemic.

The SVT is contributing towards a decrease in ownership amongst non-resident and non-Canadians in B.C.'s housing market in the SVT areas.

- External factors are affecting real estate markets across the country. Increased demand due to COVID-19, rising costs of raw materials, very low interest rates and low inventory in the market have contributed to increased housing sales and prices.
- While the MLS average home sale price in B.C. declined in April and May of 2020, it picked up thereafter and growth has continued into 2021.
- According to the 2019 & 2020 Rental Market Reports by the CMHC, the SVT has helped to add 18,000 units to the long-term rental market in Greater Vancouver as investors repurposed their properties towards long-term rental and added newly completed units to the market.
- In B.C., freezes on rent increases were applied in March 2020 under the Emergency Program Act and COVID-19 Related Measures Act until December 2020, and were extended until July 2021.
- Housing starts were lower in 2020 compared to 2019. However, housing completions were higher in 2020 compared to 2019, with increases in semi-detached homes and apartment completions higher than single-detached homes.

Year 3 Improvements

In Year 3 of the SVT, the following legislative and regulatory changes were made:

- A new exemption was added for registered charities that hold property through a trustee, retroactive to November 27, 2018 (date of Royal Assent).
- An amendment was made to the definition of beneficial owner to exclude ownership interests that are contingent on the death of another individual, retroactive to November 27, 2018 (date of Royal Assent).
- A new exemption was added for corporations owned by agents of government for the 2021 tax year.
- Updated reference to line 150 of a federal income tax return to line 15000.
- Clarification that the administrator can assess within the specified time period, effective January 1, 2022.
- The land without residence exemption (property with no residence) was set to expire by the end of 2018, but was extended by regulation to apply to the 2019 calendar year. The land without residence exemption is not available for owners to claim in the 2020 calendar year.





In B.C., **freezes on rent increases** were applied in March 2020 under the Emergency Program Act and COVID-19 Related Measures Act until December 2020, and **were extended until July 2021.**

Speculation and Vacancy Tax:

➔ Revenue

- Based on declarations and revenue received to-date, calendar year revenue for 2020 is in line with estimates and will be **\$81 million**.
- The 2020/2021 fiscal year revenue was estimated to be **\$80 million**.
- In the 2021/22 First Quarterly Report, the revenue forecast for 2021/2022 was projected to be **\$80 million**.
- The 2021/22 First Quarterly Report projects that fiscal year revenues will remain the same in the near-term.
- Actual annual revenue will continue to change as there is a portion of property owners who are undeclared, and owners may amend a declaration for up to three years.

Table 1: Tax Revenue¹ by Region – 2020

Regional District	Tax Revenue
Capital	\$7,224,102
Central Okanagan	\$4,552,154
Fraser Valley	\$2,240,594
Metro Vancouver	\$65,512,039
Nanaimo	\$1,115,859
TOTAL	\$80,644,747

¹ "Tax Revenue" is tax assessed on received declarations plus amounts received from owners who have not yet declared (as of September 30, 2021).

Table 2: Tax Revenue by Owner Type (\$m) – 2020

	BC Resident	Other Canadian	Foreign Owner	Satellite Family	Other	Undeclared Owners	Total ²
TOTAL	11.2	5.7	25.6	25.5	4.9	7.7	80.6

Table 3: SVT Revenue and BC Housing Expenditures (\$m)³

Regional District	SVT Revenues		BC Housing Total Expenditures ^{4,5}	
	2019	2020	2019/2020	2020/2021
Capital	7.4	7.2	135.4	131.6
Central Okanagan	4.7	4.6	52.2	60.5
Fraser Valley	1.1	2.2	85.3	68.4
Metro Vancouver	71.8	65.5	594.3	686.4
Nanaimo	0.84	1.1	38.6	42.1
TOTAL	85.8	80.6	905.8	989

The *Special Accounts Appropriation and Control Act* requires that all revenue collected by government from the SVT goes into the Housing Priority Initiatives Special Account (HPI) and that the revenue is used to fund housing, shelter, or rental initiatives in the 5 regional districts where the tax applies.

Funding for the HPI is generated through the SVT and the property transfer tax. BC Housing is the primary recipient of funds from the HPI Special Account.

BC Housing also receives other funding sources to support government's investments in housing affordability. In addition to the above funding for 2019/20 and 2020/21, the province is providing \$1.8B in annual funding to BC Housing in 2021/22, and \$1.7B in 2022/23.

² Columns don't add to total due to rounding.

³ Columns may not add due to rounding. SVT revenues are reported by calendar year and BC Housing expenditures are reported by fiscal year.

^{4,5} Total Expenditure includes initiatives that are under construction or in development and all other direct costs incurred to provide subsidized housing including all costs that directly contribute to units (capital renewal projects, one-time grants, operating subsidies/rental assistance to societies/tenants).

Table 4: SVT Revenue and BC Housing Expenditures (\$m) - All Years⁶

Regional District	SVT Revenues	BC Housing Total Expenditures
	2018 to 2020 ⁷	2018/2019 to 2020/2021
Capital	18.9	380.3
Central Okanagan	12.8	179
Fraser Valley	3.91	212.1
Metro Vancouver	193	1928
Nanaimo	2.53	130
TOTAL	231.1	2829.4

Funding from the HPI Special Account is provided for a range of affordable housing purposes, including:

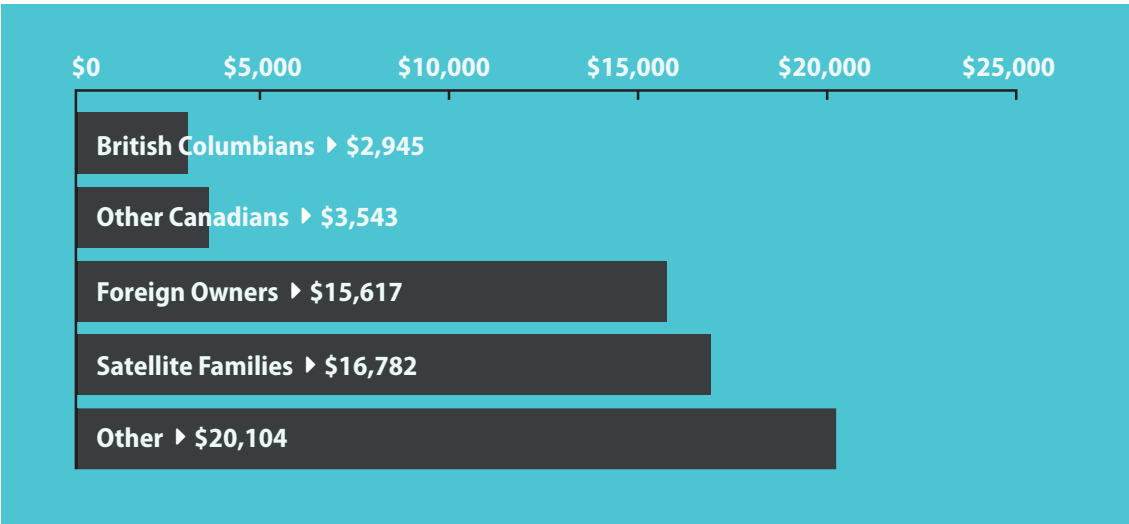
- Renovating, constructing or maintaining housing or shelter.
- Acquiring or improving land that will be used for housing or shelter.
- Supporting housing, rental or shelter programs.
- Providing loans for supportive housing or acquiring land for affordable housing.

BC Housing identifies potential affordable housing projects through collaboration with B.C. municipalities and by working with other partners.

⁶ The total SVT Revenues are provided in calendar years and the total BC Housing Expenditures are provided in fiscal years for cross-referencing purposes.

⁷ Year over year SVT revenue changes may be due to amended declarations made by taxpayers.

Graph 1: Average Tax Assessed by Owner Type – 2020



Foreign owners and satellite families are taxed at a rate of **2%**.

British Columbians and Other Canadians are taxed at a rate of **0.5%**.

Corporations, trusts, and partnerships are assigned an owner type based on their interest holders.

If their interest holders are more than one owner type, they are assigned to the **“Other”** category.

The **“Other”** category also represents ownership types which have not yet been assigned an owner type because the owner has not declared or the declaration is incomplete.

Speculation and Vacancy Tax:

➔ Owners – 2020

Table 5: Owners who Own Residential Properties

	BC Resident	Other Canadian	Foreign Owner	Satellite Family	Other	Total
Exempt	1,400,757	24,872	17,930	17,083	7,074	1,467,716
Non-exempt	3,423	1,547	1,594	1,482	134	8,180
TOTAL	1,404,180	26,419	19,524	18,565	7,208	1,475,896

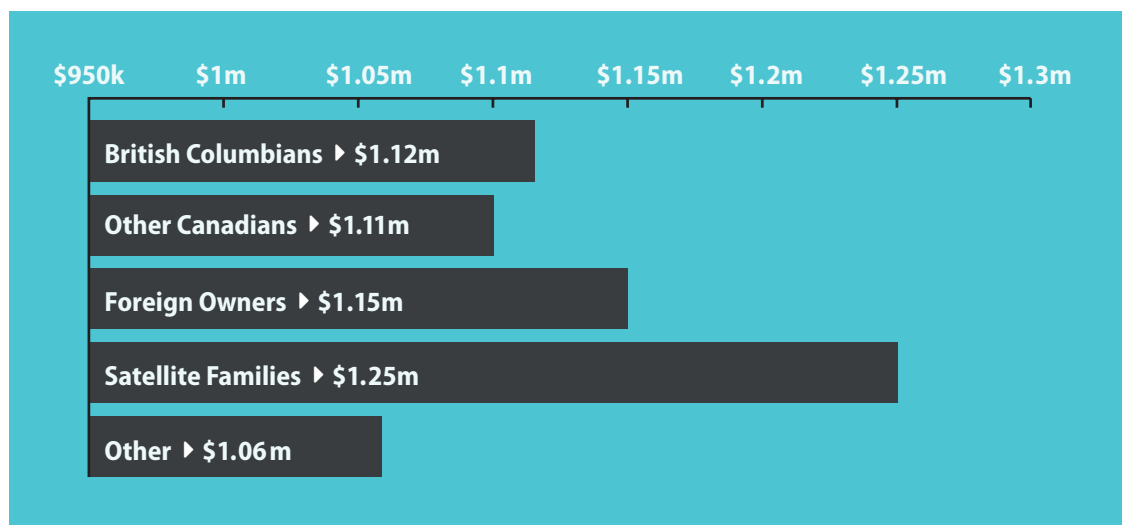
“Exempt” are owners who do not pay any tax. This can occur if all the properties owned by that owner are exempt, or if the owner has enough credits from B.C. income tax paid to offset the tax assessed on any properties that do not qualify for exemptions.

“Non-exempt” are owners who pay some amount of tax on a property (taxpayers).

Corporations, trusts, and partnerships with multiple interest holders are assigned a singular owner type for reporting purposes.

The **“Other”** category also represents ownership types which have not yet been assigned an owner type because the owner has not declared or the declaration is incomplete.

Graph 2: Average Property Value – Taxpayers



The average property value is the average of the properties that non-exempt owners pay tax on.

Table 6: Top 10 Exemptions Claimed

Exemption	2018 Count	2019 Count	2020 Count	2019 to 2020 Change
Principal residence	1,292,851	1,301,200	1,317,400	16,200
Occupied by a tenant	356,307	363,356	373,847	10,491
Recently acquired or inherited	18,178	21,311	24,525	3,214
Construction or renovation	15,326	14,859	17,216	2,357
Property with no residence	11,920	10,859	-	-10,859
Rental restrictions	5,591	5,194	4,581	-613
Vacant new inventory	3,030	3,389	4,107	718
Death of an owner	2,054	3,943	3,687	-256
Phased development	1,933	2,254	2,353	99
Other exemptions	9,930	7,991	8,892	901
TOTAL	1,717,120	1,734,356	1,756,608	22,252

Exemptions are claimed by owners. Owners may claim multiple exemptions if they own multiple properties, and properties may have multiple exemptions applied to them if the property has multiple owners. An owner does not necessarily require an exemption to be “exempt” from the tax; many owners have enough credits to bring their tax owing down to zero.

Some of the changes in exemptions may be due to net new properties from new housing supply.

The land without residence exemption (property with no residence) allowed those who held vacant land with enough time to either begin developing the land or to sell it to someone who would develop the land. The exemption was set to expire by the end of 2018 but was extended by regulation to apply to the 2019 calendar year.

Year over year changes may also be due to amended declarations, or methodology improvements.

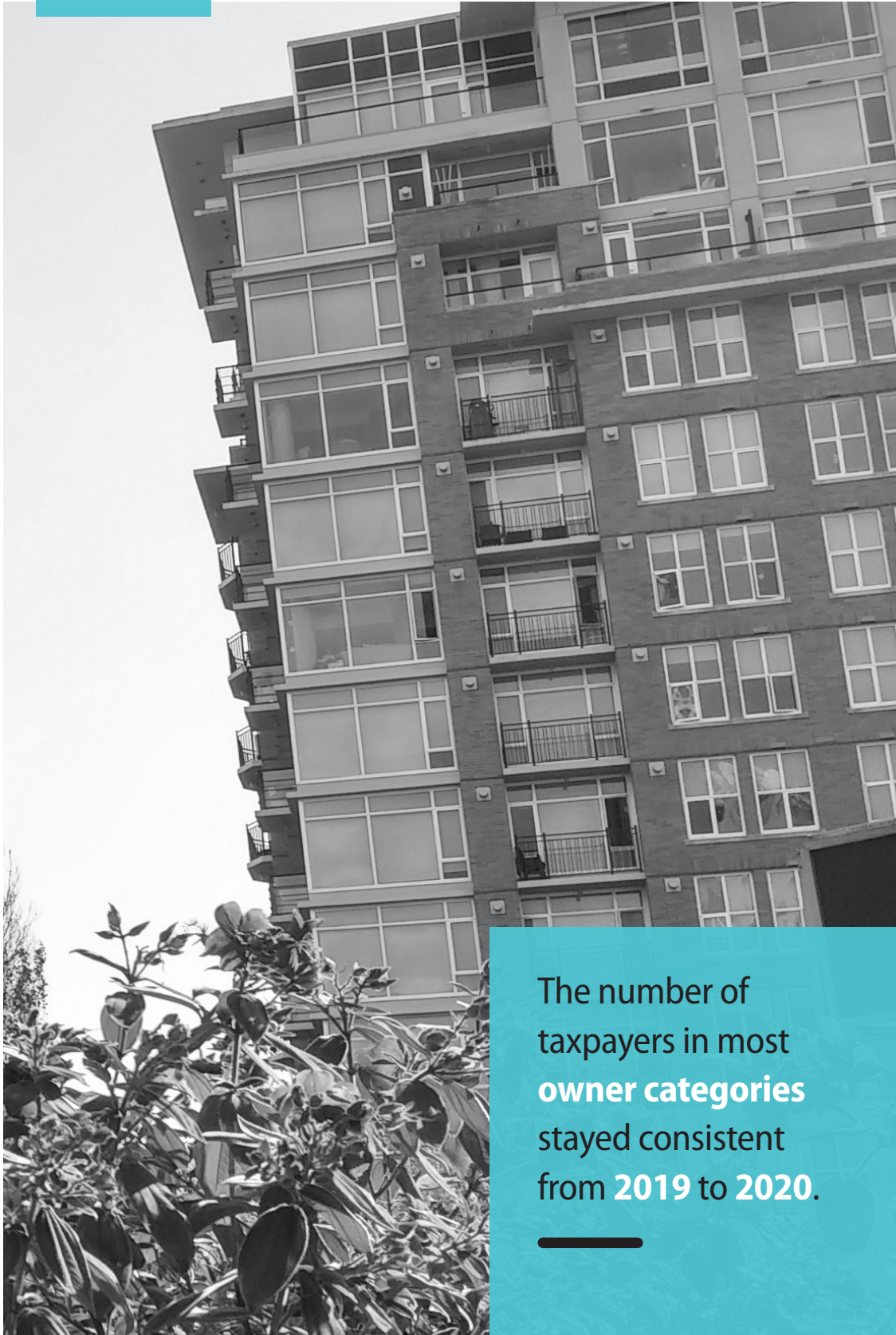
Table 7: Comparison in non-exempt owners 2019 to 2020

Owner type	2019	2020
BC Resident	2,272	3,423
Other Canadian	1,466	1,547
Foreign Owner	2,107	1,594
Satellite Families	1,440	1,482
Other	65	134
TOTAL	7,350	8,180

“Non-exempt” owners are owners who pay some amount of tax on a property (taxpayers).

The number of taxpayers in each owner category stayed relatively consistent from 2019 to 2020 except BC Residents and foreign owners, which saw an approximate increase of 1,100 and decrease of 500, respectively. The expiry of the land without residence exemption contributed to the increase in non-exempt BC residents. The exemption was available in 2019 and expired in advance of the 2020 tax year. Foreign owners continue to change their behaviour, as intended in response to the tax, which contributed to a decrease in non-exempt foreign owners.

Year over year changes may also be due to amended declarations, or methodology improvements.



The number of
taxpayers in most
owner categories
stayed consistent
from **2019** to **2020**.

Speculation and Vacancy Tax:

➔ Properties – 2020

Table 8: Residential Properties – Declared Properties

	BC Resident	Other Canadian	Foreign Owner	Satellite Family	Mixed	Other	Total
Exempt	1,017,332	16,348	14,206	13,558	13,329	19,165	1,093,938
Non-exempt	2,682	925	1,087	977	653	232	6,556
TOTAL DECLARED	1,020,014	17,273	15,293	14,535	13,982	19,397	1,100,494

“Declared Properties” are properties for which there is at least one owner who has declared or for which at least one owner has paid tax.

“Not exempt” are properties with at least one owner who must pay or has paid some amount of tax, net of credits (taxpaying property).

“Exempt” are properties for which no declared owner owes tax on the property.

Corporations, trusts, and partnerships are assigned an owner type based on their interest holders.

“Mixed” are properties that have multiple owners which do not all belong to the same category.

“Other” are properties which have not yet been assigned an owner type.

Table 9: Taxpaying Properties

	BC Resident	Other Canadian	Foreign Owner	Satellite Family	Mixed	Other	Total
Condominium	964	488	696	457	224	32	2,861
Detached Home	567	228	194	346	284	21	1,640
Other Residential	980	112	70	53	56	174	1,445
Townhouse	171	97	127	121	89	5	610
TOTAL	2,682	925	1,087	977	653	232	6,556

“Taxpaying properties” are properties that have at least one owner who is non-exempt.

“Mixed” are properties that have multiple owners which do not all belong to the same category.

“Other” are properties which have not yet been assigned an owner type.

Corporations, trusts, and partnerships are assigned an owner type based on their interest holders.

Housing types are derived from BC Assessment “Actual Use” categories.

“Other Residential” are housing types which do not fit into the categories of Detached Home, Townhouse, or Condominium. A duplex is an example of such a housing type.

Table 10: Comparison of taxpaying properties 2019 to 2020

	2019	2020
Number of taxpaying properties	5,651	6,556
Average value of taxpaying properties	\$1,141,297	\$1,148,332

“Taxpaying properties” are properties that have at least one owner who is non-exempt.

The number of taxpaying properties and the average value of taxpaying properties increased in 2020.

Year over year changes may be due to amended declarations, or methodology improvements or a change in available exemptions.

Table 11: Changes to 2019 taxpaying properties in 2020

	Remains non-exempt in 2020	Claims principal residence in 2020	Claims tenancy exemption in 2020	Claims another exemption in 2020	Is no longer on title in 2020 (sold)	Total ⁸
TOTAL	2,999	474	1,036	219	910	5,651

For the 2019 filing year, there were 5,651 properties where at least one owner is liable for tax. Table 11 follows these properties into the 2020 filing year to see what happens with them.

“Remains non-exempt” are properties that continue to have an owner who is liable for tax in 2020.

“Claims principal residence” are properties where an owner claimed the principal residence exemption on the property in 2020.

“Claims tenancy exemption” are properties where an owner claimed a tenancy exemption in 2020.

“Claims another exemption” are properties where an owner claimed another exemption in 2020.

“Is no longer on title in 2020 (sold)” are properties where an owner is no longer on title for 2020.

Table 12: Changes to 2019 taxpaying properties in 2020 – foreign owners and satellite families only

	Remains non-exempt in 2020	Claims principal residence in 2020	Claims tenancy exemption in 2020	Claims another exemption in 2020	Is no longer on title in 2020 (sold)	Total
Foreign Owner	918	61	417	52	294	1,743
Satellite Family	566	193	191	51	247	1,248
Foreign Satellite Mix	41	2	21	4	10	78
TOTALS	1,525	256	629	107	551	3,069

For the 2019 filing year, there were 5,651 properties (Table 11) where at least one owner is liable for tax. Table 12 identifies the properties (of the 5,651) that have a foreign owner, a satellite family owner, or a mix of both a foreign and satellite family owner and looks at what that owner type did in 2020.

⁸ There is a small “other” category that is included in the total column that are taxpaying properties in 2019 that do not have a 2020 filing.



There are over **1,100** foreign or satellite family owned properties that **paid the tax** in 2019 and were either sold or rented in 2020

Speculation and Vacancy Tax:

➔ Summary

- ✓ To date, the data indicates that the SVT is meeting its policy goals.
- ✓ Foreign owners and satellite families pay the majority of the tax.
- ✓ According to the data, owners that were subject to the tax (particularly those at the highest rate) are selling or renting out their properties.
- ✓ Behavioral changes from a variety of measures are adding housing units to the market.





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