

# Speculation and Vacancy Tax Annual Mayors' Consultation – Technical Briefing

2023 Tax Year

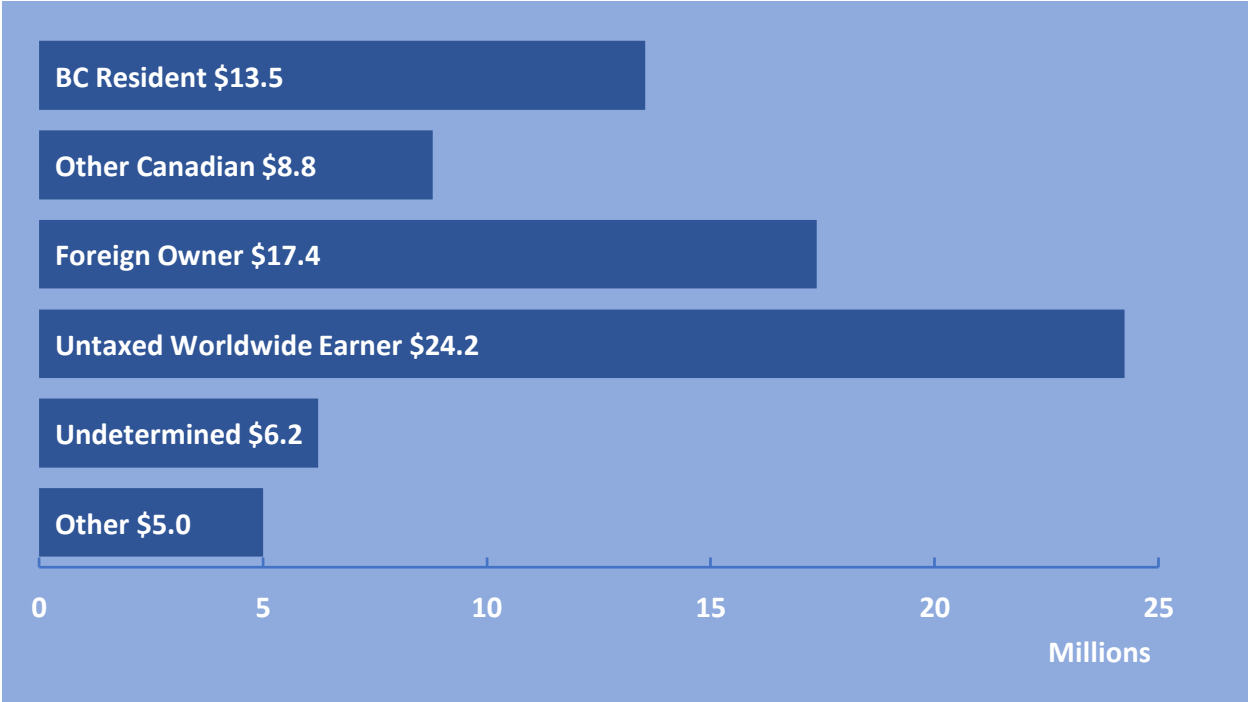
December 18, 2024

# Speculation and Vacancy Tax (SVT) – Key Facts

For 2023 (the sixth year of the tax), approximately 99.7 per cent of British Columbians are exempt from the tax.



The majority of SVT revenue received for 2023 comes from non-BC residents.



The “undetermined” owner type refers to those who have paid the SVT without declaring. Corporations, trusts, and partnerships are assigned an owner type based on their interest holders. If their interest holders include more than one owner type, they are assigned to the “other” category.

## Housing Affordability

Housing affordability remains a top priority for the Province. We are investing \$7 billion over 10 years to increase housing supply and meet the targets set out in the four pillars of the refreshed housing plan, *Homes for People*: speeding up delivery, increasing the supply of attainable small-scale, multi-unit housing, helping people who need it most, and fighting speculation and profiteering.

Amid the most substantial interest rate hikes since the 1990s, BC's real estate market moderated in 2023, due in part to federal, provincial, and municipal housing measures. Total residential unit sales in BC declined 9.2% in 2023 with the average Multiple Listing Service (MLS) residential price decreasing 2.6% from the previous year. BC also recorded 50,490 housing starts in 2023, an all-time record in data going back to 1955.

Concrete steps we have taken to make housing more affordable for British Columbians include:

- Implementing legislation to further regulate short-term rentals.
- Amending zoning bylaws to deliver more housing for middle-class earners through the small-scale, multi-unit housing legislation.
- Creating designs for small-scale, multi-unit homes through the new Standardized Housing Design Project.
- Offering forgivable loans for homeowners to build and rent secondary suites to increase affordable rental supply faster.
- Building thousands of new student housing beds.
- Buying land near transit developments to build more homes for people.
- Protecting renters by tying the annual allowable rent increases to inflation.
- Providing extra support to renters through the renter's tax credit.
- Enacting legislation to authorize the Province to set housing targets in municipalities with the greatest need and highest projected population growth. To date, 30 municipalities have received housing target orders.
- Speeding up permitting to reduce costs and expedite building approvals.
- Providing more homes and supports for people experiencing or at risk of homelessness through the Belonging in B.C. plan.

- Launching BC Builds – a program that leverages government, community, and non-profit owned land with \$2 billion in low-cost financing and a commitment of \$950 million.
- Further expanding the SVT to 13 additional communities in 2024, following the expansion to six new communities in 2023, for a total of 59 SVT specified areas.
- Introducing the BC home flipping tax, which will take effect January 1, 2025, to discourage short-term housing speculation that drives up home prices.
- Exempting new, purpose-built rental buildings from the further 2% property transfer tax (PTT) in 2024 to encourage rental construction. Starting in 2025, through 2030, these properties will also be exempt from the general PTT.
- Making more people eligible for the first time home buyers' PTT exemption by increasing the threshold from \$500,000 to \$835,000, with the first \$500,000 completely exempt from the PTT.
- Increasing the threshold of the newly built home PTT exemption to \$1.1 million to encourage more construction of new homes.

### Year 6 Improvements

In year 6 of the SVT, the Province made the following legislative and regulatory changes to the tax:

- Expanded the SVT to 13 new municipalities, effective January 2024. Residential property owners in the following expansion communities will declare for the first time in 2025: City of Vernon, District of Coldstream, City of Penticton, District of Summerland, District of Lake Country, District of Peachland, City of Courtenay, Town of Comox, Village of Cumberland, City of Parksville, Town of Qualicum Beach, City of Salmon Arm, and City of Kamloops.
- Transferred the SVT responsibility from fee simple owners to registered leaseholders of a residential leasehold property.
- Extended the time the SVT administrator has to review late declarations and issue an assessment in these cases.

## Speculation and Vacancy Tax – Revenue

- Based on declarations and revenue received as of October 1, 2024, the SVT revenue for the 2023 calendar year was \$75.2 million.
- This figure includes revenue collected from the six new communities that were included in the SVT specified areas, starting in 2023: City of Duncan, District of North Cowichan, District of Squamish, Town of Ladysmith, Town of Lake Cowichan, and Village of Lions Bay.
- The SVT revenue forecast for 2024/2025 is \$86 million in the 2024/25 *First Quarterly Report*. [First Quarterly Report - September 2024 \(gov.bc.ca\)](https://www.gov.bc.ca)
- Actual annual revenue will continue to change as some property owners have yet to submit a declaration, and owners may amend a declaration for up to three calendar years.

Table 1: Tax Revenue<sup>1</sup> by Regional District, 2023

Regional District	Tax Revenue
Capital	\$10,903,169
Central Okanagan	\$6,638,150
Cowichan Valley	\$1,277,473
Fraser Valley	\$2,643,633
Metro Vancouver	\$51,589,814
Nanaimo	\$920,541
Squamish-Lillooet	\$1,205,084
<b>Total</b>	<b>\$75,177,863</b>

Table 2: Tax Revenue by Owner Type, 2023

Owner Type	Tax Revenue
BC resident	\$13,533,993
Other Canadian	\$8,790,866
Foreign owner	\$17,365,052
Untaxed worldwide earner	\$24,241,930
Undetermined	\$6,237,381
Other	\$5,008,641
<b>Total</b>	<b>\$75,177,863</b>

<sup>1</sup> “Tax revenue” in all tables and graphs includes tax paid by declared owners and tax paid by owners who have paid without declaring (i.e., “undetermined” owners), as of October 1, 2024.

Table 3: SVT Revenue and BC Housing Expenditures (\$ million)<sup>2</sup>

Regional District	SVT Revenue		BC Housing Total Expenditures <sup>3</sup>	
	2022	2023	2022/2023	2023/2024
Capital	11.4	10.9	188.6	200.5
Central Okanagan	6.1	6.6	60.1	74.7
Cowichan Valley	-	1.3	-	36.4
Fraser Valley	2.5	2.6	85.1	115.0
Metro Vancouver	60.8	51.6	988.4	1,300.1
Nanaimo	1.0	0.9	43.8	40.1
Squamish-Lillooet	-	1.2	-	3.3
<b>Total</b>	<b>81.9</b>	<b>75.2</b>	<b>1,365.9</b>	<b>1,770.1</b>

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

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

BC Housing also receives other funding to support government's investments in housing affordability. 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; and
- Providing loans for supportive housing or acquiring land for affordable housing.

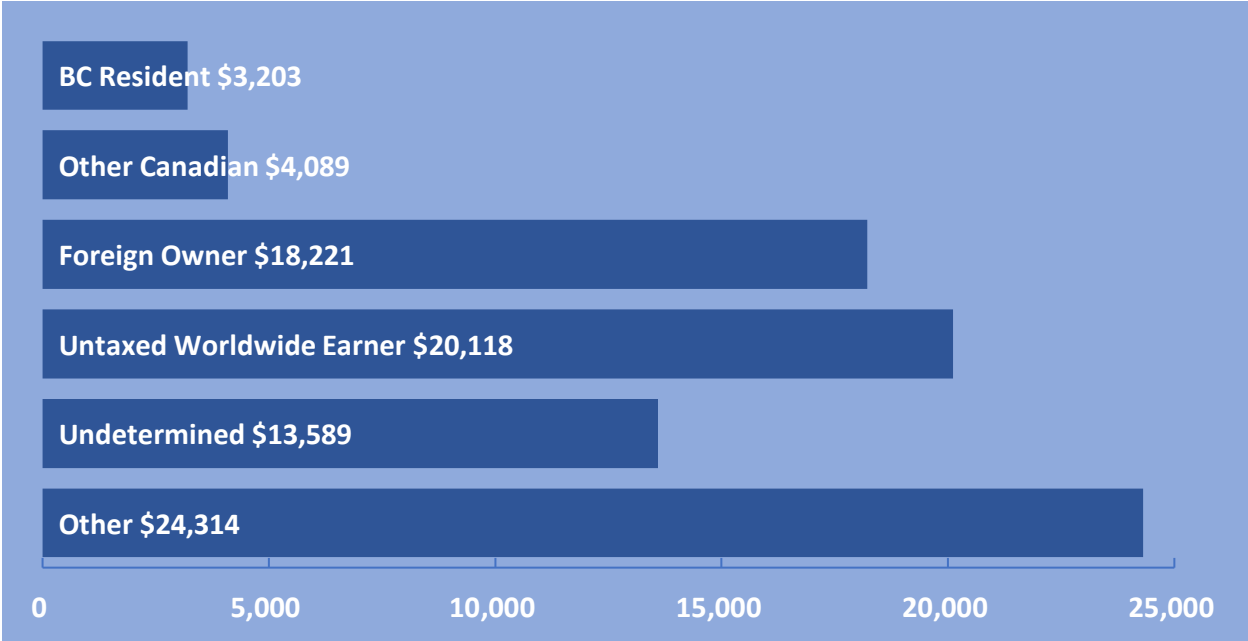
BC Housing identifies potential affordable housing projects in part through collaboration with municipalities and by working with other partners.

Tax revenue from "undetermined" owners (i.e., those who have paid the SVT without declaring), has been allocated to the respective regional districts based on the owners' property addresses.

<sup>2</sup> Columns may not add to total due to rounding.

<sup>3</sup> "Total expenditures" include all direct costs incurred to provide subsidized housing, including all costs that directly contribute to units (i.e., projects for new development, capital renewal projects, one-time grants, operating subsidies, rental assistance to societies and/or tenants).

Graph 1: Average Tax Revenue by Owner Type, 2023



Foreign owners and untaxed worldwide earners are taxed at a rate of 2 per cent.

BC residents and other Canadians are taxed at a rate of 0.5 per cent.

## Speculation and Vacancy Tax – Owners

Table 4: Number of Owners by Exemption Status, 2023

Owner Type	Exempt	Non-exempt	Total
BC resident	1,507,556	3,872	1,511,428
Other Canadian	27,923	2,100	30,023
Foreign owner	14,594	919	15,513
Untaxed worldwide earner	17,716	1,184	18,900
Undetermined	-	432	432
Other	8,235	90	8,325
<b>Total</b>	<b>1,576,024</b>	<b>8,597</b>	<b>1,584,621</b>

“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 tax credits to offset the tax assessed on any properties that do not qualify for exemptions.

Owners who have yet to declare or pay are not included in the count of owners.

Table 5: Top 10 Exemptions Claimed

Exemption Claimed	2022 count	2023 count	2022 to 2023 change
Principal residence	1,377,215	1,420,961	43,746
Occupied by a tenant	407,670	425,891	18,221
Recently acquired or inherited	17,115	18,922	1,807
Construction or renovation	19,651	18,531	-1,120
Death of an owner	4,299	4,694	395
Vacant new inventory	3,192	4,432	1,240
Phased development	2,648	2,608	-40
Uninhabitable property	1,963	1,940	-23
Strata accommodation	1,866	1,877	11
Other	5,862	5,995	133
<b>Total</b>	<b>1,841,481</b>	<b>1,905,851</b>	<b>64,370</b>

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 who does not qualify for an exemption may not be liable for the tax; many owners have a tax credit that brings their tax owing down to zero (e.g., where the property owned by BC residents is assessed at less than \$400,000).

The changes in exemption counts reflect the exemptions claimed by property owners in the six new communities who declared for the first time in 2024 (for the 2023 tax year). Some of the changes may also be due to net new properties from new housing supply.



Both 2022 and 2023 numbers are as of October 1, 2024. The 2022 column may not align with previous reports due to newly submitted or amended declarations, or improvements to data collection.

Table 6: Comparison in Non-exempt Owners, 2022 to 2023

<b>Owner Type</b>	<b>2022</b>	<b>2023</b>
BC resident	3,850	3,872
Other Canadian	2,011	2,100
Foreign owner	1,156	919
Untaxed worldwide earner	1,195	1,184
Undetermined	816	432
Other	78	90
<b>Total</b>	<b>9,106</b>	<b>8,597</b>

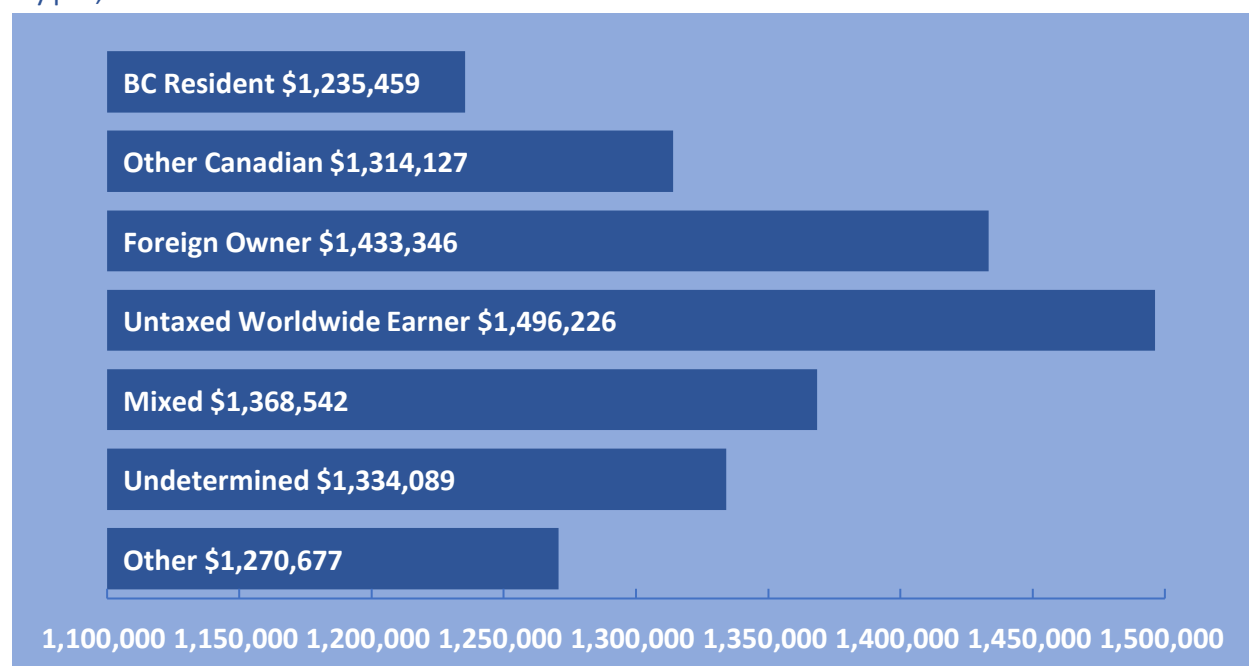
Both 2022 and 2023 data are as of October 1, 2024. The 2022 column may not align with previous reports due to newly submitted or amended declarations, or improvements to data collection.

## Speculation and Vacancy Tax – Properties

Table 7: Properties by Exemption Status and Owner Type, 2023

Owner Type	Exempt	Non-exempt	Total
BC resident	1,099,856	2,890	1,102,746
Other Canadian	18,549	1,238	19,787
Foreign owner	11,977	584	12,561
Untaxed worldwide earner	14,464	765	15,229
Mixed	13,666	513	14,179
Undetermined	-	256	256
Other	21,572	208	21,780
<b>Total</b>	<b>1,180,084</b>	<b>6,454</b>	<b>1,186,538</b>

Graph 2: Average Property Value of Non-exempt Properties by Owner Type, 2023



Property owner types are determined based on all declared owners of the property.

A property owned by one distinct type of owner is assigned that specific owner type.

A “mixed” property owner type means that the property has more than one distinct known owner type.

An “undetermined” property owner type means that there are no declared owners on the property, but there are owners who have paid without declaring.

The “other” property owner type means all of the owners on the property are owners who do not have an individual owner type, such as widely held companies.

A property is considered non-exempt if one of the owners declared as non-exempt or paid the tax.

Table 8: Non-exempt Properties by Property Type, 2023

Owner Type	Condominium	Detached Home	Townhouse	Other Residential	Total
BC resident	1,328	542	203	817	2,890
Other Canadian	761	251	146	80	1,238
Foreign owner	373	87	75	49	584
Untaxed worldwide earner	389	226	123	27	765
Mixed	196	191	89	37	513
Undetermined	149	62	26	19	256
Other	38	24	5	141	208
<b>Total</b>	<b>3,234</b>	<b>1,383</b>	<b>667</b>	<b>1,170</b>	<b>6,454</b>

Housing types are derived from BC Assessment's "Actual Use" categories.

"Other residential" housing types include those that do not fit into the categories of condominium, detached home, or townhouse (e.g., duplex).

Table 9: Comparison of Non-exempt Properties, 2022 to 2023

	2022	2023
Number of non-exempt properties	6,803	6,454
Average value of non-exempt properties	\$1,350,627	\$1,314,989
Median value of non-exempt properties	\$887,000	\$881,000

Both 2022 and 2023 numbers are as of October 1, 2024.

Table 10: Changes to 2022 Non-exempt Properties in 2023<sup>4</sup>

Changes	Number of Properties
Remains non-exempt	4,220
Change in title (sold), property now exempt	702
Claims principal residence	560
Claims occupied by tenant	762
Claims other exemption	493
<b>Total</b>	<b>6,803</b>

Non-exempt properties include properties with an undetermined owner type where an owner has paid the tax without declaring.

For the 2022 filing year, there were 6,803 properties where at least one owner was liable for the tax. Table 10 follows these properties and examines the status of these properties in 2023.

"Remains non-exempt" are properties that continue to have an owner who is liable for the tax in 2023.

<sup>4</sup> There is a small "other" category included in the total column for taxpaying properties in 2022 that were no longer candidates for the SVT in 2023 (e.g., the property folio number no longer existed due to subdivision).

“Change in title (sold), property now exempt” are properties that had a change in title (e.g., property sale), and were exempt in 2023.

“Claims principal residence” are properties where an owner claimed the principal residence exemption on the property in 2023.

“Claims occupied by tenant” are properties where an owner claimed a tenancy exemption in 2023.

“Claims other exemption” are properties where an owner claimed another exemption in 2023.

Properties with multiple owners who claimed multiple exemptions are only counted in one category. For example, if a property has one owner claiming the principal residence exemption and the other claiming the tenancy exemption, it is only assigned to the “claims principal residence” category.

Table 11: Changes to 2022 Non-exempt Properties in 2023 – Foreign Owners and Untaxed Worldwide Earners Only<sup>5</sup>

Changes	Foreign Owner	Untaxed Worldwide Earner	Foreign Owner & Untaxed Worldwide Earner Mix	Total
Remains non-exempt	432	420	31	883
Change in title (sold), property exempt	89	58	7	154
Claims principal residence	19	114	5	138
Claims occupied by tenant	159	126	16	301
Claims other exemption	33	93	3	129
<b>Total</b>	<b>734</b>	<b>813</b>	<b>62</b>	<b>1,609</b>

For the 2022 filing year, there were 6,803 properties where at least one owner was liable for the tax. Table 11 identifies the 1,609 properties (of the 6,803) that had a foreign owner, an owner who was an untaxed worldwide earner, or a mix of both, and looks at what that owner type did in 2023.

<sup>5</sup> There is a small “other” category included in the total column for taxpaying properties in 2022 that were no longer candidates for the SVT in 2023 (e.g., the property folio number no longer existed due to subdivision).