



BC SPECULATION AND VACANCY TAX

February 11, 2019

All owners of residential properties in BC should take note of the new BC Speculation and Vacancy Tax that has recently been introduced and effective in 2018. While this is not directly a Canadian income tax matter, we would like to highlight this to you, as you may be affected.

In addition to Vancouver's empty homes declaration, residential property owners of taxable regions in BC need to complete an annual declaration for the speculation and vacancy tax. Owners of residential properties in taxable regions of BC should be receiving the speculation and vacancy tax letters by middle of February 2019. The declaration is due by March 31, 2019.

While the Vancouver's empty homes declaration is by property, the BC speculation and vacancy tax declaration is by each owner of the property.

According to the BC government, most property owners in BC may be exempt from the tax, but each owner who owns a residential property in taxable regions of BC must claim their exemption by March 31, 2019, or deemed to be subject to the tax, calculated at 0.5% of the property assessment value for 2018.

A number of exemptions are available for individuals. The common ones include: principal residence and occupied by a tenant for a minimum number of months per year. For a complete list of exemptions for individuals, please see <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/speculation-and-vacancy-tax/exemptions-speculation-and-vacancy-tax/individuals>. Each exemption requires specific criteria that need to be met.

In particular, if the property is occupied by a tenant (e.g. family members), whether the owner is Canadian, foreign or a member of a satellite family will draw very different requirements in order to be exempt from the tax. Please refer to this link for further details: <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/speculation-and-vacancy-tax/exemptions-speculation-and-vacancy-tax/individuals/tenancy-requirements>

Many of the exemptions available for individuals are also available to residential property owned by eligible corporations, trustees or partners.

If a residential property owner in BC is not eligible for an exemption and therefore required to pay the BC Speculation and Vacancy Tax, they may qualify for a tax credit for up to \$ 2,000.

Residential property owners who are affected by this tax may consider strategies to be exempt from the tax going forward. Under a change in circumstances to meet the exemption test, income tax implications should also be considered as they may be significant, such as a change in use of property from personal use to rental, potentially triggering a deemed disposition at fair market value.

As this tax has just been recently passed into law, the information provided by the BC government on their website may be unclear and incomplete, raising questions on some matters. If you would like our assistance, please contact us. While we may not be able to provide complete certainty on how some of the information provided by the BC government should be interpreted, we can look into your specific situation carefully and consult with the BC government directly where necessary.