

PRESSING THE RE-SET BUTTON ON BC'S SPECULATION TAX (2024)

Issue

The province legislated the Speculation & Vacancy Tax,¹ effective December 2018. The Chamber has advocated that the tax is unfair, poorly thought out and has not delivered timely public reporting on actual dollar values delivered locally. If BC is adamant that the tax is necessary to address the housing crisis, it must apply it fairly across the province. It has not done so; it annually expands the list of municipalities affected, but based on what appears to be an unfair criteria set (The Speculation and Vacancy Tax Review Report and Expansion).²

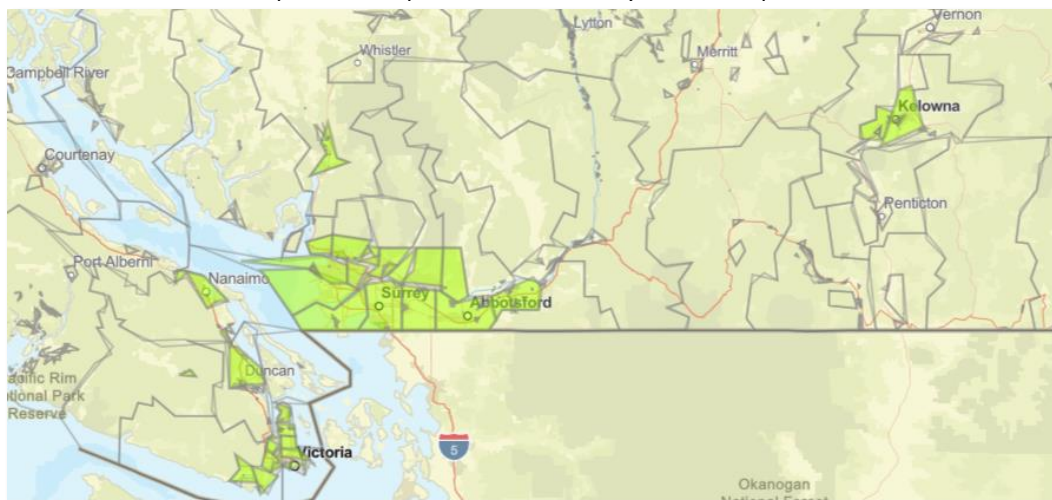
Background

In 2018, BC Chamber delegates adopted a 'Scrap the Spec Tax' policy. Now, the proposed tax is entrenched in legislation and expanding annually. In each of the subsequent two years, two additional policies called for the tax to be abolished and made fair, and the numbers made transparent.

Some reporting is now available, but critical informing improvements are needed.³ One key reporting shortfall is access to funds by the individual affected municipality. For example, the government could be required to re-invest the funds collected within two years of collecting said funds, reporting back on fund growth to the municipality.

The only changes forecasted by the Provincial Government relate to the expansion of the tax. The speculation tax was defined as a means for "enabling affordable housing in the communities in which it was imposed." Municipalities now have the responsibility of reporting the extent to which new affordable housing has been enabled through the collection of the tax.⁴

Map 1 – 2024 Speculation & Vacancy Tax Municipalities



Source: Taxable Areas for the SVT, Government of BC

¹The speculation and vacancy tax is designed to turn vacant homes into housing for people in British Columbia, and ensure foreign owners and those with primarily foreign income contribute fairly to BC's tax system. This tax is an annual tax that applies based on: How property owners use their residential property. <https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax/how-tax-works>

² https://news.gov.bc.ca/files/SVT_technical_briefing_2021_tax_year.pdf. Speculation and Vacancy Tax Annual Mayors' Consultation – Technical Briefing 2021 Tax Year November 22, 2022, page 4.

³ *Ibid.*

⁴ <https://www2.gov.bc.ca/gov/content/taxes/speculation-vacancy-tax/how-tax-works/taxable-areas#new2024>

The tax remains unfair, punishing not only the 47 currently taxed communities in which it is imposed but also encouraging residential sprawl (and an accompanying increase in GHG) in neighbouring, non-Spec Tax collecting communities. Additionally, it punishes residents across Canada who plan to retire or move to BC to one of the Spec Tax communities.

The tax encourages buyers to move out of one of the 47 currently taxed areas, such as Kelowna and West Kelowna, Nanaimo, Victoria, Surrey, and the UBC Lands, to purchase property nearby while they continue to use the amenities and infrastructure of these taxed communities without paying any local taxes that pay for roads, parks, and other amenities. Even the government admitted the tax causes owners/buyers to move from one community to another when they most recently expanded the tax in 2023. ⁵ *“This expansion will help prevent speculation from moving from one community to another in a region,”* said then-BC Finance Minister Selina Robinson when making the announcement last July.

Unfair tax policy impacts businesses when it is applied to residents of one community over another. Ineffectiveness leads to economic weakening; tax policy must reflect business and society's needs.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Remove the listing of specific cities as targets of the tax and instead establish clear criteria within the regulations that would indicate what the threshold is (i.e., a rental vacancy rate of less than 2%) when the tax would be activated and conversely when it would be removed if the threshold is not reached (i.e. when rental vacancy rates are 2% or above).
2. Establish transparent public reporting on revenue generated from the speculation tax within each jurisdiction where it is being applied and reconcile in an annually delivered public report the revenue being reinvested in the applicable community to ensure the goal of investing all funds raised in a jurisdiction within the same jurisdiction.
3. Deliver on its commitment to yearly consultations with stakeholders and yearly public reporting. This has only happened once since 2018, in a 2021 report to Local Government.
 - a. Create a Local Housing Trust into which the collected funds are automatically entrusted.
 - b. Delineate that the increase in local funding is incremental, not a reallocation of existing funding.
4. Amend to apply to foreign ownership only; treat all Canadians equally.

⁵ Western Investor, May 29, 2023: [BC urges newly affected owners to avoid speculation tax](#)