

# Ministry of Finance

## Tax Information Sheet



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Information Sheet 2018-001

[gov.bc.ca/propertytaxes](http://gov.bc.ca/propertytaxes)

## Speculation Tax

In Budget 2018, the BC government announced that it would be introducing legislation to impose an annual speculation tax. The tax will be effective for the 2018 tax year.

The majority of BC homeowners will be exempt from this tax.

The speculation tax will target foreign and domestic speculators in BC. These are homeowners who have removed their units from BC's long-term housing stock – meaning they are not owner-occupied or a qualifying long-term rental property.

Satellite families - households with high worldwide income that pay little income tax in BC - will also be captured by the tax.

The speculation tax will initially apply to the Metro Vancouver, Fraser Valley, Capital and Nanaimo Regional Districts, and in the municipalities of Kelowna and West Kelowna.

In 2018, the tax rate will be \$5 per \$1,000 of assessed value. In 2019, the rate will increase to \$20 per \$1,000 of assessed value.

## Exemptions

The majority of BC homeowners will be exempt from this tax.

Exemptions will be available for:

- Principal residences (excluding satellite families)
- Qualifying long-term rental properties
- Certain special cases

## Income Tax Credit

A non-refundable income tax credit will help offset the tax for BC residents. This will leave the bulk of the tax levied on vacant and short-term rental properties owned by individuals who do not live in BC, as well as satellite families.

## Frequently Asked Questions

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**Q. When is the new speculation tax effective?**

A. The speculation tax will be effective for the 2018 tax year. Homeowners will receive their first tax notice in the fall of 2018.

**Q. Who is going to pay the tax?**

A. The speculation tax will target foreign and domestic speculators in BC. These are homeowners who have removed their units from BC's long-term housing stock – meaning they are not owner-occupied or a qualifying long-term rental property. A corresponding income tax credit will help offset the tax for BC residents. This will leave the bulk of the tax levied on vacant and short-term rental properties owned by individuals who do not live in BC, as well as satellite families.

**Q. What is the definition of a qualifying long-term rental property?**

A. These details, as well as information on how to apply for an exemption/income tax credit, will be provided in the coming months, prior to the implementation of the tax.

**Q. Will satellite families have to pay the tax?**

A. Yes, satellite families will be required to pay the tax.

We will be collecting information from home owners to identify families with high worldwide income. These families will not be eligible for the up-front principal residence exemption. To the extent that they pay tax in BC, they will still be eligible to claim the income tax credit.

**Q. I live outside the province and own a residential property within the area the tax applies to. Will I have to pay the tax?**

A. If the property is not a qualifying long-term rental, you will be required to pay the tax.

**Q. What about British Columbians with two homes? A resident who lives in Vancouver and owns a vacation property in Kelowna?**

A. A non-refundable income tax credit will help offset the tax for BC residents. This will leave the bulk of the tax levied on vacant and short-term rental properties owned by individuals who do not live in BC, as well as satellite families.

**Q. I think I have a property that might be subject to the tax. How can I avoid the tax?**

**A.** Principal residences and homes rented out long-term will be exempt from the tax.

A non-refundable income tax credit will help offset the tax for BC residents. This will leave the bulk of the tax levied on vacant and short-term rental properties owned by individuals who do not live in BC, as well as satellite families.

**Q. How will the tax be administered? How can I apply for an exemption/income tax credit?**

**A.** The speculation tax will be administered by the Province, outside of the normal property tax system and property tax cycle.

The Province will issue notices by mail that will direct residential property owners to a BC Government website that will contain an electronic tax form (paper and phone options will also be available). The notices will contain information on the various exemptions.

One of the goals in designing the tax and its administration will be minimizing the compliance burden for the vast majority of homeowners who will be claiming an up-front exemption and reducing the number of notices that need to be sent in future years.

**Q. I have read the FAQs but need further details to know if I have to pay the tax? Where can I get more information?**

**A.** These details, as well as information on how to apply for an exemption/income tax credit, will be provided in the coming months, prior to the implementation of the tax.