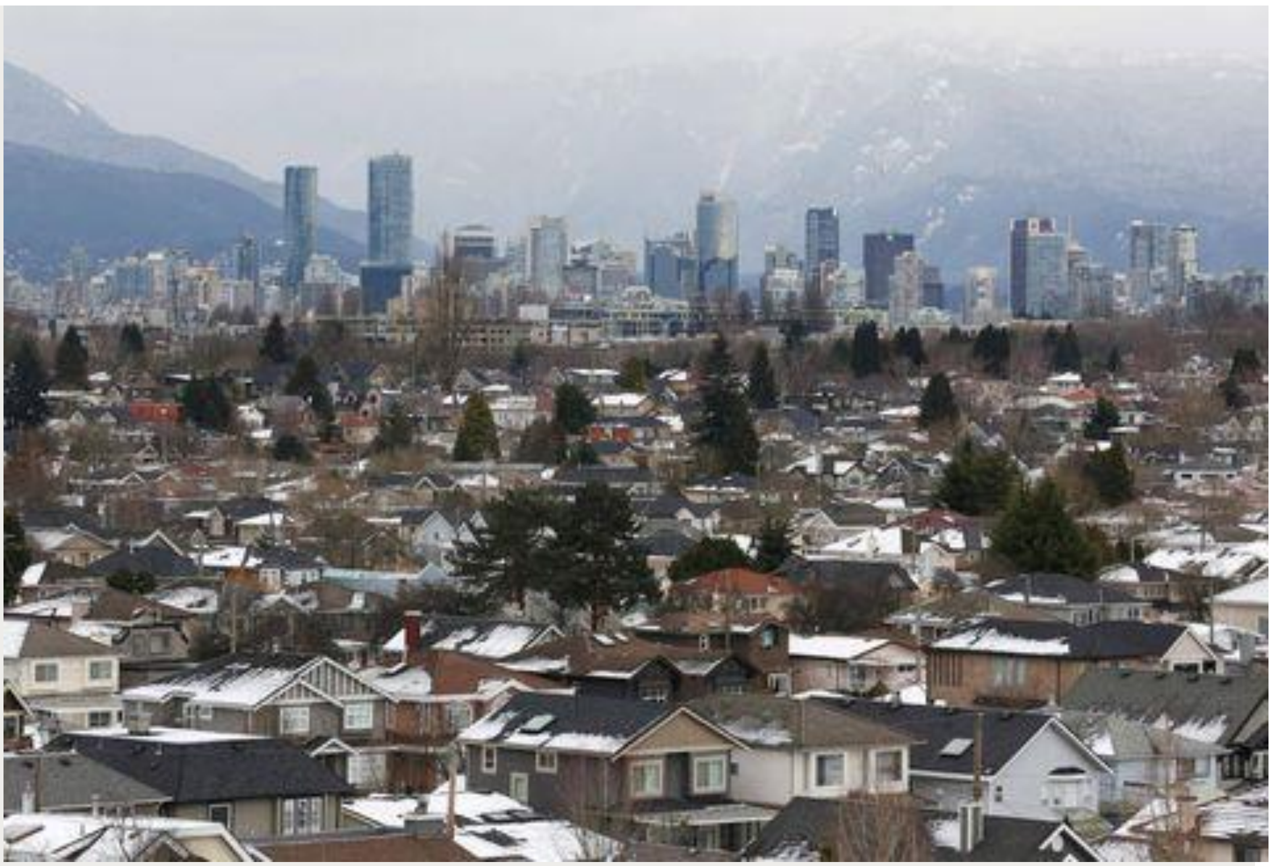
Canadians with B.C. vacation homes to be hit with new tax



Rooftops of houses in the Kitsilano neighbourhood and the downtown core are seen in the hot real estate market of Vancouver in 2017. The B.C. budget says owners seeking an exemption from the new tax would have to show their properties qualify as long-term rentals.

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British Columbia's new property tax targeting out-of-province owners will hit Albertans and other Canadians who have vacation homes there with a big additional bill of thousands of dollars.

On Tuesday, one of the primary measures in the B.C. budget was the introduction of what the government is calling a speculation tax. It is aimed at foreign and domestic property owners who are parking capital in real estate and driving up prices in the province. It would apply to owners who do not pay income tax in British Columbia. Principal residences are exempt, as are properties with long-term renters.

A typical vacation home that is used several times a year but is otherwise empty would not be exempt. "If you are from outside the province and you leave your home vacant, you will be taxed," B.C. Finance Minister Carole James told reporters on Wednesday.

Ms. James had been more vague on Tuesday when asked about vacation homes. "We will be taking a look at details," she said. "We're in the process right now." The tax will be introduced in legislation later this year.

The new tax would be imposed on Metro Vancouver, the Fraser Valley, the Vancouver Island regions of Victoria and Nanaimo and the municipalities of Kelowna and West Kelowna in the Interior. Albertans own vacation properties in these places, although it is unclear how many. The B.C. government estimated the tax will apply to 15,000 residential properties, about 1 per cent of the total in the province.

The tax in 2018 will be 0.5 per cent of a property's assessed value, a rate that rises to 2 per cent for 2019 and thereafter. It will be charged annually, separate from regular property taxes. B.C. predicts it will generate $200-million in revenue a year.

Sean Kehoe, an Albertan, has vacationed in British Columbia since boyhood. He remembers his family piling into a small Volkswagen for the long drive from the Edmonton area to a house they rented in Christina Lake, in B.C.'s Southern Interior.

His parents retired on Vancouver Island and Mr. Kehoe became interested in Qualicum Beach, a town on the water near Nanaimo. He bought a family vacation home there two decades ago. Qualicum Beach is part of the Regional District of Nanaimo, so it will be included in the new tax.

The Kehoe family visits Qualicum Beach from Calgary for a couple of months in summer and several other times a year. Their B.C. connections have deepened recently. A son attends the University of British Columbia and a daughter attends the University of Victoria.

But now, the Calgary entrepreneur is looking at a larger property-tax bill from the province. He currently pays about $3,000. The additional tax could top $10,000 a year – and his total property tax could quintuple.

"It's a ridiculous, high number," Mr. Kehoe said. "We're not speculating. We spend time there. That's where we vacation. It's a great little spot. I just hope they [the provincial government] put a lot of thought into it. A lot of Albertans, that's where they vacation, they go to B.C., and they bought properties and supported the economy."

Mr. Kehoe was not sure of his future plans for the home. Others suggest the tax could lead to sales. Ken Cheung, a long-time Albertan, moved to Kelowna a decade ago. Mr.

Cheung said the new tax would cost $12,000 for an out-of-province owner with a $600,000 condo who uses it for three months in the summer. Mr. Cheung suggested people will consider whether it's worth it and may decide to sell.

The new B.C. tax is unique in Canada, where land ownership is generally not restricted. A rare exception is Prince Edward Island, where a non-resident cannot own more than five acres or more than 50 metres of shoreline. An out-of-province buyer wanting more must seek an exemption from the provincial cabinet.

Alberta oil executives who own B.C. vacation properties will be able to afford the new tax, said Tom Davidoff, a real estate economist at UBC.

"The issue is what you're doing with the property," Prof. Davidoff said. "If it's a vacation home, you're not part of the work force that's struggling with affordability."

He added: "There's no tax on Earth that is totally perfect and hits exactly the intended targets and nobody else."

In Victoria, Ms. James said on Wednesday that property owners have the option to rent their homes. Owners seeking an exemption from the tax would have to show their properties qualify as long-term rentals, the budget said. It is not clear what would be considered a long-term rental.

"If you want to ensure you are not taxed, you can put your house on the rental market and you encourage people to rent it," Ms. James said.

Michael Lamb, a professor of real estate law at the University of Western Ontario, said he does not see any legal issues that could stop the new tax.

Prof. Lamb said it reminds him of Ontario's Land Speculation Tax Act of 1974. That plan taxed profit from properties that were not principal residences or farm land and applied to anyone. The tax was repealed four years later.

"It didn't matter who you were," Prof. Lamb said. "B.C. is perhaps following that model."

Marc Lefebvre, the mayor of Parksville, between Qualicum Beach and Nanaimo, was not sure the new tax would be a big issue for his small city, but said visitors from out of the province are a positive for the local economy.

"They spend money here," Mr. Lefebvre said. "They use our grocery stores, gas stations. It's a good thing. I don't know if this will force people to say, 'Well, I have to sell my home.'"

With reports from Kelly Cryderman in Calgary and Brent Jang in Vancouver

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