CANADIAN HOME BUILDERS' ASSOCIATION BRITISH COLUMBIA

CHBA BC Position on the Speculation Tax

CHBA BC is **opposed** to the speculation tax.

Background

The speculation tax was first announced as part of B.C. Budget 2018 on February 20, 2018. It was included as part of the Homes for B.C. 30-point plan. The speculation tax is expected to be fully implemented in late 2018.

As of March 26, 2018, the speculation tax rates to be charged annually on the home's assessed value will be 0.5% in all cases in 2018. Starting in 2019, it will be 0.5% for British Columbia residents, 1% for all other Canadians, and 2% for foreign owners.

All primary residences owned by British Columbian residents will be exempt, and a tax credit will be provided to offset a second home value of up to $400,000 for British Columbians. This was put into place to cover some family cabins or residences.

The speculation tax can be avoided only by using it as a principal residence or by renting the property for at least six months of the year. The tax is expected to be implemented for properties in Metro Vancouver, the Capital Regional District (excluding the Gulf Islands and Juan de Fuca), Kelowna, West Kelowna, Nanaimo-Lantzville, Abbotsford, Chilliwack and Mission. For further details, view the Government of B.C. backgrounder.

CHBA BC Position

CHBA BC is concerned that this tax will have impacts both inside and outside the boundaries. CHBA BC has already heard of out-of-province Canadian homeowners in multiple areas that have abandoned their plans for a new home due to the tax. While the tax boundaries are set, the fear is that the rates or boundaries may change, which could affect their affordability calculations.

New construction activity in general could be significantly affected by the speculation tax in the long term. There are over 60 trades that contribute to a new home, with over 199, 249 jobs created or maintained through new construction, renovation and repair across the province. The impact of this tax may have wider impacts on B.C.'s economy. In addition, any new units not built due to the tax and remain as dirt will have no impact or benefit on any rental outlooks in B.C. If a house is not built, it can't even be considered as a rental option one day.

Lastly, CHBA BC is concerned about its impacts on land for development. Taxing land as perceived speculation is counter to housing affordability goals, as it must be added to the costs of construction. Professional home builders are contributing to B.C.'s much-needed supply and shouldn't be taxed for acquiring the land needed to build on.

Secondary Issues

- The speculation tax does not create a clear distinction between a well-loved second home used frequently, and a home that is truly vacant. It doesn't recognize if a family or individual spends multiple visits per month in their second home. These are two very different perceptions of vacancy but treated the same under the tax.

- The speculation tax does not recognize interprovincial mobility and work. It is common to own property in more than one area, and work in more than one area in Canada or within B.C.

- A home's assessed value doesn't not directly correlate to the ability to pay, especially on an annual basis. Many long-term secondary homes have increased dramatically in value since purchased, and possibly beyond the $400,000 threshold to receive a tax credit (but only for B.C. residents).

- Some areas of the province directly rely on tourism revenue, to create jobs and support their local economies. If this is impacted, there are wider economic risks to consider.