

RESIDENTIAL REAL ESTATE PRACTICE GROUP

SPECULATION TAX

Introduced in 2018, the BC speculation tax targets the owners of unoccupied residential properties. Individuals, companies, and trusts that own residential properties within the Kelowna and West Kelowna, amongst other geographic regions, are required to pay the tax or otherwise prove that they qualify for an exemption.

At Pushor Mitchell LLP, our Residential Real Estate Practice Group is constantly striving to help clients understand and navigate the legal aspects of their real estate transactions. For more information on the Speculation Tax, please see the following pages.



PUSHOR MITCHELL LLP
LAWYERS

SPECULATION TAX

IMPORTANT DEADLINE

If you owned property in Kelowna or West Kelowna (not including property on self-governing Indigenous Nations) on December 31, 2018 and you wish to claim an exemption from the speculation tax, you will be required to complete and submit an annual speculation tax declaration before March 31, 2019.

Below is an example of the declaration instruction letter you can expect to receive from the government in the mail by mid-February and which will explain how you can declare and claim any applicable exemptions:

January 25, 2019



Declaration Code: 00000
Letter ID: L00000000000

Declare Now
gov.bc.ca/spectax



JANE DOE
1234 MAIN STREET
ANYWHERE BC V8W 9W6

Dear JANE DOE,

The Speculation and Vacancy Tax is a new annual tax **requiring all property owners in the taxable regions to complete a declaration**. The tax is designed to ensure that foreign owners and satellite families are fairly contributing to B.C.'s tax system. It also encourages those with empty properties in urban areas to put them back into the housing market.

The B.C. government expects over 99% of British Columbians will be exempt from this tax. To claim your exemption, or to determine the amount of tax you owe, you will need

Important: If you **are required** to but you do **not** complete the annual speculation tax declaration before March 31, 2019, you will receive a tax notice charging you tax at the maximum allowable tax rate in light of your individual situation. The government has indicated however that you can still complete your declaration to claim an exemption even after you have received a tax notice.

Also note that if your property has more than one owner, even if the other owner is your spouse, a **separate declaration must be made for each owner**.

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EXEMPTIONS

There are a number of exemptions and credits that are available to owners of residential properties and if you are concerned that the speculation tax may apply to you please do not hesitate to contact our office for more information.

The two most common exemptions are:

1. Principle Residence Exemption

A general exemption exists for an owner's principal residence – where he or she resides for a longer period in a calendar year than any other place. It should be noted that these principal residence rules are **not** the same as those for income tax purposes.

2. Rented Property Exemption

Exemptions are available for properties occupied by long-term tenants. For 2019 and on, the property must be occupied for at least six months of the year in increments of one month or longer to qualify for an exemption.

TAX AMOUNT

If you are a BC resident or a Canadian citizen or permanent resident, the speculation tax is 0.5% of the assessed value of the property. Non-Canadian citizens or permanent residents are subject to a tax rate of 2% of the assessed value of the property. The tax is collected on an annual basis, amalgamated with the collection of annual property taxes following each year's property value assessment.

Residents of BC who are Canadian citizens or permanent residents will be eligible for a \$2,000 tax credit that will be applied immediately to any speculation tax that they may owe. This means that they will only owe speculation tax on properties above \$400,000 in value and only on the value of the property that is in excess of that amount.

Canadians who are **not** residents of BC will be eligible for a tax credit based on the amount of income that they claim in BC.

This is provided as information only and should not be construed as legal advice. You should consult with a lawyer to provide you with specific advice for your own situation. For more information, please contact any member of the Residential Real Estate Practice Group at Pushor Mitchell LLP by calling (250) 762 – 2108 or visiting our website at www.pushormitchell.com/service/real-estate/.