



OFFICE OF THE PARLIAMENTARY BUDGET OFFICER
BUREAU DU DIRECTEUR PARLEMENTAIRE DU BUDGET

Legislative Costing Note

This is an independent cost estimate of a budgetary measure contained in the federal government's Budget 2021. A list of the PBO's cost estimates of components of the Budget can be viewed on [its website](#).

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Short Title: Tax on Unproductive Use of Canadian Housing by Foreign Non-resident Owners

Description: In Budget 2021 the government of Canada proposed to introduce a national 1% tax on the value of non-resident, non-Canadian owned residential real estate considered to be vacant or underused. The tax is planned to take effect on January 2022 and will require all owners of residential property in Canada, other than Canadian citizens or permanent residents to file a declaration for the prior calendar year in respect of each Canadian residential property they own. Depending on circumstances, owners may be eligible to exemptions from the tax in respect of a property for the year. An exemption may be available, for instance, where a property is leased to one or more qualified tenants in relation to the owner for a minimum period in a calendar year.

Data Sources:	Variable	Source
	Residential property assessment values	Statistics Canada
	Value of the Canadian housing stock	PBO Economic Model
	Foreign ownership of Condominiums in Canada	CMHC
	Non-resident property ownership	Statistics Canada, Canadian Housing Statistics Program (CHSP)
	Foreign ownership, exemptions and share of value of non-exempt properties	Speculation and Vacancy Tax (SVT) Technical Briefing Sept. 2019 and Dec. 2020, Ministry of Finance, BC

Estimation and Projection Method: PBO constructed the tax base in each year using the provincial residential property assessment values that were projected using the growth of the value of the housing stock from the PBO's economic model. The assessment values are then limited to the share of the residential value assumed to be owned by non-residents and non-Canadians and that would not be exempt in each province. These later shares are constructed using information from the CHSP, SVT and CHMC's foreign ownership data.

Finally, the tax base in each province is further adjusted by a behavioural response to the imposition of a 1% tax. This response is obtained from the observed change to the tax base from the increase in the SVT in British Columbia from 0.05% to 2% on foreign owners.

The total revenues in each province and year are calculated by applying the 1% tax to the above created tax bases.



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Sources of Uncertainty: Information on foreign ownership of residential real estate in Canada is poor and incomplete. Therefore, the assumed shares of foreign ownership may be severely biased upwards or downwards. In addition, the behavioral response is taken from an increase in the SVT in British Columbia. However, the province also introduced a property transfer tax directed at foreign buyers in specific geographic areas within the province. Thus, the measured response may be a combination of both tax instruments and could overestimate the response to the property tax.

Furthermore, the government plans to have further consultations which may lead to changes in the parameters of the proposed tax on unproductive use of housing. These changes could also materially change the revenues raised by the tax.

Finally, administrative costs linked to the review of the declarations as well as enforcement of the tax has not been included in this costing.

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Cost of proposed measure

\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026
Total cost	-	-134.3	-120.2	-124.9	-129.4

Notes

- Estimates are presented on an accruals basis as would appear in the budget and public accounts.
- Positive numbers subtract from the budgetary balance, negative numbers contribute to the budget balance.
- "-" = PBO does not expect a financial cost.