

Estimated revenues from the Underused Housing Tax



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The Underused Housing Tax (UHT) is an annual federal 1% tax on the ownership of vacant or underused housing in Canada that took effect on January 1, 2022. Since then, there has been continued interest by Parliamentarians on the expected revenues generated by the UHT. Furthermore, in November 2023 the Department of Finance release legislative and regulatory proposals designed to facilitate compliance with the UHT.

The PBO estimates that the revenues generated from this tax will be \$131.7 million in fiscal year 2023-24 and \$693.9 million over a 5-year period.

5-Year Cost

\$ millions

Fiscal year	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	Total
Total cost	-131.7	-131.9	-135.3	-142.1	-152.9	-693.9

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).
- Totals may not add due to rounding.

Estimation and Projection Method

PBO constructed the tax base using information from the 2022 UHT returns received and assessed since January 2024 by the Canada Revenue Agency, the Speculation and Vacancy Tax (SVT) in British Columbia (BC) and the number of residential investment properties in BC from Statistics Canada. The data is first used to obtain an estimate of the number of non-exempt returns in both BC and the rest of Canada for the year 2022. Then the information on the value of non-exempt properties from the UHT returns combined with the estimated number of non-exempt returns were used to estimate the total tax base of

the UHT in Canada. The tax base was subsequently projected using the growth of the value of the housing stock from the PBO's economic model.¹

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

Sources of Uncertainty

Due to the incompleteness of the 2022 UHT returns data, the adjustments made to obtain the tax base may lead to an underestimate or an overestimate of the real data.

Furthermore, the information obtained from the UHT returns to date may not be representative of the later filers which may add a further bias to the estimate. As in the previous [costing](#), the information on foreign ownership of residential real estate in Canada is poor and incomplete, further adding to uncertainty.

No behavioural responses were specifically modeled and incorporated in the estimate.²

Finally, administrative costs linked to the review of the declarations as well as enforcement of the tax has not been included in this costing.³ Given their magnitude, these costs could significantly reduce the net revenues from the UHT.

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Data Sources

Information on UHT returns for the 2022 tax year

Canada Revenue Agency, IR0726

Value and growth of Canadian Housing Stock

¹ From year 2023 to 2026 the tax base is grown only with the growth in the price of housing to reflect the prohibition of the purchase of residential real estate in Canada by non-Canadians.

² Due to the use of BC data to estimate the number of potential non-exempt returns in the rest of Canada, there is a de facto inclusion of the response seen from property owners in BC to the already present SVT tax.

³ From Sessional Paper 8555-441-2251, the Order/Address of the House of Commons Q-2251, we know that CRA estimates that the costs associated with the implementation and administration of the UHT have been \$18M for fiscal year 2022-23 and \$41M for fiscal year 2023-24.

PBO economic model

Number of residential investment properties in BC and ON

Statistics Canada

Information on foreign ownership and non-exempt properties

Speculation and Vacancy Tax (SVT) Annual Mayor's Consultation – Technical Briefing 2022
Tax Year (December 4th, 2023), Ministry of Finance, BC

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