

Legislative Costing Note

Publication Date: 2022-01-31

Short Title: Underused Housing Tax Act

Description: Pursuant to [Bill C-8](#), the *Underused Housing Tax Act* would implement a 1 percent tax on the value of dwellings owned by non-resident, non-Canadians that are considered to be vacant or underused.

Several exemptions apply. Notably, properties that are the primary place of residence for the owner, owners' common-law partner or owners' children. In addition, vacation/recreational properties are also excluded.

The new measure will take effect on January 1, 2022.

Data Sources:	Variable	Source
	Residential property assessment values	Statistics Canada
	Value of the Canadian Housing Stock	PBO Economic Model
	Non-resident property ownership in Canada	Statistics Canada
	Non-resident condominium Ownership	The Canadian Mortgage and Housing Corporation
	Foreign ownership, exemptions and share of exempt properties in urban settings	British Columbia Ministry of Finance
	Rural share of dwellings	Statistics Canada

Estimation and Projection Method: PBO constructed the tax base in each year using the provincial residential property assessment values. These were then projected using the growth in the value of housing stock from the PBO's economic model.

Overall provincial assessment values were then limited to the share of the residential value assumed to be owned by non-residents and non-Canadians subject to the tax. This relied on data from Statistics Canada, the Canadian Mortgage and Housing Corporation. An adjustment for non-Canadian ownership was made based on data from the British Columbia Ministry of Finance. These values were further reduced by the estimated overall share of dwellings in rural areas.

Finally, the tax base in each province was further adjusted by a behavioural response to the imposition of the new tax. This was estimated using the observed change in the tax base arising from the increase in British Columbia's Speculation and Vacancy Tax from 0.5 percent to 2.0 percent.

Administrative costs for this measure were not included.

Sources of Uncertainty: The main sources of uncertainty arise from the uneven breadth and quality of data available regarding non-resident, non-Canadian residential property ownership. This could over- or under-estimate the applicable tax base.

In addition, the behavioural response is estimated from the increase in British Columbia's Speculation and Vacancy Tax. However, there were other tax changes implemented at the same time. Hence, the estimated response potentially reflects the combination of several measures and could overestimate the behavioural response.

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Cost of proposed measure (\$ millions)

2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	5-Year Total
-130	-110	-115	-120	-125	-600

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.

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