



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

Cost Estimate of Election Campaign Proposal

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Short Title: Anti-house flipping tax

Description: Removing the principal residence exemption for individuals that sell their principal residence within 12 months of the purchase, or transfer of title, and treating the gains from the sale as taxable capital gains beginning in the 2022 tax year. Exceptions to this proposal will include the sale of vacant land, the sale of a home destroyed, condemned, or damaged due to natural or man-made disaster during the 12-month period, the owner's previous home having been destroyed or condemned, a death, divorce, separation, serious illness/injury, or change of employment of the beneficial owner during the 12-month period, or the beneficial owner having been a member of the Canadian armed forces during that period.

Cost of Proposed Measure:	\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost		-2	-8	-8	-9	-9	-36

Notes:

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a reduction in the budgetary balance (lower revenues or higher spending). A negative number implies an increase in the budgetary balance (higher revenues or lower spending).
- "-" = PBO does not expect a financial cost.

Estimation and projection method: The tax base was constructed using tax filer data on individuals that benefit from the capital gains exemption and satisfy the criteria of the proposal. Capital gains were projected using data from the Multiple Listings Service (MLS) and the Canadian Real Estate Association (CREA). An average effective tax rate of 20% was applied to the non-exempt portion of the capital gains. Tax revenues were adjusted to incorporate a behavioural response. Half of the potential taxpayers were assumed to delay the disposition of the property to avoid the change to principal residence exemption.

Source of Uncertainty: The main sources of uncertainty relate to the projected number of tax filers and associated amounts of capital gains. There is also uncertainty surrounding the magnitude of the behavioural response.

Data Sources:	Variable	Source
	Tax filers selling principal residence and corresponding effective tax rates	Government of Canada
	Resale market data	MLS and CREA