

Cost Estimate of Election Campaign Proposal

	Anti-house flipping tax					
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.						
\$ millions	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Total cost	-2	-8	-8	-9	-9	-36
 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. 						
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.						
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.						
corresponding	effective tax r				a	
	 within 12 mont taxable capital the sale of vaca or man-made of destroyed or co employment of having been a \$ millions Total cost Estimates are accounts. A positive nur spending). A for or lower spen or lower spen or lower spen or lower spen of a verage effe gains. Tax reve taxpayers were principal reside The main source amounts of cap behavioural reside Variable Tax filers selling corresponding 	 within 12 months of the purchasely capital gains beginning the sale of vacant land, the single or man-made disaster during destroyed or condemned, and employment of the beneficial having been a member of the single been and single been and single been assumed to comprincipal residence exemption. Variable Tax filers selling principal residence for the single been and single been and single flective tax rate from the single behavioural response. 	 within 12 months of the purchase, or trans taxable capital gains beginning in the 2022 the sale of vacant land, the sale of a home or man-made disaster during the 12-month destroyed or condemned, a death, divorce employment of the beneficial owner during having been a member of the Canadian and \$\frac{1}{2}\$ millions 2021-2022 2022-2023 Total cost -2 -8 Estimates are presented on an accrual bac accounts. A positive number implies a reduction in spending). A negative number implies an or lower spending). "-" = PBO does not expect a financial cost The tax base was constructed using tax file gains exemption and satisfy the criteria of data from the Multiple Listings Service (ML An average effective tax rate of 20% was a gains. Tax revenues were adjusted to incor taxpayers were assumed to delay the dispoprincipal residence exemption. The main sources of uncertainty relate to the amounts of capital gains. There is also uncobehavioural response. Variable Tax filers selling principal residence and corresponding effective tax rates Resale market data 	within 12 months of the purchase, or transfer of title, an taxable capital gains beginning in the 2022 tax year. Exc the sale of vacant land, the sale of a home destroyed, cc or man-made disaster during the 12-month period, the destroyed or condemned, a death, divorce, separation, s employment of the beneficial owner during the 12-month having been a member of the Canadian armed forces du\$ millions2021-20222022-20232023-2024\$ the sale of a contract of the canadian armed forces du\$ millions2021-20222022-20232023-2024\$ the contract of the canadian armed forces du\$ millions2021-20222022-20232023-2024\$ the contract of the contrac	within 12 months of the purchase, or transfer of title, and treating the taxable capital gains beginning in the 2022 tax year. Exceptions to thi the sale of vacant land, the sale of a home destroyed, condemned, or or man-made disaster during the 12-month period, the owner's previd destroyed or condemned, a death, divorce, separation, serious illness, employment of the beneficial owner during the 12-month period, or having been a member of the Canadian armed forces during that per\$ millions2021-2022 2022-2023 2023-2024 2024-20252024-2025 2024-2024 2024-2025Total cost-2-8-8-9• Estimates are presented on an accrual basis as would appear in the B accounts.• A positive number implies a reduction in the budgetary balance (low spending). A negative number implies an increase in the budgetary or lower spending).• "-" = PBO does not expect a financial cost.The tax base was constructed using tax filer data on individuals that b gains exemption and satisfy the criteria of the proposal. Capital gains data from the Multiple Listings Service (MLS) and the Canadian Real B An average effective tax rate of 20% was applied to the non-exempt gains. Tax revenues were adjusted to incorporate a behavioural respond taxpayers were assumed to delay the disposition of the property to an principal residence exemption.The main sources of uncertainty relate to the projected number of tax amounts of capital gains. There is also uncertainty surrounding the m behavioural response.VariableSource Government of Canad Government of Canad corresponding effective tax rates Resale market dataMLS and CREA	within 12 months of the purchase, or transfer of title, and treating the gains from the taxable capital gains beginning in the 2022 tax year. Exceptions to this proposal will i the sale of vacant land, the sale of a home destroyed, condemned, or damaged due t or man-made disaster during the 12-month period, the owner's previous home havin destroyed or condemned, a death, divorce, separation, serious illness/injury, or chang employment of the beneficial owner during the 12-month period, or the beneficial or having been a member of the Canadian armed forces during that period. \$ millions 2021-2022 2022-2023 2023-2024 2024-2025 2025-2026 Total cost -2 -8 -9

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