

## BC Speculation Tax

*Note: June 9, 2020. Future regulation changes may affect this and this is not legal advice. Contact us for legal advice.*

- 1. Where does the Speculation tax apply?** The speculation tax applies to most residential zoned properties that are not rented out or exempted in the following areas: Abbotsford, Chilliwack and Mission, Metro-Vancouver Regional District (West Vancouver to Langley/Maple Ridge), Capital Regional District, Nanaimo, Lantzville, Kelowna & West Kelowna. Most small islands or areas that are water access only are exempt.
- 2. Do buyers have to worry?** When a real estate deal happens, the purchased property is exempt from the tax in the year of purchase. This tax does not affect a purchase and sale unless a lien has been placed on the home which the seller would discharge. Vancouver has its own municipal vacancy tax enforced through property taxes which can affect a purchaser if the property was vacant the previous year.
- 3. Do sellers have to worry?** Whoever owns the property as of December 31<sup>st</sup>, is liable for the tax. A sale in January would still leave the seller responsible for submitting their forms for the previous year.
- 4. What is charged?** If the property is a residential zoned property and not-rented or exempted a tax will be levied. The tax is based on the B.C Assessment Value (as of July, the previous year.).
  - A. 0.5% Canadians
  - B. 2.0% Foreign owners & satellite families
  - C. Vacant Properties owned by corporations with non-Canadians owning over 25% or no owners over 25% will be taxed at 2%.

BC Residents receive a prorated \$2000 tax credit. Other owners may receive income-based credits.

- 5. What is a satellite family?** For some families, one spouse may be living overseas, and one may be here. In the event a families' total worldwide income exceeds their reported Canadian income, the government deems them to be a non-resident owner. However, failure to file income taxes (if required) in Canada can also cause one to be considered a satellite family even if they reside here. Satellite families may be denied exemptions if family members are occupying their homes unless an income threshold is reached.



### Contact our real estate lawyers

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## Key Exemptions for BC Residents (Citizens/Permanent Residents)

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1. **Principal Residence.** Provided one is not a satellite family one's principal residence is generally exempt. Satellites family or those who aren't Canadian or permanent residents receive an income-based credit.
    - a. **One per couple.** Separated couples (over 90 days) may each claim one.
    - b. One-year absence permitted every 10 years.
    - c. Includes a person who is 25% shareholder in corporation that owns it
    - d. "may" include contiguous accessory lots.
    - e. Two-year exemption if owner moves into a long-term care facility.
    - f. Military members also receive exemption if on duty.
  
  2. **Personal Use Exemptions.** People who own more than one residence may be eligible for limited exemptions on a 2<sup>nd</sup> residence. Properties outside of speculation tax areas do not count.
    - a. **Family.** Rental/Occupied by family members for at least 6 months a year.
    - b. **Work.** requirements of one spouse. Requires a 100km difference or ferry ride.
    - c. **Medical.** IE, one spouse needs to live closer to hospital. Requires doctors to fill out "572" form.
    - d. **Disabled person.** A family with a disabled member can qualify for more than one home.
    - e. **First \$400,000.** While not technically an exemption, BC residents receive a prorated \$2,000 credit towards property. If you own 50% of a property, you can only claim \$1,000.
    - f. **Water access only.** This covers some properties in Belcarra.
    - g. **Under repair.** A property may receive a two year exemption if not-fit to live in.
  
  3. **Rented.** Must be rented/occupied for at least 6 months a year. Short term rentals under a month's do not count. Maintain copies of all residential tenancy agreements in case one is audited. If the property is occupied by a family member as their main residence this usually satisfies it unless the owner is a satellite family.
  
  4. **Death of owner and testamentary trusts.** All properties owned in full or part by a deceased are exempt in the year of their death and the following year. The properties are further exempt while held in trust for a minor.
  
  5. **Rental Restricted Properties & strata accommodation properties.** These have an exemption in 2020 and 2021 while the province reviews by-laws limiting rentals.
  
  6. **Empty Lots.** (!! There was an exemption for 2018 and 2019. Unless the government changes this, residential lots will be assessed tax if they remain undeveloped or unsold in 2020. There is an exemption for any property under \$150,000.00.
  
  7. **Land under development or repair.** If a person shows they are applying for financing, permits, in the midst of construction, excavating, substantially renovating the property, or engaging in heritage conservation they may be eligible for an exemption.
    - a. Repairs generally require over 90 days to complete.
    - b. Reasonableness test. May have to demonstrate constant advancement of project and no undue delay.
    - c. May apply to phased developments but not if property fit for occupying.
  
  8. **New developer owned homes.** If part of a 5 unit or more development, the developer is exempt from vacant properties provided they were listed for sale that year.
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