

Speculation tax takes abrupt turn

NDP exempts many B.C. homeowners with vacation properties in rural areas

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Finance Minister Carole James exempted certain vacation and retirement hot spots from the tax.

VICTORIA — B.C.'s NDP government abruptly changed its proposed "speculation tax" Monday to exempt British Columbians who own vacation properties in rural areas such as the Gulf Islands and Cultus Lake, after a backlash that the government was unfairly targeting local owners.

Finance Minister Carole James acknowledged she'd heard "frustration" from some residents who were angry after the Feb. 20 budget introduced a speculation tax that also applied to B.C. residents with second properties.

In response, James exempted certain vacation and retirement hot spots from the tax, including Parksville, Qualicum Beach, Nanoose Bay, all the Gulf Islands, Kent, Hope, Harrison Hot Springs, Bowen Island and Cultus Lake.

What's left is a speculation tax that will apply only to Metro Vancouver (including the Village of Lions Bay), the Capital Regional District (minus the Gulf Islands and Juan de Fuca), Nanaimo/Lantzville, West Kelowna and Kelowna.

"Over 99 per cent of British Columbians will not pay the tax," said James. "Only those who hold multiple properties and leave them empty in our province's major cities will be asked to contribute."

"People with cottages at the lake, or cabins, or on the islands, will not pay this tax. People with second homes outside of high cost urban areas will not pay the tax. We're going after those who are clearly taking advantage of the market and driving up prices."

The main change was to the Fraser Valley, which has been exempted except for the City of Abbotsford, District of Mission and City of Chilliwack.

However, even in areas where the tax does apply, if the property is valued at below \$400,000 it will not be subject to the tax, said James. People who own multiple condos where strata corporations forbid rentals will be temporarily grandfathered out of the tax, said James, though she cautioned she won't allow stratas to try to skirt the rules in the future. There will also be "special exemptions" for seniors in long-term care or for deaths in the family, said James.

Whistler and the Sunshine Coast are still not subject to the speculation tax. James said Whistler, though suffering a rental crisis, is a special case as a resort municipality and will require different measures.

The goal, said James, is to use the speculation tax to push owners of multiple properties in urban centres such as Metro Vancouver to either put their units into the rental market or face financial penalties.

"If we are successful with this tax and people are renting their houses out, I will be pleased, we will have been successful," said James. "That's what we're aiming for is the houses to go back on the market and address affordability."

The government also introduced three new rates for the speculation tax. The full two per cent tax on assessed value will apply to foreign owners. A middle rate of one per cent will apply for out-of-province owners, such as Albertans. And B.C. residents who own multiple properties in areas such as Metro Vancouver will pay 0.5 per cent and will also be eligible for a credit of up to \$2,000. Full exemptions are granted for owners who

rent their units at least six months of the year, in increments of 30 days or more.

West Kelowna Mayor Doug Findlater said his municipality is disappointed it wasn't excluded, despite directly appealing to James. West Kelowna is a young municipality with old and non-existent infrastructure and is relying on development to be able to upgrade, he said.

Tim Neufeld, a Mission resident and Fraser Valley realtor, said he has no choice but to sell his Kelowna condo that he uses on long weekends and in the summer because he can't afford the additional \$3,000.

Neufeld said he's also worried about property values, because approximately half of his condo building is owned by Albertans, who also make up a significant number of buyers of proposed new high-rises in Kelowna and who may now abandon their purchases.

The government's tweaks on Monday made the tax "mildly better," said Neufeld, but still unpalatable. "The tax, in essence, puts up an economic wall around B.C.," he said.

Liberal Opposition Leader Andrew Wilkinson said the changes show the government is "making up tax policy on the fly."

B.C. Green Leader Andrew Weaver called the government's willingness to listen to feedback "a positive sign" but said he continues to advocate for a New Zealand-style ban on foreign purchasers in real estate.