

# B.C. adds foreign buyers tax to insulate Metro real estate

## \$1 billion from abroad sunk into the market in just over a month

A foreign buyers tax introduced in a surprise move by the B.C. Liberal government on Monday may cool the high end of Metro Vancouver's red hot real estate market, even if it contains several potential loopholes and unintended consequences, experts say.

### How much will you pay?

Examples of property transfer tax payable under new legislation to begin Aug. 2, applying to all residential properties in Metro Vancouver:

Sale price	Tax paid by local buyer	Total tax paid by foreign buyer*
\$500,000	\$8,000	\$83,000
\$1,000,000	\$18,000	\$168,000
\$3,000,000	\$68,000	\$518,000



Graphic: Maggie Wong \* Total tax includes local buyer tax plus additional foreign buyer tax.

The new 15 per cent foreign buyer tax will apply to residential real estate deals in Metro Vancouver — from Bowen Island to Maple Ridge and Langley township — starting Aug. 2, according to legislation.

It could add hundreds of thousands of dollars in additional taxes for buyers who aren't Canadian citizens or permanent residents, and potentially generate hundreds of millions in revenue the government plans to reinvest into affordable housing projects. A \$2-million home in the Lower Mainland would see an extra \$300,000 in property transfer tax if purchased by a foreign citizen. That would rise to \$1.5 million on a \$10-million home.

The tax isn't perfect, but it's a good move that could discourage foreign buyers who are pushing up the region's real estate prices, said Tom Davidoff, an associate professor at the University of B.C.'s Sauder School of Business.

"I think there are going to be foreign buyers turned off by this. Fifteen per cent is a very big number," he said. "I just can't believe anybody is going to pay \$750,000 (in foreign buyer tax) on a \$5- million home. I guess somebody might, but that's a hell of a tax to pay."

The latest government data shows foreign buyers — mainly from China — purchased more than \$1 billion worth of B.C. property between June 10 and July 14, and 86 per cent of that was in the Lower Mainland. Countries that have tried taxing foreign investment report that it slows rising prices, UBC geography professor David Ley said.

“Other cities that have employed a tax at this kind of scale have indeed cooled the market at the top end,” he said. “It does have an effect.”

The tax also applies to corporations that purchase residential real estate — but not commercial properties — and government can examine the citizenship status of directors and the beneficiaries of corporate profits in deciding whether to add taxes.

The foreign buyers tax was a surprise move by Premier Christy Clark’s government, which recalled the legislature for what it said was mainly policy-making to give the City of Vancouver the power to implement a vacancy tax.

Instead, Clark executed an abrupt about-face on her government’s long-held reluctance to intervene in the housing market or discourage foreign investment in B.C.’s economy.

It also marked an end to a promise Clark made in 2015 that “we really want to start knocking down the property transfer tax because it is a drag on our economy.” Clark had told the Surrey Board of Trade that reducing the property transfer tax would increase housing affordability.

On Monday, the premier said increasing the property transfer tax on foreigners is about “making sure that British Columbians get first crack and best crack at buying new homes and existing homes when they come on the market.”

“There is evidence now that suggests that very wealthy foreign buyers have raised the price, the overall price of housing for people in British Columbia,” she said.

“If we are going to put British Columbians first — and that is what we’re intending to do — we need to make sure that we do everything that we can to try and keep houses affordable and to try and make sure that those very wealthy foreign buyers find it a little bit harder to buy a house in the Greater Vancouver area.”

Up until recently, the government had denied wealthy foreign investors were a contributing factor in skyrocketing Lower Mainland housing prices.

Clark and Finance Minister Mike de Jong would not speculate how much revenue the 15 per cent tax increase could generate, but a recent probe by the province into foreign home ownership offers a rough idea.

Earlier this month, de Jong said foreign nationals accounted for 6.5 per cent of the value of real estate transactions in Metro Vancouver between June 10 and 29. Were foreign buyers behind 6.5 per cent of all residential sales in Metro Vancouver in 2015 (a total value of nearly \$55.07 billion, according to real estate data provided by Landcor Data Corporation), and were they taxed 15 per cent on those purchases, the government would have raised about \$537 million.

Any revenue would go into a special housing fund to be spent on housing affordability projects to be announced in coming weeks and months, de Jong said.

Davidoff and Ley said the money could help increase the supply of housing by encouraging municipalities to approve higher-density housing projects, and targeting development along new transit lines.

However, the tax could have unintended consequences and loopholes. It relies on buyers self-reporting their nationality and providing a social insurance number, backed up by new auditing procedures and penalties.

“You hire yourself a tax lawyer, you hire yourself an accountant and you can get by that pretty quickly,” NDP Leader John Horgan said. “I think sophisticated investors, those who are laundering money in our real estate market, will be able to get by that very quickly.”

NDP critic David Eby said Canadian-owned companies that solicit foreign capital to buy property may also be able to get around the tax. Other experts floated the scenario of a person with citizenship buying property as a proxy for nonresident family members.

The tax may also hurt recruitment by B.C. companies because international employees could face the foreign buyers tax while resettling in the province before they obtain resident status, Davidoff said.

It may also cause foreign speculation to spike in Greater Victoria, Kelowna and other parts of the province, the NDP argued.

The proposed law allows cabinet to later alter the foreign tax rate to between 10 to 20 per cent and expand it to outside the Lower Mainland.

The Liberal government’s housing legislation also included the enabling power for Vancouver’s vacancy tax, as well as an end to self-regulation of the real estate industry.

Vancouver Mayor Gregor Robertson told reporters Monday that he was pleased, but the city also needs homeowner data from the province to help with administering the tax and putting it in place as early as next year.

“It’s too early to judge whether or not (the tax) will have a significant impact, but it’s good to see,” he said.

Surrey Coun. Judy Villeneuve, who is also president of the Surrey Homelessness and Housing Society, said she would like to know how the tax revenue would support housing. Villeneuve said very little affordable rental housing has been built in the past 20 years and what remains desperately needs to be upgraded or replaced with more rentals.



“I’d be very happy if they would transfer it to municipalities. I’d prefer that because we know what our needs are,” Villeneuve said. “But I’m being realistic that they probably won’t.” SEE VIDEO WITH THIS STORY AT [VANCOUVERSUN.COM](http://VANCOUVERSUN.COM)