

**2018
Provincial
Budget**

STABILIZING THE MARKET

Stabilizing B.C.'s out-of-control real estate market is essential to addressing the housing crisis.

That's why our strategy includes a number of measures aimed at curbing demand, reducing tax evasion, closing real estate market loopholes and cracking down on speculators who don't contribute to our province and our communities.

1. TAXING SPECULATORS WHO ARE DRIVING UP HOUSING COSTS

People, including many non-resident investors, are speculating in B.C.'s housing market, using our housing stock as an investment vehicle that drives up prices and removes rental stock.

We are taking immediate action to crack down on speculators who distort our market.

Beginning fall 2018, the Province will introduce a new speculation tax on residential property. This tax will target foreign and domestic speculators who own residential property in B.C., but don't pay taxes here, including those who leave their units sitting vacant. This will include satellite families.

We are applying this new speculation tax broadly to ensure we don't simply push speculators into neighbouring markets. The new tax will apply to Metro Vancouver, Fraser Valley, Capital and Nanaimo Regional Districts, and in the municipalities of Kelowna and West Kelowna.

Up-front exemptions will be available for most principal residences, qualifying long-term rental properties

and special cases. The Province will also introduce a non-refundable income tax credit which will allow those who pay income tax in B.C. to offset the property tax.

This bold new tax will help return the real estate market to one that serves local residents, rather than speculators.

2. INCREASING THE FOREIGN BUYERS TAX

Affordability for B.C. residents comes first.

The speculation in our housing market cannot be allowed to overrule the needs of British Columbians. The 15% foreign buyers tax alone has been insufficient to stabilize the housing market; foreign demand is still putting pressure on our housing stock. That's why we are increasing the foreign buyers tax (additional property transfer tax) rate from 15% to 20%. Increasing the tax will help deter those speculating in B.C.'s housing market, and penalize those who do. Property owners who enjoy our services should pay their fair share of taxes. Foreign buyers should contribute to our society in return for the high quality of life they enjoy when they move to B.C.

3. EXPANDING THE FOREIGN BUYERS TAX TO MORE AREAS

Our government is also extending the reach and impact of the foreign buyers tax to the Capital Regional District, the Fraser Valley, the Central Okanagan and the Nanaimo Regional District. Extending it to other communities ensures that speculation isn't pushed into neighbouring markets.

The increase and expansion of this tax will help stabilize housing prices and raise revenues to help fund housing affordability measures in our province.

4. INCREASING THE PROPERTY TRANSFER TAX ON THE VALUE OF HOMES OVER \$3 MILLION

Speculation has led to distortions in our housing market, raising prices and turning homes into commodities. These rising housing prices have benefitted many people. Those who have benefitted the most from the rising real estate market should contribute their fair share.

That's why our government is raising taxes on the province's most expensive homes. The first step is to increase the property transfer tax to 5% from 3% on the fair market value that is over \$3 million on residential properties.

5. INCREASING THE SCHOOL TAX RATE ON HOMES OVER \$3MILLION

Starting in 2019, the Province will be increasing the school tax on homes assessed over \$3 million – here, too, the increased tax will apply only to the value in excess of \$3 million.

This is what a progressive tax system looks like. These last two measures will not only ask the wealthiest to contribute a little bit more, but they will help to stabilize housing prices. Our tax system should work for all British Columbians, not just those at the top. Our goal is fairness for the people that live, work and pay taxes here. The revenues from these taxes will help address housing affordability in our communities.

6. ALLOWING ONLINE ACCOMMODATION PROVIDERS TO APPLY PST AND MRDT ON SHORT- TERM RENTALS

Home-sharing has grown alongside our traditional accommodation industry. But through global offices and online transactions, these companies have taken root outside of our traditional tax system. It is time to make sure they are properly integrated in our tax system.

Our government is taking bold action to make sure new business models in the sharing economy are operating fairly.

The Province is working to make sure that legitimate home-sharing is appropriately taxed. That's why the Province and Airbnb agreed to move forward with legislative changes to allow Airbnb to collect the 8% provincial sales tax (PST) and the up to 3% municipal and regional district tax (MRDT) on all its accommodation provided in B.C. through its platform on behalf of its hosts. This is the first arrangement of its kind in B.C.

Our goal is to ensure tax fairness. This sets online accommodation providers on an even footing with other short-term rental providers across B.C. The Province will be looking to move forward with similar arrangements with other accommodation platforms in the near future.

This action supports municipalities. Local governments have the authority to regulate short-term rentals. These include setting occupancy limits, requiring business licenses, setting zoning requirements and setting bylaws around noise and nuisances. Applying the PST and MRDT to accommodation purchased on online platforms is one way the province can make sure businesses are operating fairly in our communities.

Applying these taxes to Airbnb supports housing affordability. These additional revenues will help

the Province and local governments ease housing affordability. Local governments will also have access to the additional MRDT revenues.

The sharing economy is part of our economy. This is our first step to ensure these businesses are part of our tax system and ensure fairness.

7. REVIEWING THE HOMEOWNER GRANT TO PROVIDE FAIRNESS FOR RENTERS

Currently, through the Homeowner Grant, the Province offers support for most homeowners. But there is no similar support for renters.

The Province will review the Homeowner Grant program to ensure both renters and homeowners benefit in a similar way.