

2018 BC PROVINCIAL BUDGET TAKES AIM AT REAL ESTATE MARKET

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On February 20, 2018, the current BC Government introduced its 2018 British Columbia Provincial Budget (the “**Budget**”) which contained a number of measures targeting the local real estate market. A complete list of the housing measures included in the Budget can be found [here](#). Some of the major points include the following:

1. Effective February 21, 2018, any transfer submitted to the Land Title Office will require additional information with respect to the beneficial ownership of the property. A new registry will be established to contain information on beneficial ownership of land. The Province notes that this information will be made publicly available and will be shared with provincial and federal tax authorities to assist them in their investigations. The Province further notes that this will allow them to develop new taxation models in the future.
2. The Budget builds on the prior BC Government’s increase of the property transfer tax applicable to sales above a certain fair market value. Particularly, in 2016, the previous BC Government implemented an increase in the property transfer tax payable for any portion of sale proceeds above \$2,000,000 from 2% to 3%. Effective February 21, 2018, the Budget has increased the property transfer tax payable for any portion of sale proceeds on residential property above \$3,000,000 from 3% to 5%. While the Budget speaks to sales on “homes”, the actual calculations are based on property “classed as residential” which is consistent with the language used for the Foreign Buyer’s Tax (hereinafter defined). This is a much broader than homes and includes property used for residential purposes, such as single and multi-family dwellings, apartments, and condominiums.
3. The Budget further expands the foreign buyer’s tax, which was implemented in August 2016 (the “**Foreign Buyer’s Tax**”). For more information on the Foreign Buyer’s Tax, please see our [prior bulletin from July 2016](#). The Foreign Buyer’s Tax implemented a 15% tax on the sale of “residential property” to “foreign entities” within the “specified area”. Effective February 21, 2018, the Budget has, among other things, increased the amount of the Foreign Buyer’s Tax from 15% to 20% and has increased the “specified area” from what was originally largely Metro Vancouver to now include the Fraser Valley, the Capital Regional District, the Central Okanagan and the Nanaimo Regional District. There is a short grandfathering clause that exempts the additional 5% tax for written agreements entered into on or

before February 20, 2018 provided that registration occurs on or before May 18, 2018.

4. In the fall of 2018 a speculation tax will be levied against owners of residential property that pay little or no income tax in British Columbia (the “**Speculation Tax**”). The Speculation Tax will be 0.5% of the assessed value of a property for the year 2018 and will increase to 2% thereafter. The Speculation Tax will apply to Metro Vancouver, the Fraser Valley, the Capital Regional District, the Nanaimo Regional District, Kelowna and West Kelowna. In conjunction with the Speculation Tax the Province will be taking steps to create a pre-sale assignment registry whereby developers will be required to record and report certain information pertaining to pre-sales (the “**Pre-Sale Registry**”). The Pre-Sale Registry will be for the purpose of tracking any assignments of pre-sale contracts after the initial sale. The exact timeframe and details on implementation of both the Speculation Tax and the Pre-Sale Registry are not yet clear.

We will provide a further update once additional information in relation to the Budget becomes available.

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A Cautionary Note

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

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