

Union of BC Municipalities Positions on the Proposed *Land Owner Transparency Act*

Submission to the Ministry of Finance
August 2018



Background

This submission is in response to a letter from Deputy Minister Wannamaker dated June 20, 2018, seeking feedback on the White Paper on the *Land Owner Transparency Act*.

The Union of British Columbia Municipalities (UBCM) represents 100% of the local governments in BC, and has advocated for policy and programs that support its membership's needs since 1905. We are a policy-based organization, guided by member positions established through resolutions at our annual convention. UBCM membership presently consists of 161 Municipalities, 28 Regional Districts and 8 First Nations.

UBCM has been actively engaged in supporting members' interests with regards to housing, including through the work of a Special Committee on Housing, convened in August 2017. This Committee released its final report, *A Home for Everyone*¹ on February 1, 2018, structuring recommendations around 4 key policy shifts: a rental housing strategy, a demand management strategy, a comprehensive homeless strategy, and a collaborative all government approach towards housing affordability.

UBCM positions on the White Paper reflect both recommendations put forward in *A Home for Everyone*, and member endorsed resolutions addressing affordability.

Positions on the Draft Legislation

Overall Intent

The stated purpose of the proposed *Land Owner Transparency Act* to increase transparency of land ownership by eliminating the ability to hide ownership through vehicles like trusts and shell corporations aligns closely with UBCM policy. In particular, *A Home for Everyone* recommends that the province require declaration of beneficial ownership for transactions that are currently not registered at the Land Title Office such as bare land trust agreements, to close a major loophole in the current foreign-buyers tax. Further, our membership in 2016 endorsed the following resolution calling for measures to discourage speculation and to address tax evasion:

Whereas it is well known that Vancouver has become one of the least affordable places to live in the developed world, and that the housing situation in Metro Vancouver has reached a crisis point;

¹ <http://www.ubcm.ca/assets/Whats~New/UBCM%20Housing%20Strategy.pdf>

And whereas speculation in residential real estate, particularly by foreign investors, is having a significant impact on housing prices and affordability for those living and working in the Metro Vancouver area;

And whereas housing is a necessity for all residents, and not simply a commodity of trade;

And whereas unaffordable housing results in lost productivity as workers commute longer distances, it impacts economic growth as more household income is devoted to housing costs and as skilled workers leave Vancouver, and it negatively affects the diversity of our communities;

And whereas it has been suggested that foreign investors avoid paying the applicable taxes on real estate investments through various means:

Therefore be it resolved that UBCM urge the provincial government, and the federal government through the Federation of Canadian Municipalities, to take immediate action to discourage speculation in real estate, particularly by foreign investors, and to ensure that foreign real estate investors pay a fair share of provincial and federal taxes.

Information Sharing and Use of Data

As documented in recent media, property purchasers have adopted wide-ranging, often highly creative approaches to evade taxes. While collection of data on beneficial ownership is an important first step in addressing tax fraud, we would encourage the province to take further steps to ensure that the data are effectively used for enforcing tax law, with due consideration to potential privacy concerns. As recommended in *A Home for Everyone*, we have called for:

Improved data collection, data development and data sharing- these are necessary to support evidence based policy and ensure accountability. It is recommended that the Province and federal government work together to address these needs, including:

- Creation of a pre-sale registry.
- Publication of aggregate data on pre-sales.

- Investigation and follow-up on the findings of reports such as “Low Incomes and High House Prices in Metro Vancouver”² to identify additional data needs and actions to address tax avoidance in real estate.
- Ensuring better co-ordination of agencies responsible for monitoring and regulating the relations between property transactions and capital flows, including CRA, FINTRAC, the banks, and the Real Estate Council of BC.

While further ongoing efforts will be needed to effectively address tax fraud, we commend the province for outlining several additional steps towards cracking down and closing loopholes in *Homes for BC*.

Conclusions

The Union of BC Municipalities is supportive of the proposed legislation as it directly addresses our recommendations on the need for measures to limit tax evasion, in conjunction with a broader suite of measures to promote affordability. This legislation represents an important first step towards addressing current loopholes that enable tax evasion.

We would like to thank the Ministry of Finance for the opportunity to provide local government perspectives to inform the development of the *Land Owner Transparency Act*.

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² <http://siteeconomics.com/wp-content/uploads/2017/04/High-House-Prices-and-Low-Incomes-April-2017.pdf>