

Toronto's New Vacant Home Tax: A Brief Introduction

Tax

13 January 2023

The City of Toronto has implemented a new annual tax on vacant residences, payable beginning in 2023.[1] A Vacant Home Tax of 1% of the current value assessment will be imposed on all Toronto residences that are declared, deemed or determined vacant for more than six months during the previous year. The tax is based on the property's occupancy status for the previous year. For example, if the home was vacant in 2022, the tax will become payable in 2023.

The stated goal of the City of Toronto's Vacant Home Tax is to increase the supply of housing by discouraging owners from leaving their residential properties unoccupied. Homeowners who choose to keep their properties vacant will be subject to this tax.[2]

This new tax should not be confused with the federal Underused Housing Tax or any future provincial tax on vacant homes, which could apply in addition to this new City of Toronto Vacant Home Tax.

How do I declare?

All owners of residential property in the City of Toronto must file an [online declaration](#) of the occupancy status of their property before **February 2, 2023**, even if they live there. If required, homeowners can download and submit a completed paper [declaration form](#) that must be completed in full and received by the City of Toronto before the deadline. The declaration will determine whether the Vacant Home Tax applies and is payable in respect of a particular residence.

Anyone who fails to file a declaration is liable for a fine of between \$250 and \$10,000. A late declaration or failure to make a declaration may result in your property being deemed vacant.

What is considered a vacant property?

A property is considered vacant if it is not used as the principal residence by the owner(s) or any permitted occupant(s), or if it was unoccupied for a total of six (6) months or more during the previous calendar year. For residential properties declared as vacant for six months or more during the taxation year and without an eligible exemption, owners will be required to pay the Vacant Home Tax.

Owners of properties subject to the tax will be issued a Vacant Home Tax Notice in **March/April** and payment will be due on **May 1, 2023**.

This means that principal residences may be left unoccupied for periods of up to a total of six months throughout the taxation year without being subject to the tax.

What are the exemptions?

A property may be left vacant and is exempt from the tax if one of the following apply:

- The property was vacant for six months or more due to the death of an owner.
- The property is undergoing repairs or renovations, and
 - occupation and normal use is prevented by the repairs and renovations,
 - all necessary permits have been issued, and
 - the chief building official is of the opinion that the work is being carried out without unnecessary delay.
- The principal resident is in hospital or a long-term care facility for at least six months during the taxation year. This exemption may be claimed for up to two consecutive taxation years.

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- The property was purchased in the previous year and the sale involved a 100% transfer of an interest in the property to an unrelated individual or corporation.
- The property is required for occupation for employment purposes by its owner for at least six months, if the owner has a principal residence outside of the Greater Toronto Area.
- There is a court order in force which prohibits occupancy of the property for at least six months of the taxation year.

I'm buying or selling a home. What does this mean for me?

The Vacant Home Tax will impact how real estate transactions take place in the City of Toronto. The Vacant Home Tax will form a lien on the property, and any unpaid taxes will become the purchaser's responsibility. In order to protect themselves, purchasers, real estate agents and lawyers should require sellers to deliver copies of the filed property status declaration as part of the purchase negotiations and closing process.

If a closing occurs between **January 1** and the closing of the declaration period on **February 2**, the **vendor** must complete the declaration prior to the closing, as only the vendor will know the property's occupancy status for the prior year.

If a closing occurs after the declaration period, from **February 3** to **December 31**, the purchaser must submit a declaration in the following year. The purchaser qualifies for the "transfer of legal ownership" exemption.

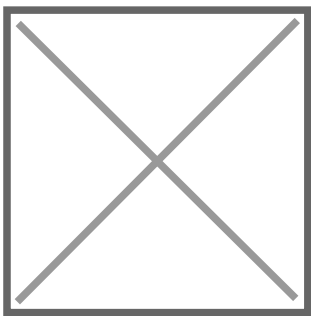
Vendors should provide a copy of the completed and filed property status declaration to the purchaser, as well as a statutory declaration at closing confirming the filed property status declaration is true and correct.

[1] City Of Toronto By-Law 97-2022 (By-law 97-2022 (toronto.ca)).

[2] Vacant Home Tax – City of Toronto.

(This blog is provided for educational purposes only, and does not necessarily reflect the views of Gardiner Roberts LLP).

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