

ATTACHMENT 1: Final Recommended Tax Design Features for a Vacant Home Tax (VHT)

1.0 Key Concepts for the purposes of the VHT

1.1 A Residential Unit is a self-contained unit which includes a dedicated washroom and kitchen, located on property classified as residential property on the assessment roll.

1.2 A Principal Residence is a residential unit occupied by an individual person, either alone or jointly with others, where the individual person is ordinarily resident. A person may only have one principal residence.

1.3 A Tenant is a person who occupies a residential unit pursuant to a written lease, respecting possession of the residential unit for a consecutive term of at least 30 days.

1.4 An Owner is a registered legal owner of a residential unit

1.5 For the purposes of determining vacancy, a residential unit is **Unoccupied** when:

- The residential property is not the principal residence of the owner or another occupier; or
- The residential property is not occupied for residential purposes by one or more tenants (including subtenants) in aggregate for at least six months of the year.

1.6 A residential unit is **Vacant** if:

- a) it has been unoccupied for more than six months during the year; or
- b) it is deemed to be vacant (see Deemed Vacancy in Section 5.0)

2.0 Application of Tax and Tax Rates:

2.1 The VHT will be an annual tax payable by the owner of a vacant residential unit within the City of Toronto, which is not exempt pursuant to any of the exemptions set out in section 3.0.

2.2 The amount of the annual VHT payable for a taxation year will be calculated as 1 per cent of the assessed value (Current Value Assessment, or CVA) of the residential property upon which the residential unit is located, on the most recently returned assessment roll.

3.0 Proposed Exemptions:

If any of the following circumstances exist during the previous calendar year, a vacant residential unit will be exempt from the VHT for that year:

- a. Death of an owner – applicable to the year of death and one subsequent year only;
- b. Residential unit is undergoing redevelopment or major renovation that makes occupation impossible for a period of 6 months or longer - with permits issued, and which, in the opinion of the Chief Building Official, are being actively carried out without unnecessary delay;
- c. Principal Resident is in care, institutionalized or hospitalized– allowable for 2 consecutive years;
- d. Residential Unit is subject to a restriction or prohibition on rental – i.e., a condominium or co-ownership building with restrictions on allowing individual units to be made available for rental;
- e. Legal ownership of residential unit has been transferred to an arm's length transferee – applicable to the year of sale only;
- f. Occupancy for full time employment – the residential unit is occupied by an owner with a principal residence outside of the Greater Toronto Area, and the residential unit is required for employment purposes in Toronto for an aggregate of at least 6 months per year; and
- g. Court order prohibiting occupancy of the residential unit is in place

4.0 Responsibilities of Owners in Determining Vacancy

4.1 All owners of residential units will be required to make an annual status declaration in respect of the previous calendar year, by the 2nd business day of February (the Due Date), advising the City whether the residential unit was:

- (a) a vacant residential unit (as described above in 1.0); and
- (b) whether it met the criteria of any of the exemptions set out in 3.0 above.

5.0 Deemed Vacancy

- 5.1 A residential unit will be deemed vacant and subject to the VHT, if the owner:
- fails to make a status declaration;
 - makes a false status declaration;
 - fails to provide information or fails to submit any evidence requested by the City; or

- provides false information or submits false evidence to the City.

6.0 Administration and Collection of the Vacant Home Tax:

6.1 The Revenue Services Division will administer the collection and enforcement of the VHT.

6.2 By December 31st of each year, the Director of Revenue Services will mail to each owner of a residential unit, a status declaration form and instructions to allow an owner to make a status declaration online.

6.3 Upon receipt of the status declarations from the owners by the Due Date, the Director of Revenue Services will review each completed status declaration and determine whether the information provided by an owner is sufficient to establish whether the residential unit is subject to the VHT for the year.

6.4 The Director of Revenue Services may require an owner to provide information and evidence in support of a status declaration at any time and for a period of up to two years after the applicable taxation year respecting:

- (a) the residential unit;
- (b) the identity and address of the owner or any person occupying the residential unit, including tenants;
- (c) the nature and duration of the occupancy of the residential unit during the relevant taxation year;
- (d) the nature of any exemption to the VHT

by requiring the owner to submit one or more of the following documentation:

- (a) copies or certified copies of:
 - i. MTO vehicle registration and insurance,
 - ii. government-issued personal identification, including, without limitation, driver's license, Ontario Identity Card,
 - iii. Proof of OHIP coverage or valid Health card,
 - iv. income tax returns and notices of assessment
 - v. lease agreements,
 - vi. wills, grants of probate, or grants of administration,
 - vii. employment contracts, pay statements or records of employment,
 - viii. verification of residence in long term or supportive care,
 - ix. relevant court orders,
 - x. insurance certificates for homeowners or tenants insurance,
 - xi. copies of condominium/co-ownership building by-laws, minutes of meetings or records prepared or maintained by the condominium/co-ownership building; and
- (b) statutory declarations or affidavits regarding the occupancy of the residential unit.

6.5 The Director of Revenue Services may at any time and for a period of up to two years after the applicable taxation year require an owner who has not submitted a status declaration by the deadline, to provide information or submit evidence in accordance with 6.4.

6.6 If the Director of Revenue Services has determined that the residential unit is subject to the VHT, the City will mail a vacancy tax notice to the owner of the taxable residential unit on or before the *31st of March* of each year.

6.7 After *March 31st*, if the Director of Revenue Services determines that a vacancy tax notice should have been issued for a residential unit for either the current taxation year or one or both of the two most recent previous taxation years, a supplementary vacancy tax notice will be mailed to the owner of the taxable residential unit, which supplementary tax notice is deemed to have been received four days after the mailing.

6.8 The Director of Revenue Services will keep a current record of all properties subject to the VHT.

7.0 Collection, Penalties, Offences:

7.1 The VHT By-law will:

(a) impose late payment penalties and interest on all overdue VHT amounts owing as follows:

- i. A percentage charge of 1.25 percent of taxes due and unpaid shall be imposed as a penalty for non-payment of taxes, or any portion thereof, and shall be added to any tax or portion remaining unpaid on the first day of default.
- ii. Interest charges shall be imposed for the non-payment of taxes at the rate of 1.25 percent per month (15 percent per annum) of taxes due and unpaid and shall start to accrue on the first day of default.

7.2 Unpaid VHT will be added to the property tax roll and collected in the same manner as property taxes.

7.3 The VHT By-law will create offences for the following:

- (a) Failure to declare;
- (b) Making a false declaration;
- (c) Providing insufficient or false information or evidence;
- (d) Failure to Provide information or evidence requested
- (e) Otherwise violating the By-law

7.4 Offence under the VHT By-law will be punishable on conviction by a fine of not less than \$250.00, and not more than \$10,000.00 for each offence.

8.0 Complaints:

8.1 A complaint regarding the decision to impose the VHT can be made by an owner who has received a vacancy tax notice or a supplementary vacancy tax notice to the Director of Revenue Services, on one or more of the following grounds:

(a) an error or omission on the part of the City resulted in the imposition of the vacancy tax; or

(b) an error or omission on the part of the owner in completing the property status declaration resulted in the imposition of the vacancy tax.

8.2 An owner, or an owner's agent, may make a complaint under 8.1 by submitting a notice of complaint:

(a) in the case of a vacancy tax notice, on or before the 10th business day of April of the year in which the VHT is due and payable, however, the time period may be extended by the Director of Revenue Services to the second business day of July of the year after the year in which the tax is due and payable, except for the 2022 and 2023 taxation years where an extension may be granted until December 31st, 2025; and

(b) in the case of a supplementary vacancy tax notice, within 90 days of the date of the supplementary vacancy tax notice is deemed to be received, however the time period may be extended by the Director of Revenue Services up to one year from the date of issue noted on the supplementary vacancy tax notice.

8.3 The notice of complaint submitted under 8.2 must:

(a) identify the residential unit in respect of which it is made;

(b) include the full name of the complainant and a telephone number or email address at which the complainant may be contacted during regular business hours;

(c) indicate whether the complainant is the owner or the agent of the owner, of the residential unit to which the complaint relates;

(d) if the complainant is an agent acting on behalf of the owner, include information regarding the nature of their terms of agency and authority to act on behalf of the owner;

(e) state the grounds on which the complaint is based under Section 8.1;

(f) state why the property should not be subject to the VHT based on the grounds of complaint; and

(g) provide supplementary information and evidence to substantiate the reasons for the complaint.

8.4 Upon receiving a notice of complaint, the Director of Revenue Services may require the complainant to provide any of the information or evidence set out in 6.4; and failure to do so may result in refusal to consider the complaint.

8.5 The Director of Revenue Services will make a determination on the complaint, advise the complainant in writing by mailing a copy of the determination and, if the complaint is successful, rescind the vacancy tax notice or supplementary vacancy tax notice within 30 days of the date the determination is made.

9. Appeal

9.1 An owner who has received a determination under 8.5 may request a review of that determination by the appellate authority. The appellate authority is the Controller.

9.2 An owner or an owner's agent who wishes a review of a determination under 9.1 must submit a review request to the appellate authority within 90 days of the date of deemed receipt of the determination, which review request must:

- (a) identify the residential unit in respect of which the request is made;
- (b) include the full name of the requestor and a telephone number or email address at which the requestor may be contacted during regular business hours;
- (c) indicate whether the requestor is the owner of the property to which the request relates;
- (d) if the requestor is an agent acting on behalf of the owner, include information regarding the nature of their terms of agency and authority to act on behalf of the owner; and
- (e) state the grounds on which the review request is based.

9.3 The appellate authority must, within 90 days of receiving a request for review, hold a hearing either orally or in writing to consider the appeal request within 30 days of the date the request is received, providing an opportunity for the requester and the Director of Revenue Services to make submissions, and make a determination on the appeal, after having considered the submissions of the requester. Within 30 days of the date the determination is made, the appellate authority must advise the requester in writing of its determination and, if the appeal is successful, rescind the vacancy tax notice.

9.4 The determination on an appeal is final.

10.0 Audit

10.1 The Director of Revenue Services will include regular auditing to ensure compliance with the by-law and provide periodic reports to Council on compliance levels and audit findings.

11.0 Date and Transition

11.1 The VHT will be effective for the 2022 calendar year, with property status declarations and collections being made in the following year, based upon 2022 vacancy status.