

Attachment 2: Provincial Policy Framework on the Municipal Vacant Home Tax¹

As taken from the Provincial Policy Framework for the Municipal Vacant Home Tax (VHT) from the [Ontario.ca](https://www.ontario.ca) website.

Recommended exemptions and definition of vacancy

The Municipal Act, 2001 and City of Toronto Act, 2006 state that municipal Vacant Home Taxes may apply to residential units that are classified in the residential property class under the Assessment Act and are taxable under that act for municipal purposes. VHTs are taxes on assessed value collected under Part X of the Municipal Act, 2001.

It is further recommended that:

- only self-contained residential units that are suitable for residential habitation be subject to VHTs
- no VHT be payable by a property if any of the following circumstances apply:
 - It is a principal residence.
 - It is rented out and occupied as a residence by a tenant for at least six months of a taxation year.
 - It was owned by a registered property owner who has died in the applicable reference year / tax year.
 - It is owned by a registered property owner who is in care (for example, institutionalized or hospitalized).
 - Ownership of the property was transferred in the reference year / tax year (where the year of sale or transfer is the reference year / tax year).
 - It is undergoing major redevelopment or renovations that, in the judgement of the municipality, are being pursued within a reasonable timeframe.
 - It is subject to a court or municipal order prohibiting occupancy and the owner has made reasonable efforts to remedy the circumstances that led to the order.
 - It is a seasonal property (including properties that are classified by Municipal Property Assessment Corporation as falling under property codes 363, 364, 385, 391, 392, and 395).
 - It is otherwise uninhabitable for reasons beyond the owner's control.
 - Other circumstances identified by a municipality as representing an appropriate use of a residential property (for example, a municipality may wish to exempt properties required for occupation for employment purposes).

¹ Government of Ontario. Vacant Homes Tax. <https://www.ontario.ca/page/municipal-vacant-home-tax>

Tax rate

The applicable legislation does not set out any requirements related to the tax rate for VHTs.

As context, for the 2023 tax year, Toronto and Ottawa both imposed one percent VHT rates.

Application to foreign-owned vacant homes

The province is committed to improving alignment of incentives to help ensure availability of housing to Ontario families, through tools such as municipal VHTs and the provincial Non-Resident Speculation Tax.

The province will work with municipalities to explore ways of identifying foreign-owned vacant homes, and to encourage imposing a higher VHT rate on such properties.

Tax year, tax collection and administration

It is recommended that a municipality imposing a VHT should establish a process for confirming the occupancy status of properties in the reference year.

VHTs should be imposed on the Current Value Assessment of properties in the reference year during which occupancy status is determined.

For example, VHTs collected in 2024 should be based on 2023 Current Value Assessment.

Appeals and dispute resolution

It is recommended that a municipality imposing a VHT should establish processes for appeals and dispute resolution related to the imposition of VHTs.

Public consultations

A municipality seeking the authority to impose a VHT should conduct consultations on the implementation of potential VHTs. It is further recommended that the feedback received, and results of these consultations be shared with the province to help inform best practices going forward.

Annual reporting

In order to support evidence-based evaluation of outcomes, a municipality imposing a VHT should include data related to its VHT in its annual Financial Information Return, according to the fields provided for relevant data (for example, total number of properties impacted, total revenues, etc.).

Upper tier and lower tier responsibilities

In the case of municipalities with an upper tier and lower tier system of government, it is recommended as a best practice that:

- upper tiers receive supportive statements or endorsements from lower tiers, including approaches to ensuring that lower tiers will be able to retain revenues sufficient to offset their costs of VHT collection and administration.
- upper tiers be responsible for setting out key aspects of a VHT, such as rates and definition of vacancy.
- upper tiers adopt VHT by-laws that specify in which lower tiers the VHT will be in effect, and in which lower tiers it would not be.