

November, 27 2017

Empty Homes Tax Audit

Background

Vacancy Tax Bylaw

On November 16, 2016 Council enacted Vacancy Tax Bylaw 11674 which came into effect in January 2017. The purpose of the Vacancy Tax, also known as the Empty Homes Tax, is to:

- Return empty or under-utilized properties to use as long-term rental homes for people who live and work in Vancouver.
- Help relieve pressure on Vancouver’s rental housing market, as our City has one of the lowest rental vacancy rates and the highest rental costs in Canada.

The Empty Homes Tax is a tax of 1% of the property’s assessed taxable value on those deemed or declared vacant. An annual report will be released before November 2018 detailing how revenues from the tax are to be spent; net revenues from the tax will be reinvested into affordable housing initiatives.

Declaration

All class 1 property owners in the City of Vancouver are required to make a property status declaration by February 2, 2018 and in subsequent years. The tax will be billed in March 2018 and become due in April. Failing to declare could see a \$250 fine imposed.

Property owners have the ability to make their declaration online, via 3-1-1, in-person or by mail. Property owners receive information on how to declare online with their Advance Tax Notice in the fall of 2017; it is anticipated that 60% or more will complete their declaration online.

Compliance Audit

The Vacancy Tax Bylaw sets out the City’s authority to collect evidence from homeowners as to their property’s declared status. The bylaw states that a false declaration means that the “property will be deemed vacant and subject to the tax. The City may also prosecute, which may result in fines of up to \$10,000 per day of the continuing offense, in addition to payment of the Empty Homes Tax (EHT).”¹

¹ Vacancy Tax By-Law No. 11674

Appeal Process

If an owner feels that they have been charged the tax in error they can submit a complaint to the vacancy tax review officer. In case the complaint is rejected the owner can ask for a further review by a vacancy tax review panel.

Project Team and Ernst & Young Audit Manual

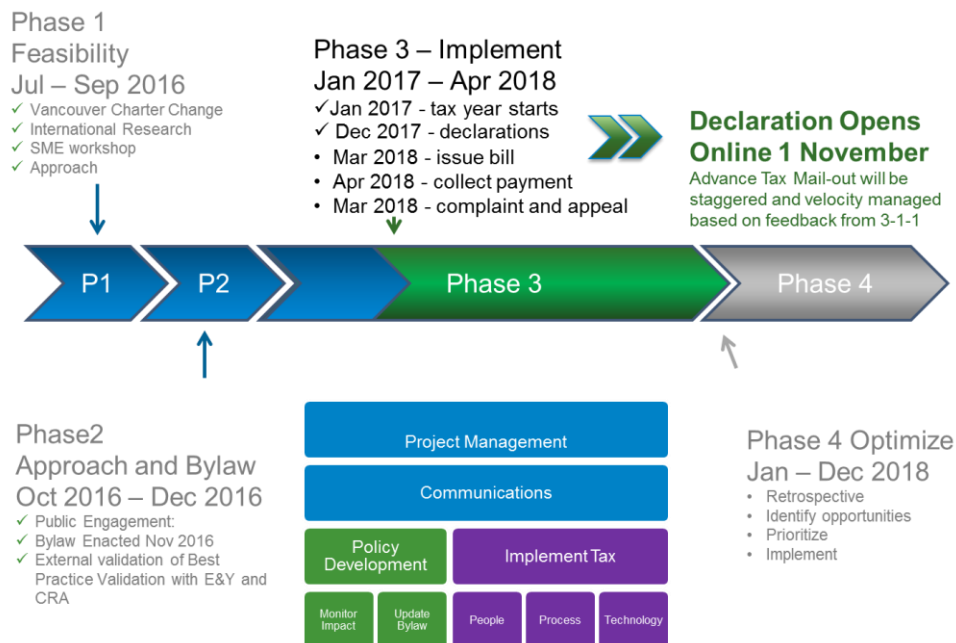
A project team has been established to manage the implementation of the project along with a communication strategy to over 180,000 homeowners to introduce and educate on the new tax.

The three year project budget was increased from \$4.7 million to \$7.4 million which includes project team resources as well as setup costs for new administration, audit and collection teams and technology to automate processes.

Ernst & Young was engaged to:

- Provide advice on the overall tax program; and
- Create an audit program to assist with the audit stage.

Empty Homes Tax Implementation Project Overview²:



² ✓ Implemented at the time of the audit

Scope

The Empty Homes Tax Audit aims to provide assurance to the Audit Committee that the Empty Homes Tax project meets its established objectives and deliverables and that practical risk mitigation processes are in place.

The focus of the review was:

- Project implementation;
- Risk mitigation;
- New process documentation;
- Empty Homes Tax audit process; and
- Project management practices.

The review is not designed to detect fraud. Accordingly there should be no such reliance.

Conclusion

The Empty Homes Tax project team has a plan in place to ensure the Empty Homes Tax implementation will meet its established objectives and deliverables and that practical risk mitigation processes are in place. Improving communication and documentation will facilitate additional risk mitigation and increase the effectiveness of the Empty Homes Tax implementation efforts.

Management has agreed to all findings and recommendations with the exception of:

Ensure effective communication is in place

The Project Manager was recommended to work with the Communications department to formalize the Communication policy proposal; and ensure future Empty Homes Tax communications include translated text.

Management disagreed with the recommendation and indicated that “Given the over 95% response rate, it is evident that the communication strategy was effective. With regards to translated text in future communications, management plans to align to overall City policy, if and when it is approved.”