



# TAXING EMPTY SPACE

## Taxing Vacant Properties During a Housing Crisis

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Ireland is experiencing a housing crisis, with the problem most acute in Dublin. Although new residential property construction has recovered since the 2008/09 Great Recession and the COVID-19 pandemic, the current rate of new construction is well below the required annual 33,000 homes as stated in the Government's *Housing for All* plan.

Although difficult to define and measure accurately, tackling vacant properties is part of a multi-dimensional approach that can help urban development and address the affordability crisis. More specifically, how might a tax on vacant properties discourage a wasteful use of a scarce resource?

The Oireachtas Joint Committee on Housing, Local Government and Heritage recently launched its report on urban regeneration, with 39 recommendations. One of the recommendations is for the Government to consider a vacant homes tax. In response, the Minister for Housing, Darragh O'Brien, stated his intention to introduce the tax in Budget 2023.

As one of us has just returned from the University of Toronto, we can report on the Canadian experience with vacant property taxes. There, affordable housing is a big issue, with rising property prices, and much higher annual residential



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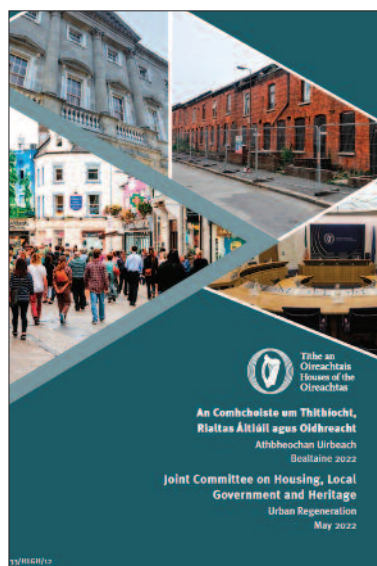
Vancouver introduced its Empty Homes Tax (EHT) in 2017, with the aim of returning vacant properties to the rental market. Owners must make an annual declaration, and if their property is not being used as a principal residence or is not rented for more than six months of the year, it is subject to the tax, unless an exemption applies (for example, property transfer, death of owner, redevelopment, owner in care). The tax rate was 1 per cent of the assessed taxable value, and has been 3 per cent since 2021. Net revenues are reinvested into affordable housing initiatives across the city. City officials claim that the tax is working, with vacancy dropping by 26 per cent and properties occupied by tenants growing nearly 20 per cent over the three years.

British Columbia applies a Speculation and Vacancy Tax in major urban areas (including the City of Vancouver) at a rate that varies depending on the use of the property, the owner's residency status and where they earn and report their income. From 2019, the rates are 2 per cent for foreign owners, and 0.5 per cent for Canadian citizens or permanent residents. Exemptions apply, with the main one being the owner's principal residence. Again, provincial officials claim, the policy goal of adding more units for sale and rent is being achieved.

In Toronto, the Vacant Home Tax was introduced in 2022, and its design, exemptions and administration are very similar to Vancouver's. The tax rate is 1 per cent of their property's Current Assessed Value.

Although they seem to have some support, experts remain divided on the impact of these taxes. It is difficult to disentangle their effects from all the other factors affecting property markets. Earlier evidence from elsewhere, including lower numbers of vacant properties than originally estimated, and their concentration at the higher end of the market, raises some doubts about the effectiveness of such taxes as a tool to tackle the affordability crisis for younger, low and middle-income earners.

More evidence is needed so that our policymakers make the right interventions about one of the defining issues of our time - housing. Given the current state of the property market and housing supply, a vacant property tax seems like a good idea in principle, but as with all good taxes, the devil is in the detail. Design features are important, but so are the administration and enforcement of the tax (remember the Vacant Site Levy!) We look forward to seeing the details in Budget 2023.



Report by the Joint Committee on Housing, Local Government and Heritage regarding Urban Regeneration