Category
Taxation

Geography/ Location
AB, BC, MB,
NB, NL, NS,
ON, QC, SK

Municipality Size
Large

Tier
Enabling

Constraints
Equity

Administrative Capacity Required
High

Fiscal Tool Brief: Vacant and Underused Property Taxes

Local Governments for Sustainability
Les gouvernements locaux pour le développement durable
CANADA

Vacant and underused property taxes discourage leaving properties empty by increasing costs for owners, supporting housing availability and more efficient use of existing municipal infrastructure.

Vacant and underused property taxes are supplementary levies imposed by municipalities on residential or, sometimes, commercial properties that are left unoccupied for extended periods. Unlike general property taxes, which apply uniformly to all properties within a class, vacant property taxes specifically target the behaviour of leaving habitable housing or commercial space unoccupied. The mechanism is designed to increase the effective cost of keeping a property empty, thereby incentivizing owners to either occupy the property, rent it out, or sell it to someone who will. Revenue generated from these taxes can be earmarked for affordable housing initiatives or other municipal housing programs but in most jurisdictions, the revenue generated can also be used as general funds.

Vacant property taxes operate through two types of declaration-based systems. Under the first one, all property owners are required to annually declare the occupancy status of their property, and those who fail to declare or who declare their property as vacant are subject to the supplementary tax. As for the second type, only the owners of vacant properties are required to declare the vacancy. The tax is generally calculated as a percentage of the property's assessed value, applied in addition to regular property taxes. Enforcement relies on a combination of self-declaration, utility usage data, audit processes, and complaint-based investigation.

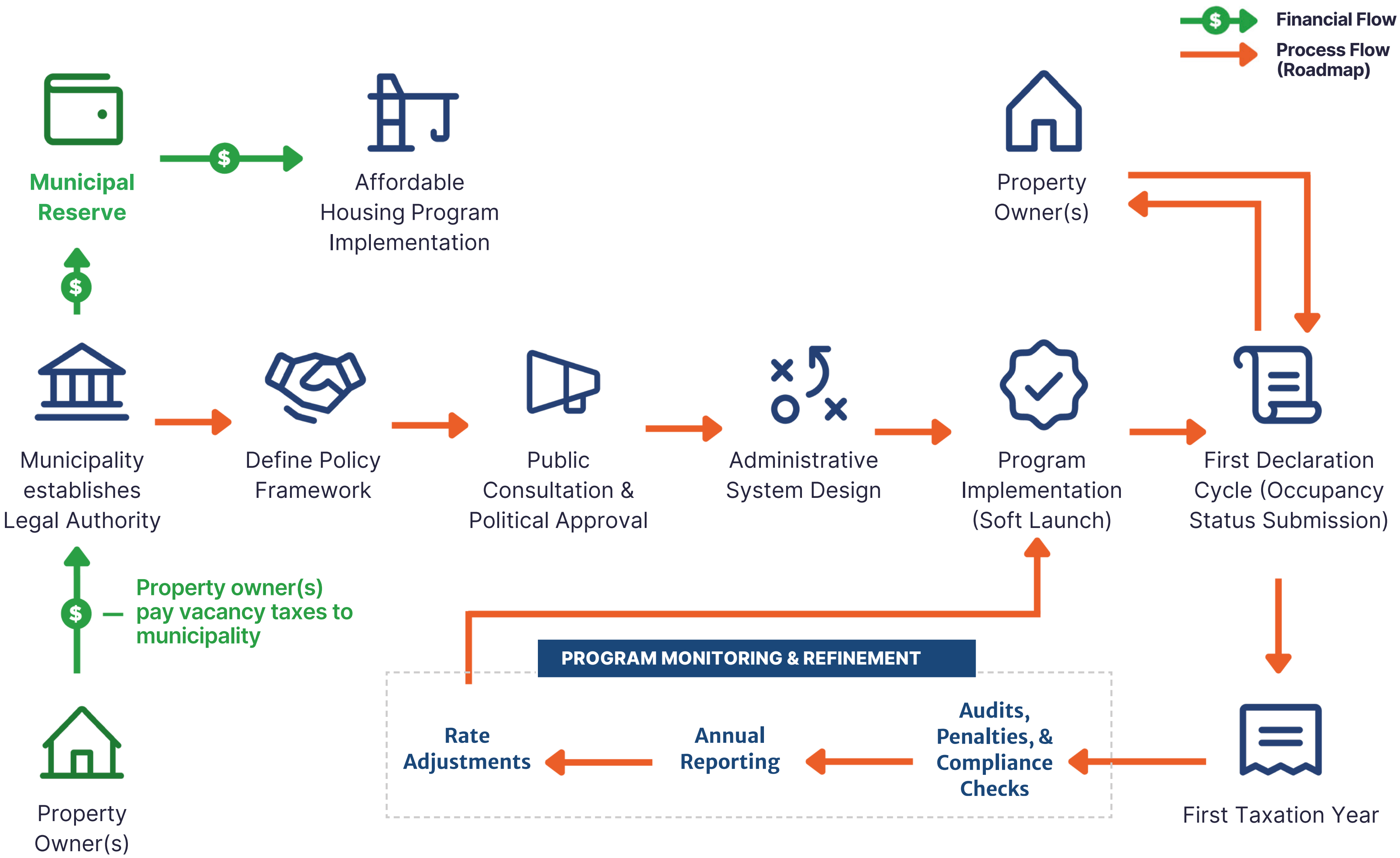

Figure 1. Visual representation of how Vacant and Underused Property Taxes work

While primarily introduced in Canada as a tool for housing supply and affordability, vacant property taxes are directly relevant to climate adaptation. Vacant properties represent an inefficient use of serviced land: the municipality has already invested in water, sewer, stormwater, road, and emergency service infrastructure to serve these properties, but receives no corresponding population benefit. By encouraging the use of existing housing stock, these taxes can also reduce pressure to develop new greenfield areas.

Examples

Vacant property taxes have been adopted in various forms by several major Canadian municipalities, by the Province of British Columbia, and by the federal government. Vancouver (BC) was the first Canadian municipality to introduce a vacant property tax, launching its Empty Homes Tax (EHT) in 2017. The rate has been set to 3% of assessed taxable value for the 2025 reference year. Properties deemed or declared empty for six months or more are subject to the tax, with revenue directed to affordable housing initiatives.[1] Since the program's inception, the number of vacant properties in Vancouver has declined by 58%, with the vacancy rate falling to a record low of 0.49% in 2024, compared to 0.9% in 2017.[2] The program has generated $194.3 million in cumulative revenue for affordable housing since its imposition.

Toronto (ON) introduced its Vacant Home Tax (VHT) in 2022 at an initial rate of 1%, subsequently increased to 3% for the 2024 taxation year.[3] The revenue supports the City's Housing TO 2020–2030 Action Plan, including the Multi-Unit Residential Acquisition program and capital repairs to Toronto Community Housing Corporation units. Early data indicates that the number of vacant properties in Toronto declined from 6,944 in 2022 to 5,989 in 2024.[4] False declarations carry penalties of up to $10,000, and overdue amounts are charged interest at 1.25% per month.[5]

At the provincial level, British Columbia introduced the Speculation and Vacancy Tax (SVT) in 2018, applying to residential properties in designated urban areas across the province. The SVT applies at rates ranging from 0.5% to 2% depending on the owner's residency and citizenship status. Similarly, at the federal level, the Underused Housing Tax (UHT) was introduced in 2022 as a 1% annual tax on the value of vacant or underused residential property owned by non-resident, non-Canadian owners.[6]

In Quebec, the cities of Saint-Colomban[7] and Rimouski[8] have adopted a bylaw on vacant commercial properties. Since these bylaws are adopted under their general taxation powers, the tax rate is applied not to the land value, but to the surface area of the building.

Relevance to Advancing Adaptation

Vacant property taxes advance climate adaptation by aligning property taxes with the efficient use of infrastructure that has already been built. When a municipality invests in upgrading stormwater systems, flood-proofing roads, or enhancing emergency services in an urban area, these investments benefit all properties in the area. A vacant property consumes infrastructure capacity by occupying serviced land, contributing impervious surface area to stormwater runoff, and requiring fire and police protection without contributing the population density that justifies the infrastructure investment. By discouraging vacancy, these taxes also help ensure that adaptation-upgraded infrastructure serves its intended purpose. Additionally, vacant properties can themselves become sources of climate vulnerability. Unmaintained buildings are more susceptible to water damage, pest infestation, and structural deterioration, which can exacerbate risk for neighbouring properties.

Revenue from vacant property taxes can be directed toward adaptation priorities. Toronto's program already earmarks revenue or affordable housing, but the mechanism could equally support climate-resilient housing retrofits, community resilience hubs, or neighbourhood-level flood protection. Directing some of those funds towards adaptation may be particularly relevant since vacant properties may face more acute climate vulnerability.

Accessibility

Municipal vacancy tax authority in Canada is expressly conferred by statute in three distinct frameworks. Ontario offers the broadest municipal access: the Municipal Act (ss. 338.1–338.2), designates all single- and upper-tier municipalities as entitled to impose a tax on vacant residential units through a bylaw, following a March 2024 province-wide extension of that authority.[9] In British Columbia, the framework is bifurcated: the *Vancouver Charter*, s. 616(1) grants Vancouver City Council alone the express power to impose an annual municipal vacancy tax through a bylaw, a charter-level competence unavailable to any other BC municipality;[10] beyond Vancouver, the provincial Speculation and Vacancy Tax Act operates as a provincially-administered instrument applying across designated urban areas at rates of 0.5% to 2%.[11] It acts as a substitute for, not an enabler of, local municipal vacancy taxes. Quebec stands apart: vacancy taxation is expressly authorized by art. 500.5.1 of the Loi sur les cités et les villes, which specifically enables municipalities to levy a tax on the assessed value of vacant or underused residential units at rates capped at 1%, 2%, and 3% over successive years of application.[12] However it is yet to be applied by municipalities. In Alberta, broad taxation powers might allow vacancy taxes, but this possibility is still untested. Everywhere else (Manitoba, Saskatchewan, Atlantic provinces) no express statutory authorization for municipal vacancy taxes currently exists, and implementation would require new provincial enabling legislation.

Feasibility

Vacant property taxes are administratively feasible in municipalities with robust property assessment and tax collection systems, though they require significantly new administrative capacity for declaration processing, auditing, and enforcement. Toronto's experience illustrates both the feasibility and the challenges: in 2024, the City received 55,000 complaints about the tax, mostly coming from homeowners who forgot to fill out their declaration or experienced issues with the administration.[13] Following best practices, Hamilton consulted with Toronto and other cities who had implemented the tax before launching its program, learning from their implementation challenges.[14]

The declaration-based model that applies to all property owners requires clear communication, a user-friendly online portal, and adequate staff to manage exceptions (which often include deaths, renovations, sales in progress, medical absences). Politically, vacant property taxes are generally popular with the public because they target a behavior widely perceived as socially undesirable during a housing crisis. However, administrative costs must be weighed against revenue generated, especially for smaller municipalities. The tax is most effective in high-value urban markets where a 1-4% levy creates a meaningful financial incentive; in lower-value markets, the revenue and behavioral impact may be too modest to justify the administrative apparatus.

Risk

The most significant risk is definitional and enforcement complexity. Determining whether a property is truly vacant requires clear criteria and reliable verification methods, which may prove hard to implement.

Owners may claim exemptions that are difficult to verify without intrusive investigation (e.g. medical absence). Toronto imposes penalties of up to $10,000 for false declarations, but enforcement requires audit capacity that smaller municipalities may lack. Vancouver's auditing program generated $18.8 million in revenue from non-compliant owners between November 2023 and November 2024, demonstrating both the scale of non-compliance to be expected and the revenue potential of robust enforcement.[15]

There is also an equity risk: the tax applies uniformly regardless of the reason for vacancy. A homeowner temporarily relocated for work, undergoing a difficult separation, or managing a deceased relative's estate faces the same tax as a speculator holding an empty investment property. While exemption categories exist to address some of these situations, they add administrative complexity and may not capture all legitimate cases. The ease of verification and the validity of the reasons for vacancy are not superposed: it is, thus, very probable that the tax could impose undue hardship.

One further risk is market displacement: vacancy taxes may push owners to convert properties to short-term rentals rather than long-term housing, potentially creating new policy challenges. Finally, there is a risk that vacancy taxes become a substitute for, rather than a complement to, more fundamental reforms to housing supply and land use policy. Hamilton's landlord association voiced concern that the tax would collect too little revenue to make a meaningful difference while discouraging investment,[16] which indicates that such taxes could induce some strain on the relationship between developers and the City (which is expected with levies targeting speculation).

Scalability

Vacant property taxes are moderately scalable. Ontario's 2024 extension of vacancy tax authority to all single- and upper-tier municipalities demonstrates that the tool can be replicated across jurisdictions once enabling legislation exists.[17] Tax rates can be adjusted over time: Toronto's increase from 1% to 3% illustrates this flexibility. Vancouver's experience shows that the vacancy rate can be driven down significantly (from 0.90% to 0.49%) over time, generating cumulative revenue of nearly $200 million. Nevertheless, this should be put in perspective with the $3.2 billion total revenue of the City: the vacancy tax represented slightly less than 1% of the 2024 municipal budget.

Scalability is limited by the size of the vacant housing stock: in most Canadian cities, declared vacancy rates are low, meaning the tax generates very modest revenue relative to total municipal budgets. Thus, the vacancy tax should be seen more as a behavioral tool than a significant source of revenue. The tax is most impactful in high-cost, high-vacancy markets (e.g. Vancouver, Toronto) and less significant in smaller or slower-growth municipalities. Scalability can be enhanced by expanding the scope of the tax to include underused commercial and industrial properties, as some members of the Toronto City Council have explored in 2026.[18] Cross-jurisdictional scalability is further supported by the multi-level framework created by the federal UHT and provincial SVT, which helps normalize vacancy taxation as a policy tool across Canada.

Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = −1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	Medium	0	Encourages occupancy of serviced land; can fund adaptation priorities	The tool supports adaptation indirectly by improving use of serviced land and generating some revenue, but it is not a dedicated adaptation finance mechanism.
Economic Efficiency	Medium	0	Uses existing tax systems but requires declarations, audits, and enforcement	It is administratively workable in larger municipalities, though ongoing compliance and enforcement create moderate costs.
Equity & Fairness	Low	-1	Uniform tax may penalize legitimate vacancies; hardship risk noted	The tax can create unfair burdens for owners facing legitimate circumstances, and exemptions are difficult to administer perfectly.
Political Acceptability	High	+1	Generally popular because it targets vacancy during a housing crisis	Public support is often strong because the tax addresses visibly underused housing in high-cost markets.
Feasibility (Admin/Legal)	Medium	0	Express authority exists only in some provinces; robust systems needed for implementation	It is feasible where municipal authority and administrative systems exist, but provincial variation and implementation requirements limit broader use.
Coherence (Portfolio Fit)	Medium	0	Aligns with housing, land use efficiency, and adaptation goals but modest fiscal role	The tool fits well as a complementary housing and resilience instrument, though its fiscal contribution is too modest to serve as a core adaptation funding source.

Best Use Context

Vacant and underused property taxes are most effective in large, high-cost urban housing markets where vacancy is politically salient, and the levy is large enough to influence owner behaviour. They are best used as a complementary housing-efficiency and urban land-use tool rather than as a major standalone source of adaptation finance.

Context Factor	Relevance	Notes
Municipal Size	High	Most suitable in large urban municipalities with high-value property markets and sufficient administrative systems
Administrative Capacity Required	High	Requires declaration systems, audit capacity, enforcement, communications, and exemption management
Development Pressure	High	Works best in high-cost, high-demand housing markets where vacancy is a meaningful policy issue
Climate Risk Targeting	Low	Supports adaptation indirectly through efficient land and infrastructure use rather than direct risk targeting
Fiscal Flexibility Required	Low	Does not require major upfront municipal financing, but revenues are modest relative to total budgets.

Recommended Citation

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