

## CANADA'S PROHIBITION ON THE PURCHASE OF RESIDENTIAL PROPERTY TO NON-CANADIANS ACT AND WHAT IT MEANS FOR RELOCATION

Effective **January 1, 2023**, the new Prohibition on the Purchase of Residential Property by Non-Canadians Act (the "Act") bars non-Canadian citizens from purchasing homes throughout the country for a period of two years. This drastic measure is in response to overheated real estate markets in major cities like Toronto and Vancouver, with the hope of making housing more affordable. However, this Act will affect foreign nationals moving into and between Canadian provinces who had hoped to purchase residential property. To clarify, condominiums, townhomes and 1-4-unit dwellings are included in the definition of "residential property."

### Actions Taken by Global Mobility Leaders to Protect Relocating Employees

Worldwide ERC and the Canadian Employee Relocation Council have attempted to intervene with the Canadian government regarding the interests of corporate clients and relocation management companies (RMCs), but so far have been unsuccessful in effecting change. It remains possible the government will issue regulations allowing for the exemption of certain sales based upon this lobbying, for instance:

A proposed exemption for a non-Canadian spouse or domestic partner purchasing a residential property jointly with the Canadian partner

A proposed exemption to include vacant land and multi-family properties of more than four units

### Are There Any Exemptions Now That Could Help Relocating Employees?

The Act includes these exceptions for certain non-Canadian citizens:



Those who have lived (and worked legally) and filed Canadian tax returns for at least 3 of the 4 years preceding the purchase



Students attending college/university or technical school in Canada for 4 of the 5 years preceding the purchase



Refugees fleeing persecution



Indigenous persons as defined in "The Indian Act"

Each of these is deemed to be a person who intends to settle in Canada for the near future as evidenced by their situation. The only exemption for which relocating employees are likely to qualify will be those moving within Canada who have lived and worked in country and paid Canadian taxes for 3 of the preceding 4 years.



## What is the Penalty for Violating the Act?

- A person or company violating the Act – either by purchasing, selling, or facilitating such a sale – may be fined **\$10,000 CAD**
- The property may be seized and sold, and the purchaser would receive no more than the original purchase price (after all costs are satisfied)

No doubt, closing attorneys and mortgage companies will require proof of citizenship or copies of Canadian tax returns prior to settlement.

Moreover, what one may not do directly, one also may not do indirectly by utilizing a Canadian facilitator. The Act expressly prohibits a non-Canadian from utilizing the services of a Canadian entity or individual who buys in his/her or its name for the benefit of the non-Canadian. This includes using a Canadian real estate company or RMC to purchase homes.

Similarly, the Canadian Mortgage and Housing Commission – charged with writing the regulations – will be addressing situations where a non-Canadian engages in a “rent to own” or lease with purchase option.

## What Happens Next?

At Altair Global, we are continuing to monitor this situation very closely so that we can provide best practice solutions to our clients and customers. There will be evolution to this new law, specifically with how it is administered and enforced.

Please reach out directly to your Altair client services representative, or request a consultation at [info@altairglobal.com](mailto:info@altairglobal.com), should you have any questions or seek solutions for your mobility program.