

# British Columbia Liberals impose anti-Chinese property transfer tax

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In a rare summer session of the provincial legislature, British Columbia's Liberal government adopted legislation earlier this month imposing a 15 percent property transfer tax on Metro Vancouver area homes purchased by those without Canadian citizenship or permanent residency status. This xenophobic tax follows an extended right-wing campaign by the political establishment and the corporate media to scapegoat foreign buyers for the region's soaring house prices, with an emphasis on buyers from China.

The Liberals announced the tax in late July and justified it on the basis of real estate purchase data collected over a period of just one-and-a-half months, from June to mid-July of this year. According to the Liberals, this data supposedly uncovered the central role foreign buyers are playing in driving up home prices in the B.C. lower mainland. The average price of a single-family detached home in the region now exceeds \$1.5 million.

Rich foreign investors have played a part in this process, but the scale of their involvement has been inflated so as to channel anger over the lack of affordable housing into a right-wing, xenophobic campaign. The political establishment has united behind false claims that the more than 30 percent increase in property prices over the past year in Metro Vancouver is chiefly the responsibility of Chinese investors. The vast amounts of speculation undertaken by Canadian banks and the financial elite in real estate, which also finds expression in a 15 percent increase in property prices in Toronto over the past year, has been systematically covered up.

In reality, the figures show that foreign buyers made up just 5.08 percent of home buyers across the province, and represented only 6.5 percent of total investment in the Metro Vancouver housing market. In some areas, such as Vancouver City proper and nearby Surrey, the proportion of foreign buyers was even lower, at 4 and 3 percent, respectively.

The big-business Liberals acknowledged in a November 2015 document that "foreign investment in residential real estate may not be sufficient to impact the Metro Vancouver housing market, except for a small segment of luxury homes." This conclusion was abandoned just months later, despite its validation by the June-July purchase data.

The blaming of Chinese investors for the housing crisis is a deliberate attempt to obscure the real cause of the

unaffordability of housing for working people: the capitalist profit system.

The Metro Vancouver region is the most expensive place to live in Canada. It is, moreover, rapidly overtaking other high-priced housing markets like New York, San Francisco and London as the most expensive place to live on Earth. In June, the average cost of a single-family home had jumped 39 percent from the year before, to \$1.6 million.

The sheer unaffordability of residential real estate in Vancouver is underscored further by the fact that half of the population rents. Yet, with vacancy rates at 0.8 percent as of last year, rents have skyrocketed to just under \$2,000 a month for a two-bedroom apartment. The median income for renters in the city is less than \$41,000 per year, meaning that many people pay more than half of their take-home wages just to stay housed.

With a median family income of \$76,040 in 2014, Metro Vancouver incomes rank in the bottom quarter of Canada's major metropolitan areas. For families who manage to secure a "starter" condominium unit, upgrading to a slightly more spacious town home would cost an additional \$147,000 and this is projected to skyrocket to \$341,000 by 2026. Moving from a town home to a single-family detached would cost a family an additional \$880,000.

An important factor driving up the surging price of real estate in B.C. and other lucrative housing markets worldwide is a crooked sales technique known as "shadow flipping", which is practiced by a significant number of realtors. This involves a realtor working with a buyer to purchase and re-sell a property, sometimes multiple times, before the deal is closed between the original seller and a final buyer. This nets both the initial buyer and the middleman realtor tens of thousands of dollars in untaxed profit, because tax is only paid at the end of sale.

The practice is widespread, with the self-regulated Real Estate Council of B.C. largely turning a blind eye and imposing only token fines on the few who do get caught.

For decades, all levels of government have been slashing support for social housing. In a phony attempt to dress up the new transfer tax as of benefit to working people, the Liberals have said its proceeds will be invested in a new Housing Priority Initiatives Fund. But they concede that they have no

idea how much money the tax will generate, nor have they provided any details whatsoever as to how the fund will be used.

The lack of affordable housing in Metro Vancouver is only the sharpest expression of a much wider phenomenon affecting workers across Canada and beyond. A recent report by the Parliamentary Budget Officer showed that Canadians have the highest household debt levels among G-7 countries. By the third quarter of 2015, household debt had reached 171 percent of disposable income, as working people scramble to cope with rising housing prices and decades of stagnant and falling incomes.

Even representatives of the financial elite, like Bank of Canada Governor Stephen Polloz, have acknowledged that such levels of debt are unsustainable and have issued warnings that they could trigger a financial crisis as the housing bubble in the US did in 2007-08.

The political establishment is seeking to channel the considerable social anger generated by the housing crisis in a reactionary direction.

Anti-Chinese and anti-Asian xenophobia has been a tool employed for over a century by the ruling class in western Canada to divide the working class. The new property tax on foreign buyers recalls the racist Chinese Head Tax enacted by the Canadian government in the late 19th and early 20th centuries to prevent Chinese labourers who had worked on the Canadian Pacific Railway from bringing their wives and other relatives to come to Canada.

The corporate media has played a central role in promoting the anti-Chinese hysteria, publishing incendiary headlines. The *Globe and Mail*, the traditional mouthpiece of the Canadian ruling class, justified this noxious narrative with an article titled “Meet the wealthy immigrants at the centre of Vancouver’s housing debate.” A column in Bloomberg warned of “The Canadian Housing Boom Fueled by China’s Billionaires.”

The *Globe* has been no less aggressive in its denunciation of Beijing over the South China Sea dispute, with an editorial describing it as a “rogue state” following the politically-motivated ruling of the Permanent Court of Arbitration in The Hague that China had no valid territorial claims in the region.

B.C.’s trade union-backed New Democratic Party (NDP) has played a particularly odious role. Last month when the Liberals released preliminary figures illustrating the relatively minor influence of foreign buyers on the provincial housing market, NDP leader John Horgan made baseless accusations that the numbers were too low and that the province was suffering from an invasion of foreign investors “coming in based on greed rather than a desire to live and work in British Columbia.”

Such economic nationalism and anti-immigrant chauvinism are the stock-in-trade of the NDP. They vigorously promote, in tandem with their union allies, the slogan of “Canadian jobs for Canadians.” In 2012, the NDP-allied British Columbia Federation of Labour demanded that Chinese workers who had

come to Canada to work at a mine owned by H.D. Mining International be sent home for costing Canadians jobs. In reality, the corporatist perspective of the trade unions—their slavish subordination of workers’ interests to capitalist profit—has led them to collude in the destruction of countless numbers of jobs and the imposition of wage cuts and other concessions.

The anti-Chinese campaign plays directly into the hands of the Canadian ruling class, which fully supports the Obama administration’s “Pivot to Asia,” a strategy to economically and militarily encircle China and compel it to submit to Washington’s demands. Ottawa has shown its full support for this agenda by backing the Trans-Pacific Partnership trade deal which excludes Beijing, and by lining up with the US and Japan over the territorial disputes in the East China Sea.

According to some legal experts, the Liberals’ new tax violates the Charter of Rights and Freedoms, which guarantees certain civil rights to citizens and non-citizens alike. However, repealing the tax would not solve the fundamental question of affordable housing for workers and youth, who have been priced out of the market.

The reality of the housing crisis in B.C. is one of social polarization. Workers and youth are forced to surrender an ever greater portion of their earnings for ever-smaller residences, or seek more affordable housing dozens and even hundreds of kilometres away from their jobs. Many others cram themselves and their families into substandard housing, or, as many post-secondary students do, couch-surf in their friends’ homes or sneak around campus looking for places to sleep. The most marginalized of society are forced to sleep rough and expose themselves to all the attendant dangers.

At the other pole, the wealthiest strata of society enjoy unlimited freedom to live and work anywhere in the region, treating it as their own personal playground. The richest tenth of the population monopolize over half of the province’s wealth, including real estate, hoarding it and lording it over the vast majority of the population.



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