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FINANCIAL & ESTATE PLANNING

BC Property Tax Deferment Program Changes: What You Need To Know

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The BC Property Tax Deferment Program enables eligible homeowners, such as seniors, families with children and persons with disabilities, to postpone payment of their annual property taxes. Beginning in the 2026 tax year, the program will introduce a new interest calculation method that significantly impacts the cost of deferring taxes.

Key change: Compound interest at prime + 2%

Starting in 2026, the program will apply compound interest rather than simple interest to all new deferred taxes. The annual interest rate will be set at 2% above the Canada prime rate. Interest will be compounded monthly, meaning that each month, the interest accrued will be added to the deferred balance, and future interest will be calculated on this increased amount. Specifically, on the 23rd day of each month, the accrued interest is added to the balance, which then becomes the basis for the next month's interest calculation.

Impact of monthly compounding

The shift to monthly compounding will significantly increase the total amount owed over time, especially for homeowners who defer taxes over many years. For example, a homeowner who starts with a deferred balance of $50,000 in 2026 and continues to defer $7,500 in property taxes each year for 20 years would see their total deferred balance grow to approximately $469,300 by 2046, under these new rules. This assumes Canada's prime rate at 4.45% (as of early March 2026), adding 2% and it remaining level. This is much higher than under the previous simple interest regime.

Interest exclusions

Interest applies only to the deferred tax amounts, not to application or renewal fees. These administrative costs will not accrue interest, which helps reduce the overall cost of participation in the program.

Eligibility and limits

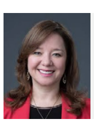
The program's core eligibility criteria remain unchanged. Homeowners must have at least 25% equity in their principal residence, and their property tax accounts must be in good standing. There is no minimum or maximum dollar threshold for the amount of taxes deferred each year. The only cap is that the total deferred balance cannot exceed 75% of the property's assessed value.

Considerations for homeowners

Homeowners considering the tax deferment program should be aware that compound interest can greatly increase the total amount owed over time. This can impact estate planning, home equity and the eventual repayment of the deferred balance, which typically occurs when the property is sold or transferred. It is important to use the government's online calculator and seek financial advice to fully understand the implications of the new interest calculation method.

Conclusion

The 2026 changes to the BC Property Tax Deferment Program, specifically the move to compound interest, will make deferring property taxes significantly more expensive over the long term. Homeowners are encouraged to carefully review their options and can also reach out to the Government of BC website for additional information.



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