

WELCOME TO BELL SPAGNUOLO LEGAL OFFICES

February 26, 2007

PROPERTY TRANSFER TAX AND FIRST TIME HOME BUYER'S INFORMATION

The Property Transfer Tax is a tax payable to the Provincial Government by purchasers of real estate. The tax applies to all types of real estate, whether residential, commercial or industrial.

The amount of the Property Transfer Tax is 1% on the first \$200,000.00 of the property's fair market value and 2% on the remaining fair market value.

For example, if the fair market value of the property is \$200,000.00, the tax payable would be \$2,000.00 (1% of \$200,000.00). If the fair market value of the property is \$250,000.00, the tax payable would be \$3,000.00 (1% on the first \$200,000.00 = \$2,000.00 and 2% on the remaining \$50,000.00 = \$1,000.00).

"Fair Market Value" is best described as the price that would be paid for a property on the open market (which is usually the actual purchase price paid for the property). If the transfer of property is taking place without the exchange of money, the fair market value must be the fair value of the property if same was sold on the open market. In some situations, the fair market value is determined by the recent Assessment received from the Assessment Office.

There are a number of exemptions available to purchasers so that the tax is not payable. The most common is the exemption for "First Time Home Buyers." To qualify for an exemption to the Property Purchase Tax as a First Time Home Buyer, the following criteria must be met:

- Purchaser must never have owned an interest in a principal residence anywhere in the world at any time;
- Purchaser must be a citizen of or a permanent resident of Canada and have resided in B.C. for at least one year prior to the purchase or have filed two income tax returns as a British Columbia resident within the last 6 years;
- To obtain full exemption, the purchase price must not exceed \$375,000.00. A partial exemption is available for homes between \$375,000.00 and \$400,000.00 (see formula below);
- Mortgage Financing must be at least 70% of the fair market value of the property, and must have a term of at least one year (special rules apply for mortgages that have a term of less than one year and demand mortgages);
- Purchaser must move into the property within ninety-two days after registration of the purchase of the property and reside in the property for at least one year;
- Pro rata exemption where property exceeds .5 hectares or a portion of the property is not residential (i.e. commercial lofts) - purchase price of entire property must not exceed the price limitations.

To calculate the amount of tax payable on homes between \$375,000.00 and \$400,000.00, use the following formula:

$$\frac{\text{Amount of PTT X } (\$400,000.00 - \text{Purchase Price})}{\$25,000.00}$$

For example, assume a house is being purchased for \$380,000.00. Normal Property Transfer Tax would be \$5,600.00 (i.e. 1% on the first \$200,000.00 and 2% on remainder). Using the formula:

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$$\frac{\$5,600.00 \times (\$400,000.00 - \$380,000.00)}{\$25,000.00} = \$4,480.00.$$

Subtract \$4,480.00 from \$5,600.00 leaving \$1,120.00 as the amount owing for the Property Transfer Tax.

Other exemptions exist as well, such as a transfer of a principal residence between family members. For details on this and other exemptions, go to <http://www.rev.gov.bc.ca/RPT/> and pick the "Property Transfer Tax" button located on the right hand side on this screen.

Property Transfer Tax should not be confused with Property Tax. The Property Transfer Tax is a one time tax paid to the Provincial Government by purchasers of real estate. The Property Tax is the tax paid on an annual basis to the local City/Municipality.

Please remember that the Property Transfer Tax Act may frequently change along with the exemptions for payment of this Tax. While we try to keep our website up to date as much as possible, please do not rely upon the information without talking to one of our lawyers.

The information you obtain at this site is not, nor is it intended to be, legal advice. You should consult a lawyer for individual advice regarding your own situation.

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