

## Instructions for Completion of the First Time Home Buyers' Tax Return *OR* Application for Refund

The explanations provided in this guide regarding the First Time Home Buyers' Program, represent a brief summation of the law. Where there is any conflict between the wording used in this guide and the *Property Transfer Tax Act* and Regulations, the statute will prevail.

The following information outlines the requirements of the program. Please provide each applicant for the First Time Home Buyers' Exemption with a copy of this guide. Applicants signing either the First Time Home Buyers' Property Transfer Tax Return or the First Time Home Buyers' Application for Refund should read and understand these conditions.

### Conditions to be met at the time of application:

1. Each purchaser applying for the exemption/refund must be a Canadian citizen or a permanent resident as defined in the *Immigration and Refugee Protection Act (Canada)*.
2. Where a purchaser is not entitled to an exemption at the registration date only because they are not a Canadian citizen or permanent resident, and the purchaser satisfies that requirement on or before the first anniversary of the registration date, they may apply for a refund of the tax paid. **Application for a refund must be made within 18 months of the registration date.**
3. Each purchaser applying for the exemption/refund must have either continuously resided in British Columbia for at least one year immediately prior to the registration date or, if the purchaser did not continuously reside in British Columbia for that period, have filed income tax returns as a resident of British Columbia for 2 of the 6 taxation years immediately prior to the registration date.
4. Each purchaser applying for the exemption/refund must not have previously owned an interest in a principal residence anywhere.
5. Each purchaser applying for the exemption/refund must not have previously obtained a first time home buyers' exemption or refund.
6. To be eligible for the full exemption, the fair market value of the land and improvements which comprise the principal residence must not exceed the qualifying value of:
  - \$325,000 if located within the Capital Regional District, Greater Vancouver Regional District, or Fraser Valley Regional District; or,
  - \$265,000, if located elsewhere in the province
7. If the fair market value of the land and improvements which comprise the principal residence exceeds the applicable qualifying value by an amount not greater than \$25,000, a proportionate exemption is available.
8. The amount borrowed to finance the purchase and registered against the title must be 70% or greater of the fair market value (not including amounts borrowed from related individuals; related persons as defined in section 251 of the *Income Tax Act (Canada)*; corporations, other than a public company as defined in the *Business Corporations Act*, of which the purchaser is a shareholder or of which one or more individuals who are related persons of the purchaser are shareholders; or a trustee on behalf of a trust of which the purchaser is a beneficiary or of which one or more related persons of the purchaser are beneficiaries). The financing must be registered within 7 days of the date of the transfer. Registered financing assumed by a purchaser may be included. Only borrowed financing that is being applied toward the purchase price of the principal residence will qualify for purposes of this exemption.
9. The amount borrowed must have a term of at least one year following the date of registration of the purchase at the land title office.
  - Where the mortgage either has a term of less than one year or is a demand mortgage which does not state the term on the face of the document, the purchaser must pay the tax at the time of purchase and apply for a refund.
  - **Application for a refund must be made within 18 months of the registration date.**
10. If the property purchased has a residence on it, the purchaser must occupy the property as their principal residence within 92 days of the date of registration of the transfer at the land title office.
11. If the property purchased is vacant land, the residence must be established prior to the first anniversary of the registration date, and the purchaser must occupy and use the property as their principal residence from the date the residence was established to a date no earlier than the first anniversary of the registration date.
12. If the property purchased is vacant land, the fair market value of the land plus the total cost to construct the improvement must be no greater than the sum of the applicable qualifying value in 6. and \$25,000.

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13. The full exemption/refund is available on properties where all of the improvements are residential and the land portion does not exceed 0.5 hectares (1.24 acres) in area. A partial exemption/refund may be available where:
    - the improvements (buildings) are **not** all residential. In this case, only the fair market value of the residential portion is to be included in the exemption calculation. The purchase price of the entire property must not exceed the limitations outlined.
    - the land exceeds 0.5 hectares in area. In this case, the exempt portion of the fair market value of the land is restricted to a 0.5 hectare portion. The exempt portion is calculated by dividing the fair market value of the land by the total area (in hectares) of the parcel and then multiplying the result by 0.5 hectares. Once again, the purchase price of the entire property must not exceed the limitations outlined.
  14. **Application for a refund must be made within 18 months of the registration date.**
  15. Each purchaser claiming the exemption/refund must sign the certification portion of the tax return/application for refund, granting the Administrator the right to verify the information submitted in the tax return/application for refund for the purpose of confirming eligibility for the exemption/refund. The Administrator intends to examine relevant information in the Insurance Corporation of British Columbia, the Home Owner Grant Office, BC Hydro, Land Title and Survey Authority of British Columbia, BC Assessment and other sources as required to confirm eligibility.

**Conditions to be met during the first year of ownership:**

1. The purchaser must occupy and use the property as their principal residence to a date no earlier than the first anniversary of the registration date. **Proof of residency may be required.** Eligibility for exemption/refund will not be denied where a purchaser fails to occupy the property for this period due to their death, or because they transfer their interest in the property pursuant to a written separation agreement or a court order under the *Family Relations Act*.
2. Regardless of the type of mortgage financing used, the eligible indebtedness (the amount borrowed to finance the purchase which is registered against the title), may not be reduced prior to the first anniversary of the registration date by more than the greater of:
  - the amount that would reduce the eligible indebtedness to 70% of the fair market value of the property at the registration date, and
  - \$13,000 if the principal residence is located within the Capital Regional District, Greater Vancouver Regional District or Fraser Valley Regional District, or
  - \$10,600 if the principal residence is located elsewhere in the province.

All payments made against the principal amount, whether the principal portion of regular payments or lump-sum payments, are used in calculating the amount by which the eligible indebtedness has been reduced.

If the type of financing allows amounts to be borrowed in addition to the amount borrowed to finance the purchase of the principal residence (e.g. readvanceable mortgages or lines of credit), all payments made against the various principal amounts are pro-rated between the various amounts borrowed, and only the amounts pro-rated to the eligible indebtedness will be used to calculate the reduction in the amount of that eligible indebtedness. Mortgage information must be provided. **A letter will be mailed to you on the first anniversary of your purchase.** This letter must be completed by your lender. An exception is provided where a purchaser dies during the year immediately following purchase of the property. In these cases, the qualifying financing may be reduced by an amount equal to the amount of life insurance proceeds that are payable and paid to reduce the qualifying financing.

3. Where the condition in either 1. or 2. is not met, a prorated exemption may be available.
4. If a purchaser applying for exemption/refund makes a false declaration with respect to whether they have either previously been on title to a residence in which they resided, or previously obtained a first time home buyers' exemption or refund, the Administrator will assess a penalty equal to the amount of the exemption or refund in addition to the tax payable.

**Form Instructions**

1. Section A – Provide the number of purchasers acquiring an interest in the property with this transaction, regardless of whether or not they are claiming the exemption/refund. Each applicant for the exemption/refund must provide their birthdate, social insurance number, tick the appropriate YES or NO box, and if YES, indicate the percentage of interest being acquired. If a purchaser is **not** applying for the First Time Home Buyers' Exemption/Refund, it is not necessary to provide their birthdate, social insurance number or previous addresses.
2. Section B – Provide previous addresses for each applicant for the exemption/refund for a two year period. Add additional information on a separate sheet if there is not sufficient room on the tax return/application for refund.
3. Sections C and D (only on tax return) are identical to existing tax returns and there is no change in how these are completed.
4. Section E – Details of financing must be provided. If the purchaser does not have a mortgage term of at least one year, they must pay the tax and claim a refund upon renewal of the mortgage term, prior to the first anniversary of the date of registration.

**\*\*\* No examples are provided for the electronic tax return as calculations are performed automatically within the form.**

**Example 1:** The property is all residential, less than 0.5 hectares, and acquired by two purchasers, only one of whom is eligible for the exemption/refund. Registration of title is to be as joint tenants, fair market value is \$250,000.

**F. PROPERTY TRANSFER TAX CALCULATION:**

1. Fair market value of property		\$	<u>250,000   00</u>	F1
1a. Fair market value of interest being acquired in this transaction		\$	<u>250,000   00</u>	F1a
2. Tax at 1% of the first \$200,000 reported in line F1 and 2% on the remainder		\$	<u>3,000   00</u>	F2
3. If the size of the property is equal to or <b>less than 0.5 hectares</b> , and all of the improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption	<u>50</u>	% X F2 \$ <u>3,000.00</u>	= \$	<u>1,500   00</u> F3
4. If the size of the property is <b>larger than 0.5 hectares</b> , or if some of the improvements are not residential, <u>complete section H</u> below				
PRINCIPAL RESIDENCE				
VALUE (H10)	\$	X F2 \$	= \$	F4
FAIR MARKET VALUE (F1a)	\$			
5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' Instruction Guide), but less than the QV + \$25,000				
F3 or F4 \$	<u>1,500.00</u>	X (QV + 25,000 - F1)	= \$	F5
		<u>25,000</u>		
6. PROPERTY TRANSFER TAX PAYABLE (F2 minus F5 (if completed) or F3 or F4)			\$	<u>1,500   00</u> F6

**Example 2:** The property is all residential, less than 0.5 hectares, and acquired by two purchasers, only one of whom is eligible for the exemption/refund. Registration of title is to be as joint tenants, fair market value is \$345,000. The property is located within the Capital Regional District.

**F. PROPERTY TRANSFER TAX CALCULATION:**

1. Fair market value of property		\$	<u>345,000   00</u>	F1
1a. Fair market value of interest being acquired in this transaction		\$	<u>345,000   00</u>	F1a
2. Tax at 1% of the first \$200,000 reported in line F1 and 2% on the remainder		\$	<u>4,900   00</u>	F2
3. If the size of the property is equal to or <b>less than 0.5 hectares</b> , and all of the improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption	<u>50</u>	% X F2 \$ <u>4,900.00</u>	= \$	<u>2,450   00</u> F3
4. If the size of the property is <b>larger than 0.5 hectares</b> , or if some of the improvements are not residential, <u>complete section H</u> below				
PRINCIPAL RESIDENCE				
VALUE (H10)	\$	X F2 \$	= \$	F4
FAIR MARKET VALUE (F1a)	\$			
5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' Instruction Guide), but less than the QV + \$25,000				
F3 or F4 \$	<u>2,450.00</u>	X (QV + 25,000 - F1)	= \$	<u>490   00</u> F5
		<u>25,000</u>		
6. PROPERTY TRANSFER TAX PAYABLE (F2 minus F5 (if completed) or F3 or F4)			\$	<u>4,410   00</u> F6

**Example 3:** The property is all residential, lot size is 3.9 hectares, the land is valued at \$125,000, the improvements at \$125,000 and is acquired by two purchasers, only one of whom is eligible for the exemption/refund. Registration is to be as joint tenants.

**H. PROPORTIONAL PRINCIPAL RESIDENCE CALCULATION:**

Where the property is larger than 0.5 hectares (1.24 acres), or the improvements are not entirely residential, please complete this section.

1. Value of improvements	\$	<u>125,000   00</u>	H1	6. Value of residential improvement	\$	<u>125,000   00</u>	H6
2. Value of land	\$	<u>125,000   00</u>	H2	7. Land value portion eligible (see below)	\$	<u>16,025   64</u>	H7
3. Fair market value of property (H1 plus H2 to equal F1)	\$	<u>250,000   00</u>	H3	8. Value of home and land (H6 plus H7)	\$	<u>141,025   64</u>	H8
4. Size of property in hectares (see conversion factors below)		<u>3   9</u>	H4	9. Total percentage ownership being transferred to first time home buyers claiming tax exemption		<u>50   00</u> %	H9
5. If property is larger than 0.5 hectares, then perform the following proportional land exemption calculation				10. Principal residence value (H9 % of H8)	\$	<u>70,512   82</u>	H10
	\$	<u>125,000   00</u>	divided by	<u>3   9</u>	times 0.5 =	\$	<u>16,025   64</u>
		(FROM H2)		(FROM H4)			(TO H7)

CONVERSION FACTORS      To convert from square feet to hectares, multiply by .0000093      0.5 hectares = 53,763 square feet  
 To convert from acres to hectares divide by 2.471      0.5 hectares = 1.24 acres

### Example 3 (continued)

#### F. PROPERTY TRANSFER TAX CALCULATION:

1. Fair market value of property		\$	<u>250,000   00</u>	F1
1a. Fair market value of interest being acquired in this transaction		\$	<u>250,000   00</u>	F1a
2. Tax at 1% of the first \$200,000 reported in line F1 and 2% on the remainder		\$	<u>3,000   00</u>	F2
3. If the size of the property is equal to or <b>less than 0.5 hectares</b> , and all of the improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption				
			<u>                    </u> % X F2 \$ <u>                    </u>	= \$ <u>                    </u> F3
4. If the size of the property is <b>larger than 0.5 hectares</b> , or if some of the improvements are not residential, <u>complete section H</u> below				
PRINCIPAL RESIDENCE				
VALUE (H10)	\$	<u>70,512.82</u>	X F2 \$ <u>3,000.00</u>	= \$ <u>846   15</u> F4
FAIR MARKET VALUE (F1a)	\$	<u>250,000.00</u>		
5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' Instruction Guide), but less than the QV + \$25,000				
F3 or F4	\$	<u>                    </u>	X $\frac{QV + 25,000 - F1}{25,000}$	= \$ <u>                    </u> F5
6. PROPERTY TRANSFER TAX PAYABLE (F2 minus F5 (if completed) or F3 or F4)		\$	<u>2,153   85</u>	F6

**Example 4:** The property is all residential, lot size is 3.9 hectares, the land is valued at \$220,000, the improvements at \$125,000 and is acquired by two purchasers, only one of whom is eligible for the exemption/refund. Registration is to be as joint tenants. The property is located within the Capital Regional District.

#### H. PROPORTIONAL PRINCIPAL RESIDENCE CALCULATION:

Where the property is larger than 0.5 hectares (1.24 acres), or the improvements are not entirely residential, please complete this section.

1. Value of improvements	\$	<u>125,000   00</u>	H1	6. Value of residential improvement	\$	<u>125,000   00</u>	H6
2. Value of land	\$	<u>220,000   00</u>	H2	7. Land value portion eligible (see below)	\$	<u>28,205   13</u>	H7
3. Fair market value of property (H1 plus H2 to equal F1)	\$	<u>345,000   00</u>	H3	8. Value of home and land (H6 plus H7)	\$	<u>153,205   13</u>	H8
4. Size of property in hectares (see conversion factors below)		<u>3   9</u>	H4	9. Total percentage ownership being transferred to first time home buyers claiming tax exemption		<u>50   00</u> %	H9
5. If property is larger than 0.5 hectares, then perform the following proportional land exemption calculation				10. Principal residence value (H9 % of H8)	\$	<u>76,602   57</u>	H10
	\$	<u>220,000   00</u>			\$	<u>28,205   13</u>	
	(FROM H2)				(TO H7)		
CONVERSION FACTORS		To convert from square feet to hectares, multiply by .0000093				0.5 hectares = 53,763 square feet	
		To convert from acres to hectares divide by 2.471				0.5 hectares = 1.24 acres	

#### F. PROPERTY TRANSFER TAX CALCULATION:

1. Fair market value of property		\$	<u>345,000   00</u>	F1
1a. Fair market value of interest being acquired in this transaction		\$	<u>345,000   00</u>	F1a
2. Tax at 1% of the first \$200,000 reported in line F1 and 2% on the remainder		\$	<u>4,900   00</u>	F2
3. If the size of the property is equal to or <b>less than 0.5 hectares</b> , and all of the improvements are residential, the percentage interest in the property being acquired by eligible first time home buyers claiming the exemption				
			<u>                    </u> % X F2 \$ <u>                    </u>	= \$ <u>                    </u> F3
4. If the size of the property is <b>larger than 0.5 hectares</b> , or if some of the improvements are not residential, <u>complete section H</u> below				
PRINCIPAL RESIDENCE				
VALUE (H10)	\$	<u>76,602.57</u>	X F2 \$ <u>4,900.00</u>	= \$ <u>1,087   98</u> F4
FAIR MARKET VALUE (F1a)	\$	<u>345,000.00</u>		
5. If the fair market value of the entire property is greater than the applicable qualifying value (QV) (see condition 6 in the First Time Home Buyers' Instruction Guide), but less than the QV + \$25,000				
F3 or F4	\$	<u>1,087.98</u>	X $\frac{QV + 25,000 - F1}{25,000}$ <u>.20</u>	= \$ <u>217   60</u> F5
6. PROPERTY TRANSFER TAX PAYABLE (F2 minus F5 (if completed) or F3 or F4)		\$	<u>4,682   40</u>	F6

## ELECTRONIC TAX RETURN INSTRUCTIONS

### Field Accessibility

The electronic tax return has been programmed to automatically adjust form field accessibility based on the chosen Exemption Code. In other words, if you cannot enter information into a given field, it's not required. Accessible fields (read/write) are solid grey while inaccessible fields (read-only) are shown with a thin grey border.

### Selecting an Exemption Code

Selecting the exemption code should be completed before beginning data entry. If the default exemption code of "None – No Exemption claimed" is correct, simply tab to the next field, otherwise use the mouse to click the dropdown control and select the applicable exemption code.

Tabbing to the next field will prompt the form to update field accessibility based on the newly chosen exemption code<sup>1</sup>. If you wish to change the exemption code during an edit session, return the cursor to the exemption code selection box and make your new selection. Once again tab out of the control to trigger a field accessibility update.

**NOTE:** A change in exemption code may result in previously entered field information being erased. A field value will remain after an exemption code change **only** if the field in question is a required field enforced by the new exemption code.

### Tabbing order

The tabbing order is the order in which the input focus moves from field to field as you press the Tab key. The form tabbing order has been designed to move you through the fields in a logical manner beginning at the top of the form and ending at the digital signature field. Tabbing will advance the cursor between accessible form fields only.

### Fly-over hints

Resting the mouse cursor overtop an accessible form field (solid grey) will display a fly-over hint designed to assist you in determining the correct type and/or length of information expected for a given field. Fly-over hints have not been included for all fields.

### Form Field error messages

Many fields on the form contain validation rules which check the data keyed into a field. Validations are performed as you tab out of a field's boundary. If presented with a warning, it's recommended that you return to the last field you were on and update as requested in the warning message.

### Copy Function

To automatically copy Section A Purchaser / Transferee address information from first purchaser to second purchaser section, or address information, use the yellow "copy above" buttons.

### Additional Pages

If you discover inadequate form field space in Sections A, C, or D (e.g. more than 2 purchasers, vendors or Parcel Identifiers to be entered) additional pages may be added to the form. Look for the yellow labels marked "If insufficient space, click here to attach details" within the applicable section. Clicking these labels will append a new form to the rear of the document providing additional form field space. Once you've completed filling out the new form, use the red return arrow in the top left corner of the newly appended page to return to the main form.

**NOTE:** One attachment page only may be added from the front page of the electronic form. If additional attachment pages are required, use the yellow buttons located in the lower right corner of any attachment pages marked "Add another page". Clicking this button will append a new page of the same type to the rear of the document.

### Deleting Additional Pages

Mistakenly added or unwanted attachment page(s) may be removed. Move to the unwanted page using either the "Page Down" key or the document navigation arrows on the top menu bar. With the page to delete in view, choose Document > Delete Pages and click OK to delete.

**NOTE:** Please do not delete pages 1 through 3 of the form, as errors will occur when uploading the form to the LTB Electronic Front Counter.

### Keeping file size to a minimum with "Save-As"

Excessively large files can slow down upload time between your desktop and the LTB Electronic Front Counter system. Different factors contribute to the final size of a completed PDF file. Depending on content, and number of modifications to the final form, the electronic form file may grow substantially larger than the original master template file it was initiated from.

Acrobat's "Save-As" command can reduce a file's size by as much as 80%. "Save-As" command forces Acrobat to re-write a file from scratch eliminating redundant information. A "Save-As" command should be performed prior to applying a digital signature, as it constitutes a change to the file and will invalidate a previous digital signature resulting in an error when uploading the file to the LTB Electronic Front Counter.

### Using "Reset" to start a new form

A yellow reset button has been added to the top of the electronic form document. The reset button erases all form field information allowing you to begin from scratch. The "reset" button may be used to clear form field contents and allows the creation of a new file from the current, saving the step of initiating a new document from the template master.

To create a new file from the current:

- Save the file you are currently working on
- Click the reset button
- Click "Ok" to confirm the reset
- Use "Save-As" to rename the file and save to your "work-in-progress" directory.
- Proceed with data entry on the new file

**NOTE:** The Reset button is locked out and may not be used after applying a digital signature.

### Where can I get more information?

Additional information about completing the tax return or answers to questions regarding Property Transfer Tax and possible exemptions may be found by calling the Property Taxation Branch, Property Transfer Tax Office at 250 387-0604.

<sup>1</sup> Mouse cursor will intermittently resemble a small calculator during Exemption Code changes.