



# Property Transfer Tax

October 2013

**P**roperty Transfer Tax is a land registration tax. It must be paid when an application for a taxable transaction is made at any Land Title Office in British Columbia to register changes to a certificate of title. Property Transfer Tax is payable on the fair market value of the property being transferred.

## Background

The PTT was introduced by the BC government in 1987. At the time it was called the Property Purchase Tax. It was meant to be a luxury tax, where only 5% of homes would have to pay to pay the 2% portion of the tax (for homes priced over \$200,000).

## Calculation

The Property Transfer Tax (PTT) is calculated at 1% on the first \$200,000 and 2% on the remaining fair market value of a home.

## Fair market value

Fair market value is the price that would be paid by a willing purchaser to a willing seller in the open market on the date of registration. An open market is where the property is offered for sale, so that anyone likely to be interested in purchasing it may make an offer. For example, the seller lists the property on the Multiple Listing Service®.

In most open market transactions, the purchase price is the fair market value, as long as the transfer is registered within a few months after the sales contract is signed. In other instances, such as where no money changes hands or the transfer did not take place in the open market, the fair market value must be determined by other means, such as an independent appraisal or by reference to the most relevant BC Assessment value.

## Pre-Sales

Most purchasers of pre-sold strata units will pay the PTT on the total consideration paid for the unit, rather than on its fair market value as of the date of registration at the land title office. The total consideration is the total amount paid to acquire the property – this includes money paid for upgrades or additions, or any other premium paid for assignment of a written agreement.

## Assignments

If the original purchaser(s) of a pre-sold strata unit sells or assigns their right to purchase the unit to another person before the strata plan is deposited at the land title office, the PTT due is calculated on the total consideration paid by the person who registers the transfer. Total consideration paid includes any additional amounts paid to obtain the right to purchase the unit from that person.

If the transfer of a strata unit is a non-arm's length transaction, the purchaser must pay tax based on the total consideration that would have been paid for the unit if the transaction has been

between arm's length parties in the open market. Non-arm's length transaction is one that does not take place in the open market, such as an assignment to a person who is vertically related to the original buyer (including parent, grandparent, child, not siblings), or an assignment from the purchaser to their company. By contrast, an arm's length transaction does take place in the open market.

In all cases, the first person to register the transfer at the land title office, after the developer had deposited a strata plan at the land title office, is the person who is subject to the tax.

## Exemptions

There are some exemptions available that may apply to exempt all, or a portion of, the transfer from the tax. Some of the most commonly claimed exemptions (if certain criteria are met), include:

- net interest passing;
- transfers involving joint tenants and tenants in common;
- transfers involving an agreement for sale;
- transfers following bankruptcy;
- transfers resulting from marriage breakdowns;
- transfers between relatives (spouses, children, grandchildren, great grandchildren, parents, grandparents, great grandparents, but NOT sibling);
- transfers to registered charities;
- transfers under the *Veterans' Land Act* (Canada);
- transfers by which property escheats, reverts or forfeits to the Crown, or where the property is returned;
- transfers to municipalities and other local governments;
- transfers involving family farms (Bulletins PTT 008 & 009);
- transfers of certain manufactured, mobile or modular homes (if the home is considered chattel); and
- First Time Home Buyers' Program (Bulletin PTT 004)

For more information on these exemptions, read Bulletin PTT 003 available here: [www.sbr.gov.bc.ca/documents\\_library/bulletins/PTT\\_003.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/PTT_003.pdf)

## First Time Home Buyers' Program

The First Time Home Buyers' (FTHB) Program is a common exemption that residential REALTORS® need to understand. In 2012, there were 18,738 FTHB exemption claims, according to the BC Ministry of Finance.

### The buyer(s) must meet these qualifications:

- must be a Canadian citizen, or a permanent resident as determined by Immigration Canada;
- must have lived in BC for 12 consecutive months immediately before the date you register the property, or must have filed two income tax returns as a BC resident during the six years before the date you register the property;
- must never have owned an interest in a principal residence anywhere in the world at any time; and
- must never have received a first time buyers' exemption or refund.

### The property being purchased qualifies for a FULL exemption if:

- purchasing an existing home, the fair market value of the property is not more than \$425,000;
- purchasing land and building a home, the fair market value of the land as of the date you register the property, plus the cost to build the home is not more than \$425,000;
- the land is 0.5 hectares (1.24 acres) or smaller; and
- the property will only be used as a principal residence.

### The property being purchased qualifies for a PARTIAL exemption if:

- purchasing an existing home, the fair market value of the property is between \$425,000 and up to \$450,000;
- purchasing land and building a home, the fair market value of the land as of the date you register the property, plus the cost to build the home is between \$425,000 and up to \$450,000;
- the land is larger than 0.5 hectares (only 0.5 hectares of land are eligible); or
- a portion of the improvements on the land is used for commercial purposes or there is a separate dwelling on the land (only the principal residence portion is eligible).

### Partial exemption calculation

In order to calculate a partial FTHB exemption for a property priced over \$425,000 and up to \$450,000, use the following calculation:

$$\text{PTT} \times (\text{QV} + \$25,000 - \text{FMV}) = \text{Exemption Value} \\ \$25,000$$

- >> Property Transfer Tax (PTT) = 1% on first \$200,000 and 2% on remainder (determine the PTT on the purchase price)
- >> Qualifying Value (QV) = \$425,000
- >> Fair Market Value (FMV) = purchase price
- >> Exemption Value = exemption amount (reduction of what is owing for PTT)

### How to apply for the FTHB exemption?

- The buyer applies for the exemption when the property is registered at the land titles office.
- Generally, the lawyer or notary public registers the property and applies for an exemption on the buyer's behalf.
- The land title office sends the application to the Ministry of Finance to verify the buyer's eligibility.
- If the buyer did not apply for the exemption at the time the property is registered at the land title office, they can apply

### Sample partial exemption amounts

Purchase Price	PTT on Purchase Price Before Exemption	Exemption Amount	PTT Payable After Exemption
\$425,000	\$6,500	\$6,500	\$0
\$426,000	\$6,520	\$6,259	\$261
\$427,000	\$6,540	\$6,017	\$523
\$428,000	\$6,560	\$5,773	\$787
\$429,000	\$6,580	\$5,527	\$1,053
\$430,000	\$6,600	\$5,280	\$1,320
\$431,000	\$6,620	\$5,031	\$1,589
\$432,000	\$6,640	\$4,781	\$1,859
\$433,000	\$6,660	\$4,529	\$2,131
\$434,000	\$6,680	\$4,275	\$2,405
\$435,000	\$6,700	\$4,020	\$2,680
\$436,000	\$6,720	\$3,763	\$2,957
\$437,000	\$6,740	\$3,505	\$3,235
\$438,000	\$6,760	\$3,245	\$3,515
\$439,000	\$6,780	\$2,983	\$3,797
\$440,000	\$6,800	\$2,720	\$4,080
\$441,000	\$6,820	\$2,455	\$4,365
\$442,000	\$6,840	\$2,189	\$4,651
\$443,000	\$6,860	\$1,921	\$4,939
\$444,000	\$6,880	\$1,651	\$5,229
\$445,000	\$6,900	\$1,380	\$5,520
\$446,000	\$6,920	\$1,107	\$5,813
\$447,000	\$6,940	\$833	\$6,107
\$448,000	\$6,960	\$557	\$6,403
\$449,000	\$6,980	\$279	\$6,701
\$450,000	\$7,000	\$0	\$7,000

Note: numbers are rounded to the nearest whole dollar figure.

Source: BC Ministry of Finance, [www.sbr.gov.bc.ca/documents\\_library/shared\\_documents/PTT/fth08prorated\\_exemptions.pdf](http://www.sbr.gov.bc.ca/documents_library/shared_documents/PTT/fth08prorated_exemptions.pdf)

for a **refund of the PTT within 18 months** of the date of the registration of the property.

### Requirements to keep FTHB exemption

- If the buyer purchases an existing home, they must move into the home within 92 days of the date they register title to the property.
- If the buyer purchases land, they must build and move into their new home within one year of the date they register title to the land.
- After the buyer moves into the home, they must continue to use the property as a principal residence for one year. They may retain part of the exemption if they move out before the end of the first year.
- The BC Minister of Finance will send the buyer a letter at the end of the first year they own the property to confirm that they meet the requirements as explained above.

### Two buyers of a home - one of whom has previously claimed a FTHB exemption and one has not

If one of the home buyers qualifies as a first time buyer under

the criteria, then that buyer could receive a FTHB exemption based on whatever percentage interest they are going on title for. For example, a couple buying a home and each is going on title equally (50-50). One buyer has never claimed the FTHB exemption, so they could receive 50% of the FTHB exemption amount that would have been available if both buyers had qualified as first time home buyers under the criteria.

### Penalty for false declaration

If a buyer claims an exemption or refund, they may be charged an amount equal to double the tax (double the tax owed plus a penalty equal to the exemption or refund claimed) if they falsely declare:

- that they have never owned an interest in a principal residence anywhere in the world at any time; and/or
- that they have never received a BC first time home buyers' exemption or refund.

## Manufactured, Mobile and Modular Homes

The PTT may apply to the purchase of a manufactured, mobile or modular home depending on whether the home is considered a fixture (improvement) to the property or chattel. If it is considered a fixture then the PTT is applicable. If it is considered chattel then the PTT is not applicable. Some criteria to consider to help to determine whether a manufactured, mobile or modular home is a fixture include:

- The degree of affixation to the land.
- The degree and extent of attachment to the municipal services (e.g. electricity, water etc.).
- The visible physical improvements (e.g. add-ons such as stairs, porch, deck etc.).

- The degree of permanence:
  - Is it inhabitable?
  - Does it offer a more permanent accommodation or is it used on a temporary basis?
  - Does it still have its wheels or have they been removed or sold?
  - How is it perceived by an objective potential purchaser and/or by others?
- Can it be moved off the property without causing damage to the foundation and/or home?

In order to determine if the home is taxable, facts specific to the transferring property must be reviewed against the common law. For further advice on whether or not a particular manufactured, mobile or modular home is taxable contact the Property Taxation Branch at: 604-660-2421 or email: [PTTENQ@gov.bc.ca](mailto:PTTENQ@gov.bc.ca).

### First Time Home Buyers' Exemption and manufactured, mobile or modular homes

If a person has previously owned a manufactured, mobile or modular home they may still qualify for the First Time Home Buyers' exemption on a future home purchase. If they were registered on title to the land on which the mobile home was located and at any time they lived in the mobile home as a principal residence then they would not qualify for the FTHB exemption. However, if they owned and lived in a manufactured, mobile or modular home on a rental pad and didn't own the land then they may be eligible to claim the FTHB exemption on a subsequent home purchase.

## Sources

- General PTT Information: [www.sbr.gov.bc.ca/business/Property\\_Taxes/Property\\_Transfer\\_Tax/ptt.htm](http://www.sbr.gov.bc.ca/business/Property_Taxes/Property_Transfer_Tax/ptt.htm)
- Frequently Asked Questions: [www.sbr.gov.bc.ca/business/Property\\_Taxes/Property\\_Transfer\\_Tax/faq.htm](http://www.sbr.gov.bc.ca/business/Property_Taxes/Property_Transfer_Tax/faq.htm)
- Exemptions Information: [www.sbr.gov.bc.ca/business/Property\\_Taxes/Property\\_Transfer\\_Tax/exemptions.htm](http://www.sbr.gov.bc.ca/business/Property_Taxes/Property_Transfer_Tax/exemptions.htm)
- Ministry of Finance Bulletin PTT 003 – Exemptions: [www.sbr.gov.bc.ca/documents\\_library/bulletins/PTT\\_003.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/PTT_003.pdf)
- First Time Home Buyers' Program Information: [www.sbr.gov.bc.ca/business/Property\\_Taxes/Property\\_Transfer\\_Tax/first\\_Time\\_home\\_buyer.htm](http://www.sbr.gov.bc.ca/business/Property_Taxes/Property_Transfer_Tax/first_Time_home_buyer.htm)
- Ministry of Finance Bulletin PTT 004 – First Time Home Buyers' Program: [www.sbr.gov.bc.ca/documents\\_library/bulletins/PTT\\_004.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/PTT_004.pdf)
- Ministry of Finance Bulletin PTT 008 – Family Farms: [www.sbr.gov.bc.ca/documents\\_library/bulletins/PTT\\_008.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/PTT_008.pdf)
- Ministry of Finance Bulletin PTT 009 – Family Farm Corporations: [www.sbr.gov.bc.ca/documents\\_library/bulletins/PTT\\_009.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/PTT_009.pdf)
- Ministry of Finance Bulletin PTT 024 – Pre-Sold Strata Units: [www.sbr.gov.bc.ca/documents\\_library/bulletins/PTT\\_024.pdf](http://www.sbr.gov.bc.ca/documents_library/bulletins/PTT_024.pdf)
- PTT Questions Call BC Ministry of Finance: 604-660-2421 (Lower Mainland) or 1-800-663-7867 (Elsewhere in BC)

⇒ If you have questions, please contact Harriet Permut, Manager, Government Relations at: 604-730-3029 or [hpermut@rebgv.org](mailto:hpermut@rebgv.org).