

Property Transfer Tax Generally

Property Transfer Tax

This bulletin provides information about the types of transactions which are taxable under the *Property Transfer Tax Act* ("the Act"), the rate of tax, some of the exemptions provided under the Act, what returns must be completed and who must complete the returns and pay the tax.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Property Transfer Tax Act* and Regulations can be found on the web at www.rev.gov.bc.ca

IN THIS ISSUE...

- ***What is Property Transfer Tax?***
- ***What is the Tax Payable on?***
- ***What is the Tax Rate?***
- ***Who is Required to Pay the Tax?***
- ***Who is Required to File a Property Transfer Tax Return?***
- ***What Types of Transactions are Taxable?***
- ***What About Transactions Where no Money Changes Hands?***
- ***Exemptions From Property Transfer Tax***
- ***Property Transfer Tax Bulletins***

WHAT IS PROPERTY TRANSFER TAX?

Property transfer tax is a registration tax which is payable when an application is made at any Land Title Office in British Columbia, to register changes to a title.

Property transfer tax should not be confused with property tax. Property tax is the amount paid on an annual basis for services received from local government. Property transfer tax is paid when a registered interest is acquired in a property and forms part of the General Revenue of the Province.

WHAT IS THE TAX PAYABLE ON?

Property transfer tax is payable on the fair market value of the property that is transferred. Fair market value is best described as the price that would be paid for a property by a willing purchaser to a willing vendor in the open market. In most transactions the actual purchase price is the best indicator of the fair market value.

In some situations, for example where no money changes hands, it becomes necessary to seek out better indications of fair market value. Often the most recent value assessed by British Columbia Assessment is the best estimate of what the property would be sold for in the open market.

The tax is based on the fair market value of the "land" that is transferred, which is defined in the *Interpretation Act* to include any interest in land, including any right, title or estate in it of any tenure, with buildings and houses, unless there are words to exclude buildings and houses, or to restrict the meaning. Because there is no limiting definition in the *Property Transfer Tax Act*, tax is payable on the fair market value of the land plus all improvements situated on that land.

An improvement is included in the value of the "land" if it is attached to the land, accordingly houses and other permanent structures will be included in the fair market value. Manufactured homes which are registered in, and not exempt from, the *Manufactured Homes Registry* are not included in the fair market value of the land.

WHAT IS THE TAX RATE?

The amount of tax due depends on the fair market value of the property that is transferred. If the fair market value is \$200,000.00 or less, the tax is 1% of the fair market value. If the fair market value is greater than \$200,000.00, the tax is 1% of the fair market value up to \$200,000.00, and 2% on the fair market value greater than \$200,000.00. For example,

1. if fair market value of property is \$150,000
tax payable is: 1% of \$150,000 = \$1,500
2. if fair market value of property is \$250,000
tax payable is 1% of \$200,000 = \$2,000
plus 2% of \$50,000 = \$1,000

total tax payable: \$3,000

WHO IS REQUIRED TO PAY THE TAX?

Upon application to register a taxable transaction at any land title office in British Columbia, the person who is:

- acquiring a registered interest in the property; or,
- gaining a greater (additional) registered interest in the property; or,
- becoming the registered holder of a lease, life estate, or right to purchase against the property;

is required to pay the tax, unless they qualify for an exemption (see explanation of exemptions below). This person is referred to as the transferee or the purchaser.

Payment must be made by cash, cheque, or money order (payable to the Minister of Finance) and presented to the land title office cashier, along with the completed Property Transfer Tax Return. If the transferee, (purchaser), fails to pay the tax at this time, the Registrar of Land Titles may refuse to register the transaction.

WHO IS REQUIRED TO FILE A PROPERTY TRANSFER TAX RETURN?

The transferee/purchaser, must file a property transfer tax return at the Land Title Office for each taxable transaction registered.

A general return (FIN 579-G) is completed when the transferee is paying property transfer tax and is not claiming an exemption.

A first time home buyers' return (FIN 269) is completed when claiming exemption under that program.

A special return (FIN 579-S) is completed when any exemption other than the first time home buyers' exemption is being claimed.

The purchaser may either complete and submit the return or have their representative, (lawyer, notary public), complete and file the return on their behalf. However, regardless of who completes the form, the purchaser must still sign the certification portion.

Most law firms and notaries have supplies of the tax returns, or they can be obtained from any Land Title Office, Government Agents Office or the Property Transfer Tax Office at (250) 387-0604.

WHAT TYPES OF TRANSACTIONS ARE TAXABLE?

The property transfer tax is a tax on changes to the registration of a property. Taxable transactions include, but are not limited to, registration of:

- a transfer of legal title (for example, the purchase of a home and registration in your name);
- a right to purchase (an agreement for sale);
- leases and lease modification agreements;
- life estates;
- foreclosures;
- property transfers pursuant to corporate reorganizations;
- estates, forfeitures, quit claims; and
- Crown grants.

WHAT ABOUT TRANSACTIONS WHERE NO MONEY CHANGES HANDS?

All taxable transactions are taxable at fair market value whether or not money changes hands for the change in the registered interest.

Gifts of property, a change from tenancy in common to joint tenancy, transfer to a surviving joint tenant, land exchanges and transfers of property between a corporation and its shareholders are all examples of fee simple transfers where money may not be involved. These types of transfers still require a property transfer tax return to be filed at the Land Title Office. Some of these transactions may however, be exempt from the payment of property transfer tax.

EXEMPTIONS FROM PROPERTY TRANSFER TAX

The Act provides a number of exemptions from property transfer tax. The bulletin entitled [PTT 003 Exemptions Generally](#) provides a brief summary of some of these commonly claimed exemptions.

Several of the exemptions require greater detail and information, and are explained in separate bulletins.

Because all of the available exemptions may not be summarized in these bulletins, a taxpayer should consult the Property Transfer Tax Act and the "[Instruction Guide for Completion of General and Special Property Transfer Tax Return](#)" or "[Instruction Guide for Completion of the First Time Home Buyers Property Transfer Tax Return](#)". These are available at Land Title Offices and Government Agents Offices or telephone the Property Transfer Tax Office at (250) 387-0604 for further information.

PROPERTY TRANSFER TAX BULLETINS

The Property Transfer Tax Office provides information about the property transfer tax through information bulletins such as this one.

Bulletins on specific topic areas provide information about the policy and administration of the Act with respect to the topic being addressed. For instance, [Bulletin PTT 003, Exemptions Generally](#) discusses some commonly claimed exemptions. A reference is given to the relevant section in the Act, and the code that must be claimed on the property transfer tax return. A brief summary of each exemption and the eligibility requirements is also provided.

Several exemptions are frequently claimed by taxpayers, and require a greater amount of explanation. Individual bulletins have been published to explain each of these exemptions.

NEED MORE INFO?

This bulletin is presented as an aid to understanding the *Property Transfer Tax Act*. It is not intended to replace the need to consult the legislation for possible application to a particular fact pattern. Where there is a conflict between this bulletin and the legislation, the legislation prevails.

For further information please contact:

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Information is also on the Web at www.rev.gov.bc.ca While there, you can subscribe to our free electronic update service.

Property Transfer Tax Returns and Guides can be obtained through the forms reorder line at 250 387-2183. Your request can also be faxed to 250 356-2550.