



## Taxes

### Property Transfer Tax (PTT)

**1%** up to \$200,000

**2%** over \$200,000 to \$2 million

**3%** over \$2 million to \$3 million

**5%** over \$3 million

- There are some exemptions including those for First Time Buyers and Newly Built Homes
  - o First Time Home Buyers: up to a maximum of \$500,000 or \$525,000 for a partial exemption
  - o Newly Built Homes: must be your principle residence, up to a maximum of \$750,000 or \$800,000 for a partial exemption

The exemption list can be found here: <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions>

### Foreign Buyers Tax

**20%**

- **This is a citizenship question**
  - o are you: a Canadian citizen / Do you have permanent residency / Are you registered under the Provincial Nominee Program?  
Yes – not applicable, No – pay 20% on top of PTT)
- **Map of Specific areas affected:** <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/additional-property-transfer-tax>

### BC Speculation Tax

**2%** Foreign Investors

**0.5%** Canadians (who pay majority of income tax outside of BC)

\*applies to homes that are 'Vacant'

\*If you don't submit annual declaration (MARCH), pay the highest tax rate

- **Just LT rentals exempt** → should have (BC) tenancy agreement (over 185 days – no ST rentals)
- Satellite families (earning income overseas / outside of BC): Not exempt
- individuals who pay income tax in BC who are subject to the tax on 2<sup>nd</sup> or 3<sup>rd</sup> homes – eligible for a BC tax credit that can offset up to \$2,000 of speculation tax
- Every owner on title must fill out a form (each and every year – due by March 31<sup>st</sup>)
- Property owners will benefit from a retroactive exemption for Canadian Armed Forces members and spouses while in active service, and a retroactive exemption for people who own properties accessible only by water.
- **Map of specific areas affected:** <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/speculation-and-vacancy-tax>



## Vancouver Vacancy Tax

1% (Just the downtown core)

## Withholding – Sale of Canadian Real Property by Non-Resident

**Most properties: 25%**

**Some properties: 50%**

- if the sale of the property is done by a non-resident of Canada, between 25% - 50% of the final sale price will be held back in order to ensure taxes are paid properly to CRA.
  - this can become an issue in cases where Sellers are wanting to buy a property right away with the specific proceeds from a sale.
- (Non-Resident) whereas FBT or PTT specifically state who is a resident vs. a non-resident, the Withholding Tax is less clear – residency is based on a case by case basis and is considerate of residency for taxation purposes.
- Whenever a non-resident disposes of property, the non-resident is required to pay the appropriate amount of taxes *on any gain*. In order to satisfy the Buyer that the appropriate amount of taxes are paid, the Seller must provide to the purchaser, on or before closing, a clearance certificate from Revenue Canada. This certificate is issued by the federal government and certifies that a certain amount of money is payable for the taxes. The amount owing is deducted from the sale proceeds and sent directly to the federal government by the Seller's lawyer.
- The clearance certificate is usually required on the closing date. The application for the certificate may be made prior to closing by the Seller, but not until there has been a subject free contract of purchase and sale. The wait for the clearance certificate is usually around 3 months, so in a perfect world, there would be a 3-month lead-time between subject removal and the completion date.
- Complications can arise if the certificate is not obtained prior to the closing date. In such a case, the Buyer is required to hold back from the sale proceeds a percentage of the selling price. This percentage is between 25% and 50%, depending on whether the property is non-depreciable property (a residence of the Seller), depreciable property (the property has been rented), or inventory (Seller is a builder). The transaction closes with the money remaining in a lawyer's trust account until the certificate is obtained. Once the certificate is obtained, the taxes are paid from the holdback and the Seller receives any amount left over.

*\* Note that the holdback is based on the selling price, not the equity in the property. If there is financing on the property, the Seller may need to pay this financing from other sources.*