

MULLIN DEMEO

BARRISTERS & SOLICITORS

2005 Update - The B.C. Property Transfer Tax and First Time Homebuyer's Exemption

Home buyers in British Columbia pay Property Transfer Tax, a land registration tax which is payable whenever an application is made at any Land Title Office in British Columbia to register changes to a certificate of title. Currently, the tax rate is 1 per cent on the first \$200,000 of the fair market value of the property, plus 2 per cent on the fair market value over \$200,000.

On February 15, 2005 the Honourable Colin Hansen, Minister of Finance, announced amendments to the threshold and mortgage pay down requirements of the First Time Home Buyers' Program. These amendments are summarized below.

INITIAL PROGRAM

WHO MAY QUALIFY

Must be Canadian Citizen or Permanent Resident

Must have resided in BC for the 12 months immediately prior to the purchase completion date;

Must never have owned an interest in a principal residence anywhere in the world;

Must never have received a previous first time homebuyers exemption or refund.

2005 CHANGES

A purchaser can now qualify if he or she has filed two Income Tax returns as a BC resident within the last six years.

WHAT PROPERTY QUALIFIES

If the Property is in the Capital Regional District, Greater Vancouver Regional District or the Fraser Valley Regional District and the fair market value does not exceed \$275,000.00;

If the Property is outside the above regions the fair market value must not exceed \$225,000.00;

Same regions, now with the fair market value not exceeding \$325,000.00;

Outside the regions, the fair market value must not exceed \$265,000.00;

A fair market value of up to \$25,000.00 greater than the new eligibility ceilings may qualify for a proportionate amount of the exemption.



REQUIREMENTS DURING THE FIRST YEAR OF OWNERSHIP

Principal amount of the mortgage financing must not be reduced or paid down by more than \$11,000.00 during the first year of ownership.

Permitted paydown amount increased to \$13,000.00 during the first year. In addition, a purchaser may be eligible for a pro-rated amount of the exemption based on the number of days the purchaser maintained the allowable indebtedness;

new exemption = purchaser entitled to an exemption that is the greater of \$13,000.00 in prepayments or the amount that would reduce the mortgage balance to 70% of the Fair Market Value (as of purchase date - this exemption benefits high ratio financing purchasers).

For properties located outside of the Capital Regional District, Greater Vancouver Regional District and the Fraser Valley Regional District, the pay down limit is the greater of \$10,600.00 or the amount that would reduce the mortgage to 70% of the fair market value of the property.

Further information on the First Time Home Buyers Program is available on the Property Taxation Branch Website <http://www.rev.gov.bc.ca/rpt/ptt/ptt.htm> or by calling 250 387-0604 in Victoria.