

The new BC Budget

Important news about the property transfer tax exemption

The BC government's 2003 Budget includes important changes to the First Time Home Buyers Plan, which offers exemptions for the Property Transfer Tax (PTT) for qualified homebuyers.

Property within the Greater Vancouver Regional District or the Fraser Valley Regional District with a fair market value that does not exceed \$275,000 is eligible for the exemption.

Effective for purchases on or after February 19, 2003, a property with a fair market value of up to \$25,000 more than the threshold amounts will be eligible for a proportionate amount of the exemption.

For example, for a property located in the Greater Vancouver Regional District with a fair market value of \$285,000, the proportionate amount of the exemption is calculated as follows:

1. Fair market value of property:	\$285,000
2. Tax at 1% of the first \$200,000 and 2% on the remainder:	\$3,700
3. Proportional exemption:	
$\frac{275,000 + 25,000 - \$285,000}{\$25,000}$	60%
4. Exemption is \$3700 x 60%	\$2,220

The FTBH program only provides a full exemption from the property transfer tax for improvements on a property that are "residential," and where the land is not larger than 0.5 hectares (1.24 acres)

The **occupancy requirement** has also been revised. Effective February 19, 2003, a purchaser who ceases to maintain the residence as their principal residence prior to the first anniversary of the registration date, may be eligible for a pro-rated amount of the exemption based on the date the purchaser moved off the property.

Effective for **registrations** on or after February 19, 2003, a pro-rated exemption will be available where a purchaser reduces the eligible indebtedness below the specified limits prior to the first anniversary date of the registration date. The pro-rated exemption is based on the date the mortgage was paid down below the required level of financing.

The first "full year" is considered to be 360 days; the last five days of the year are free. This solves the problem of people who make their annual mortgage payments a few days ahead of their registration dates.

Those who qualify for the exemption now include a person who has resided in British Columbia for 12 consecutive months immediately prior to the date of registration of the transfer, or who has filed two income tax returns as a British Columbia resident within the last six years.

The government is trying to tighten the source of financing requirements by **disallowing amounts borrowed** from "related individuals" or "related persons" or from "a trust of which the purchaser or any related person is a beneficiary, or from a privately held corporation of which the purchaser or one or more related persons are shareholders."

There is now a penalty in place for purchasers who, when applying for an exemption or refund make false declarations about 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 penalty is equal to the amount of the exemption or refund claimed by the purchaser.

Also people awaiting landed immigrant status are now eligible to apply for a refund if they receive that status within one year of purchasing homes.

For more information, visit: <http://www.rev.gov.bc.ca/itb/ptt/pttbulletins/ptt004.pdf>