

# COVID-19 and Property Transfer Tax

## *A Possible Silver Lining*

In a world clouded by COVID-19, one can choose to find silver linings where possible, no matter how small. One emerging example is that a person purchasing B.C. property, in some circumstances, might be able to save some of the property transfer tax that would usually be payable (PTT).

## *Usual PTT Payable*

Mortgage brokers often work with clients to determine the amount of funds needed to close a purchase transaction. This better ensures the client will have sufficient funds on closing day. Part of this calculation can include determining the amount of PTT payable.

PTT is payable by a purchaser when the change in registered ownership is submitted for registration to the Land Title Office. The amount of tax payable is as follows:

- 1% on the first \$200,000,
- 2% on the fair market value greater than \$200,000 and up to and including \$2,000,000,
- 3% on the fair market value greater than \$2,000,000 and up to and including \$3,000,000, and
- if the property is residential, 2% more of the fair market value greater than \$3,000,000.
  - If the property is classified residential/farm or residential/mixed (such as residential/commercial), only the residential portion of the property attracts the additional 2% tax.

The amount of tax can be different than that indicated by the above calculation if a buyer comes within one of exemptions specified in the PTT legislation; the property is a pre-sold strata unit; the buyer is a foreign national, foreign corporation, or taxable trustee; or the buyer is a first time home buyer.

### *Reducing the Amount of Tax*

As indicated above, the tax is based on the fair market value of the property. The fair market value of property is:

- the price that would be paid by a willing purchaser to a willing seller for the property,
- in the open market,
- on the date of registration.

The open market is the market where anyone likely to be interested in purchasing the property can make an offer. In other words, the price that would be achieved by marketing the property to the public, such as by using a realtor or by the owner advertising it for sale.

Where the opportunity to possibly reduce the amount of tax arises is that it is based on the value of the property on the date registration, rather than on the date the price was agreed upon between the buyer and the seller. Generally, the price of a property is not significantly different on each of these dates as the transaction completes fairly quickly without anything occur to change the value of the property in the interim. However, a price for a property agreed upon pre-COVID-19 might be significantly higher than its value when the transaction is closed in the COVID-19 environment. Anecdotal data does suggest that real estate have dropped because of COVID-19.

A buyer who wants to pursue the possibility that the property being purchased has dropped in value and therefore attracts less tax would need to support the claim. An appraisal providing the market value of the property as of the closing date could provide such support.

And there you are. One more arrow in your quiver. Interesting (and challenging) times indeed.