

## 4 THINGS TO KNOW ABOUT THE NEW (2017) LAND TRANSFER TAX RULES

The Provincial government just announced changes to the Provincial Land Transfer Tax rates effective **January 1, 2017**. Here are 4 things you need to know.

1. There is an increase in the first time buyer rebate from \$2,000.00 to \$4,000.00, effective January 1, 2017.

This is the largest benefit to first time buyers. But your deal must CLOSE after January 1, 2017. If you close in 2016, you cannot apply for this credit in next year. Therefore, if your deal is closing in December, 2016 and you are a first time buyer, explore whether your deal can be extended to the first week in January, 2017 and you will then qualify for the rebate.

2. Who qualifies for the first time buyer rebate?

There is still confusion about this. To qualify for this Land Transfer Tax rebate, you cannot have owned a home previously, anywhere in the world. You must also be making your home your primary residence within 9 months of closing. So if you are planning your first home to be an investment property, you do not qualify for the first time buyer rebate.

In addition, if you are married and if your spouse owned a home while they were married to you, then you are not eligible for any Land Transfer Tax rebate. But if your spouse sold their home BEFORE getting married to you, then you will still be eligible for the full rebate. The tricky part is that you have to apply for half the rebate on closing and the other half within 18 months after closing, once you provide additional documentation proving you qualify. These rules also apply to common law spouses as well.

If you qualify for the rebate and you take title with your parents, who may be assisting with your mortgage, then although your parents may not qualify for the rebate, if you take title 99% in your name and give your parents 1%, this will still satisfy your lender and you can obtain the benefit of 99% of the total rebate.

If you are not a Canadian Citizen or permanent resident, then you will not qualify for the rebate effective January 1, 2017. However, if you become a permanent resident within 18 months after closing, you can then apply for the rebate that you would have been entitled to.

3. There will be Land Transfer Tax increases taking effect January 1, 2017 as well

There were also increases announced to Provincial Land Transfer Tax rates taking effect January 1, 2017 as well. The biggest one is that now for every commercial, industrial, apartment building or vacant land that costs more than \$400,000.00, the tax rate will increase from 1.5% to 2%. This means that for example, a plaza that costs 1 million dollars, the provincial Land Transfer Tax will increase from \$13,475 to \$16,475, effective January 1, 2017.

In addition, if you buy a house or duplex that costs more than Two million dollars, the tax will increase from 2% to 2.5% for every dollar over two million.

There is a transitional provision that says that if you signed your purchase agreement BEFORE November 14, 2016, then you can still pay the current Land Transfer Tax rate if you close in 2017.

4. Will these new rules also apply for Toronto's Municipal Land Transfer Tax rates

If you buy a home in Toronto, you pay a second Municipal Land Transfer Tax at closing. While the City of Toronto has not yet announces whether they will also increase their rates according to the Province increases discussed above, I anticipate that these increases will also take effect in the New Year as well.

If you have any question related to Land Transfer Tax, do not hesitate to contact us.

---

Mark Weisleder, the author of this item, is a Partner, author and speaker at the law firm Real Estate Lawyers.ca LLP.