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Details of Approved Toronto Land Transfer Tax

October 23, 2007 -- Toronto City Council has approved a municipal land transfer tax that will be levied on top of the provincial land transfer tax. TREB worked very hard to oppose this tax and commends the efforts of REALTORS® on this issue. TREB took a strong position to oppose this tax as unfair in principle and refused to compromise. As a direct result of this strong position, City Council was forced to make a number of amendments to the City's original proposal, including rebates for first-time buyers, a reduced rate, and grandfathering for existing transactions. The following is based on currently available information.

What was approved by City Council?

A second land transfer tax, on top of the provincial land transfer tax, at the following rates:

Residential:

- ⌘ 0.5% of the amount of the purchase price up to and including \$55,000, plus
- ⌘ 1% of the amount of the purchase price between \$55,000 and \$400,000, plus
- ⌘ 2% of the amount of the purchase price above \$400,000

Commercial / Industrial / Etc.:

- ⌘ 0.5% of the amount of the purchase price up to and including \$55,000, plus
- ⌘ 1% of the amount of the purchase price between \$55,000 and \$400,000, plus
- ⌘ 1.5% of the amount between \$400,000 and \$40 million, plus
- ⌘ 1% of the amount above \$40 million

When does this take effect?

February 1, 2008.

Are existing transactions grandfathered?

Yes. Any transactions where the purchaser and vendor have entered into an Agreement of Purchase and Sale for the property on or before December 31, 2007, and closing after the TLTT takes effect on February 1, 2008, will be REBATED the full amount of the Toronto land transfer tax, regardless of how long after February 1, 2008 the closing date is. (Note: Media reports that closings must occur by Feb. 1, 2008 are inaccurate.) Agreements closing before February 1, 2008 do not pay the tax. Teranet will be collecting the Toronto land transfer tax for the City of Toronto. Once the City's rebate policies are reflected in Teranet's collection system, the rebate-eligible amount will be exempt at the time of registration. **The City previously indicated that these arrangements would not be made until the "spring of 2008", but has now indicated that changes will be made by February 1, 2008, when the Toronto land transfer tax takes effect.** According to the City, purchasers who are eligible for a FULL rebate of the Toronto land transfer tax will not have to pay the tax (meaning that they do not have to pay the tax upfront and be rebated later). This means that purchasers involved in grandfathered transactions (Agreements of Purchase and Sale signed on or before December 31, 2007, closing on or after February 1, 2008) will not have to pay the Toronto land transfer tax. If your clients have concerns, they should check with their lawyer.



What about Agreements of Purchase and Sale signed after December 31, 2007 with closing dates before February 1, 2008?

Purchasers with a Purchase and Sale agreement signed after December 31, 2007 with a closing before February 1, 2008 will not be required to pay the Toronto Land Transfer tax.

What about Agreements of Purchase and Sale signed after December 31, 2007 with closing dates on or after February 1, 2008?

Purchasers with a Purchase and Sale agreement signed after December 31, 2007 with a closing on or after February 1, 2008 will be required to pay the full Toronto Land Transfer tax.

Where does this apply?

The Toronto land transfer tax only applies to transactions within the City of Toronto. This does NOT apply to property transactions outside of the City of Toronto.

Are first time home buyers affected?

First time home buyers of new AND re-sale homes will receive a rebate of the Toronto land transfer tax of up to \$3,725 (this equals a 100% rebate on homes purchased for up to \$400,000). Teranet will be collecting the Toronto land transfer tax for the City of Toronto. Once the City's rebate policies are reflected in Teranet's collection system, the rebate-eligible amount will be exempt at the time of registration. **The City previously indicated that these arrangements would not be made until the "spring of 2008", but has now indicated that changes will be made by February 1, 2008, when the Toronto land transfer tax takes effect.** According to the City, purchasers who are eligible for a FULL rebate of the Toronto land transfer tax will not have to pay the tax (meaning that they do not have to pay the tax upfront and be rebated later). This means that first-time home buyers where the total Toronto land transfer tax is \$3,725 (the Toronto land transfer tax payable on a home purchased for \$400,000) or less, will not pay Toronto land transfer tax (**see exception noted below**). If your clients have concerns, they should check with their lawyer.

Note: First-time home buyers with Toronto land transfer tax payable above the maximum rebate amount of \$3,725 (those purchasing homes above \$400,000) will be required to pay the total Toronto land transfer tax, and then receive the maximum rebate of \$3,725 at a later date from the City. Once all changes have been made to Teranet's collection system, in the spring of 2008, these buyers will only have to pay the balance of the Toronto land transfer tax above \$3,725.



Who qualifies as a first-time home buyer?

According to the City of Toronto, eligibility rules for the Toronto Land Transfer Tax first-time buyer rebate will mirror provincial rules, as follows:

- ⌘ The purchaser must be at least 18 years of age.
- ⌘ The purchaser must occupy the home as his or her principal residence no later than nine months after the date of the conveyance or disposition.
- ⌘ The purchaser cannot have previously owned a home, or had any ownership interest in a home, anywhere in the world, at any time.
- ⌘ If the purchaser has a spouse, the spouse cannot have owned a home, or had any ownership interest in a home, anywhere in the world while he or she was the purchaser's spouse. If this is the case, NO refund is available to either spouse. Note: If a purchaser's spouse owned an interest in a home BEFORE becoming the purchaser's spouse, but not while the purchaser's spouse, the purchaser may be eligible for some rebate.

Are Toronto Land Transfer Tax Rebates in addition to Provincial Land Transfer Tax Rebates?

Yes. The provincial government also provides a rebate of the provincial land transfer tax for first time buyers.

How can I get more information?

More detailed information will be provided once it is made available by the City. If you have questions, contact the City of Toronto at Access Toronto at 416-338-0338.

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