

AMENDMENT TO THE PROPERTY TRANSFER TAX (PTT)

The property transfer tax was initiated by the BC Provincial Government in 1987 as a general revenue generator on all properties which had a change of ownership; i.e. a change of title.

Revenue has risen from 140 million, in 1987, when the average price for a detached home in Greater Vancouver was \$123,800, to close to, or over, 1 billion in 2007 when the average price of a single detached home in Greater Vancouver was \$761,342. The revenue from this tax funds many government programs of which we approve.

The inequity occurs when a builder purchases a property and then in short period turns it over to a home owner and constructs a dwelling on the undeveloped property. The builder must pay the PTT and then in short order must charge the home owner the PTT again to transfer the title to the property before constructing the residence.

If the residence is already completed, the PTT is on the full purchase price or market value. On our Vancouver example the price of \$761,342 would generate a tax of \$13,226.84. This is after the home owner has already paid the builder, to remit to the government, a tax of \$4000.00 (on a lot value of \$300,000). The total tax bill is now \$17,226.84 just for the Proper Transfer Tax. The impact of this double taxation greatly affects housing affordability.

An alternative method of calculation mirrors the application of the Goods and Services Tax as it applies to new home construction. The Goods and Services Tax exempts builders who are purchasing property for resale, as the builder is not the “end user” of the land. The home owner, the “end user”, who purchases the land from the builder for their own use, pays the tax. This is a far more equitable system as it does not double tax properties.

THE CHAMBER RECOMMENDS

That the Provincial Government revise the provincial Property Transfer Tax to follow the same rules as the Goods and Service Tax and exempt builders who are not the proposed “end users”. This would create a more just system of taxation, aid with housing affordability; create less administrative work for the builder, all with minimal impact on the provincial treasury.