

MULLIN DEMEO

BARRISTERS & SOLICITORS

PROPERTY TRANSFER TAX ACT FIRST TIME HOME BUYER'S QUALIFICATION GUIDE 2007 UPDATE

On February 20, 2007 the Minister of Finance, announced amendments to the Property Tax and Property Transfer Tax legislation administered by the Ministry of Small Business and Revenue. These amendments are summarized below. You can find the complete B.C. Government document at www.sbr.gov.bc.ca/budget/BudgetBulletin.pdf.

EXISTING PROGRAM

2007 CHANGES

WHO QUALIFIES

<ul style="list-style-type: none"> a) must be Canadian Citizen or permanent resident (as per Immigration Canada); b) Person can qualify if he or she has filed two Income Tax Returns as a BC resident within the last six years, but, c) must never have owned an interest in a principal residence anywhere in the world; d) must never have received a previous first time homebuyers exemption or refund. 	NIL
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WHAT PROPERTY QUALIFIES

<ul style="list-style-type: none"> a) if the Property is in the Capital Regional District, Greater Vancouver Regional District or the Fraser Valley Regional District and the fair market value does not exceed \$325,000.00; b) if the Property is outside the above regions the fair market value must not exceed \$225,000.00; c) property must be residential and not exceed 0.5 hectares; Partial exemption may be allowed for portion of property that is residential and 0.5 hectares or less. d) market value of up to \$25,000 more than the \$325,000 threshold will be eligible for a proportionate amount of the exemption. 	<p>New threshold: If the property is in British Columbia and the fair market value does not exceed <u>\$375,000.00</u>; the new \$375,000 threshold applies <u>throughout the province</u>;</p> <p>Now, market value of up to \$25,000 more than the <u>\$375,000</u> threshold will be eligible for a proportionate amount of the exemption.</p>
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FINANCING REQUIREMENTS

<ul style="list-style-type: none"> a) amount borrowed must be at least 70% of the fair market value of the purchased property, and must be registered on title, and can include assumptions of mortgages; 	NIL
<ul style="list-style-type: none"> b) financing can not include amounts borrowed from related individuals, trusts, or partially held corporations of which a borrower or related individual is a shareholder; 	NIL
<ul style="list-style-type: none"> c) financing must be for a term of at least one year and must be registered against the title to the property within seven days of the date of transfer from the Vendor, other forms of financing such as lines of credit, credit facilities or re-advanceable mortgages may be acceptable as long as the actual loan agreement states that the registered mortgage will remain registered for at least one year. 	NIL

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REQUIREMENTS DURING THE FIRST YEAR OF OWNERSHIP

a) the purchaser must occupy the residence within 92 days of completion of the transaction; b) purchaser must continue to use the residence as his or her principal residence for a period of one year;	NIL
Exceptions: 1) – death; 2) - property is transferred pursuant to court order or separation agreement under the <u>Family Relations Act</u> ;	NIL
3) - purchaser may be eligible for a pro-rated amount of the exemption based on the date purchaser moved from the property ; c) Principle amount of the mortgage financing must not be reduced or paid down during the first year of ownership by more than the greater of \$13,000 OR the amount that would reduce the mortgage balance to 70% of the Fair Market Value as of purchase date; If the allowable pay-down amount is exceeded, the Purchaser may be eligible for a pro-rated amount of the exemption based on the number of days the purchaser maintained the required indebtedness.	NIL

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Please Note: The above is intended for informational purposes only and is neither a legal opinion nor an exhaustive summary of the Property Transfer Tax Act nor its regulations. If you have questions please call MULLIN DEMEO LAW CORPORATION at 477-3327