

Fix to property transfer tax a huge boon for condo buyers

If Victoria heeds BCREA's advice, purchase tax on condos and low-cost homes could plummet

Of the many factors affecting real estate affordability, the outdated property transfer tax (PTT) has to be one of the most frustrating. That's because there is an easy fix to the problem – and one that the BC government is now, thankfully, considering.

The PTT was implemented in 1987 and is woefully out of date, still using that year's original house values. I think we all know that the cost of a home in BC has, ahem, gone up somewhat since then.

Currently it charges a one per cent tax on the first \$200,000 of a home's purchase price, and two per cent on the remainder above that price. So, for a \$500,000 condo you'd pay \$2,000 on the first \$200,000 of the price, plus \$6,000 on the remaining \$300,000, totalling \$8,000 in PTT.

It was intended that buyers at the lower end of the market would have a minimal tax burden – which worked when there were plenty of sub-\$200,000 properties. Now, of course, that's not the case.

The British Columbia Real Estate Association has been lobbying Victoria on this for years and finally finance minister Mike de Jong has said that they are reviewing it. The BCREA's suggestion is to increase the one per cent threshold

from \$200,000 to \$525,000, with two per cent payable on the balance. It also recommends annually indexing the one per cent threshold to the MLS price index.

This change would be of massive benefit to buyers at the lower end of the market. Take our \$500,000 condo: the PTT goes from \$8,000 to \$5,000. A big difference.

However, under BCREA's suggestion, Victoria would lose out on a lot of revenue in that \$200,000 to \$525,000 band. So it would be naïve to hope for the plan to be adopted without amendment.

My suggested solution? Implement BCREA's idea, but add a third threshold – a luxury home band – whereby the two per cent band goes up to \$3 million (again, annually indexed). For the balance above that, a new higher percentage could be introduced.

It's time lower end buyers got some help, and those with the deepest pockets are in the best position to make it happen.

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Joannah Connolly

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