

How Land Transfer Tax Impacts Home Affordability Across Canada

ZOOCASA

the transferring of real estate property and ownership, wildly varying rates means you'll pay anywhere from pocket change to tens of thousands of additional dollars upon closing your home transaction.

Land transfer tax, or the equivalent fee, is based on the total purchase price of your new home. It is a cost that must be paid in cash upon closing and it cannot be mortgaged. This results in requiring buyers in the most expensive and heavily-taxed housing markets to save for years longer to have that cash in hand, compared to more affordable markets with a moderate fee structure.

To find out how this impacts affordability across the nation, Zoocasa examined the land transfer tax structure, average home price, as well as any applicable first-time home buyer rebates, in 25 major Canadian cities.

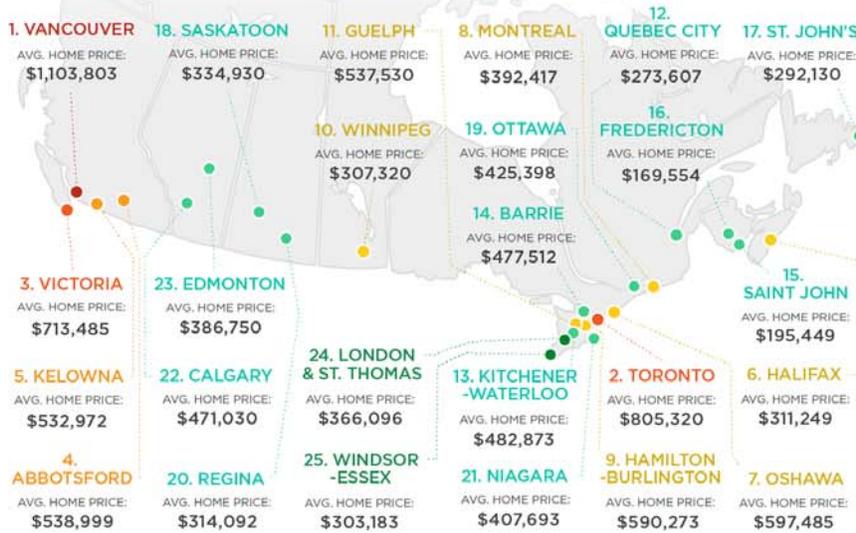
Check out the infographic below to see how land transfer tax differs in each major Canadian housing market, and its impact on overall housing affordability.

Best and Worst Canadian Cities for Land Transfer Taxes

Land transfer taxes (LTT) are levied by the province and/or municipality on Canadian home buyers. Often overlooked, LTT is usually a percentage of the property price and can potentially add thousands of dollars to closing costs.

To compare the best and worst cities for land transfer taxes, Zoocasa calculated the LTT for average homes in 25 major cities in Canada.

There's a disparity across Canadian cities when it comes to land transfer taxes: buyers in Alberta and Saskatchewan cities pay almost none at all, while a first-time owner in Toronto purchasing the average \$806,320 home has to fork out an extra \$16,687 (equivalent of 2.1%) at closing to cover the LTT.



| HIGHEST LAND TRANSFER TAXES: CITY RANKINGS | AVERAGE HOME PRICE, MAY 2018 | FIRST-TIME HOME BUYERS | | REPEAT HOME BUYERS | |
|--|------------------------------|--|------------------------|-------------------------|------------------------|
| | | TOTAL LAND TRANSFER TAX (including first-time buyer rebates) | LTT AS % OF HOME PRICE | TOTAL LAND TRANSFER TAX | LTT AS % OF HOME PRICE |
| 1. Vancouver, BC | \$1,103,803 | \$20,076 | 1.8% | \$20,076 | 1.8% |
| 2. Toronto, ON | \$805,320 | \$16,687 | 2.1% | \$25,162 | 3.1% |
| 3. Victoria, BC | \$713,485 | \$12,270 | 1.7% | \$12,270 | 1.7% |
| 4. Abbotsford, BC | \$538,999 | \$8,780 | 1.6% | \$8,780 | 1.6% |
| 5. Kelowna, BC | \$532,972 | \$8,659 | 1.6% | \$8,659 | 1.6% |
| 6. Halifax-Dartmouth, NS | \$311,249 | \$4,669 | 1.5% | \$4,669 | 1.5% |
| 7. Oshawa, ON | \$597,485 | \$4,425 | 0.7% | \$8,425 | 1.4% |
| 8. Montreal, QC | \$392,417 | \$4,386 | 1.1% | \$4,386 | 1.1% |
| 9. Hamilton-Burlington, ON | \$590,273 | \$4,280 | 0.7% | \$8,280 | 1.4% |
| 10. Winnipeg, MB | \$307,320 | \$3,866 | 1.3% | \$3,866 | 1.3% |
| 11. Guelph, ON | \$537,530 | \$3,226 | 0.6% | \$7,226 | 1.3% |
| 12. Quebec City, QC | \$273,607 | \$2,604 | 1.8% | \$2,604 | 1.8% |
| 13. Kitchener-Waterloo, ON | \$482,873 | \$2,132 | 0.4% | \$6,132 | 1.3% |
| 14. Barrie, ON | \$477,512 | \$2,025 | 0.4% | \$6,025 | 1.3% |
| 15. Saint John, NB | \$195,449 | \$1,954 | 1.0% | \$1,954 | 1.0% |
| 16. Fredericton, NB | \$169,554 | \$1,696 | 1.0% | \$1,696 | 1.0% |
| 17. St. John's, NFLD | \$292,130 | \$1,267 | 0.4% | \$1,267 | 0.4% |
| 18. Saskatoon, SK | \$334,930 | \$1,004 | 0.3% | \$1,004 | 0.3% |
| 19. Ottawa, ON | \$425,398 | \$983 | 0.2% | \$4,983 | 1.2% |

Top 5 Most-Taxed Real Estate Markets

1 – Vancouver, BC

It comes as no surprise that Canada's priciest west-coast city also takes top spot for real estate taxation. While Vancouver home buyers are only taxed at the provincial level, the hefty average home price of \$1,103,803 means they'll shell out a whopping \$20,076 in property transfer tax on their purchase, accounting for 1.8 per cent of the total cost. **The property transfer tax structure in BC is calculated on a sliding portion scale as follows:**

\$0 – \$200,000 = 1%

\$200,001 – \$2,000,000 = 2%

\$2,000,001 – \$3,000,000 = 3%

+\$3,000,000 = 2%

2 – Toronto, Ontario

Not only do Torontonians have to contend with the fastest-growing home prices in the country, they're also the only city to absorb a double-whammy, taxed in full at both the provincial and municipal level; even factoring in **generous rebates for first-timers** (\$4,000 from the province for properties above \$368,000, and \$4,475 from the City of Toronto) those paying the average Toronto home price of \$805,320 will be on the hook for \$16,687, accounting for 2.1% of their home purchase price.

Repeat buyers in the Big Smoke will need to shell out even more without the rebate, at \$25,162, accounting for 3.1% of the total home purchase price.

The Ontario LTT tax structure breaks down as the following:

\$0 – \$368,333 – Full tax rebate for FTHB (0.5% for repeat buyers)

\$368,334 – \$400,000: 1.5%

\$400,000 – \$2,000,000: 2%

\$2,000,000 +: 2.5%

The City of Toronto mirrors this tax structure with the exception of the range between \$250,000 – \$400,000, in which 1.5% is charged.

3 – Victoria, BC

Based on the BC taxation model, a home buyer paying the average home price of \$713,485 in Victoria would be taxed \$12,270 accounting for 1.7% of the home's total price. As there is no first-time buyer's rebate in BC, this remains the same for repeat buyers.

4 – Abbotsford, BC

Based on the BC taxation model, a home buyer paying the average Abbotsford home price of \$538,999 would be taxed a total of \$8,780 in property transfer tax, accounting for 1.6% of the home's purchase price. As there is no first-time buyer's rebate in BC, this remains the same for repeat buyers.

5 – Kelowna, BC

Based on the BC taxation model, a home buyer paying the average Kelowna home price of \$532,972 would be taxed \$8,659, accounting for 1.6% of the home's purchase price. As there is no first-time buyer's rebate in BC, this remains the

same for repeat buyers.

Top 5 Least-Taxed Real Estate Markets

1 – Windsor-Essex, ON

This southern Ontario city takes least expensive spot for land transfer tax paid as home buyers are spared it altogether: the average Windsor home price clocks in at \$303,193, under the minimum threshold of \$368,000 and qualifying first-time buyers for a full exemption. However, repeat buyers will be taxed \$3,023, ranking the city 17th for affordability overall.

2 – London, ON

Londoners squeeze just under the minimum home price requirement, at an average of \$366,096, meaning first-timers skip the provincial LTT. Without the rebate, however, they can expect to pay \$3,966 in tax on their second home, placing the city 15th in terms of affordability.

3 – Edmonton, AB

Alberta does not charge a land-transfer tax; instead, buyers must pay a “title transfer fee”. This is charged in two parts: one based on your overall property value, and another based on your mortgage value. The formula for both portions is a \$50 base added to \$1 for every \$5,000 increment. Therefore, Edmontonians pay a fee of just \$239, regardless if they are first- or repeat-buyers, accounting for 0.1% of their home purchase.

4 – Calgary, AB

Based on Alberta’s fee structure, Calgarian home buyers pay just \$269 on their home purchase, accounting for 0.1% of the total cost.

5 – Niagara Region

Based on Ontario’s taxation structure, first-time home buyers in Niagara region pay on average \$407,693 for a home, resulting in a modest \$629 in provincial LTT. Upon their second purchase, however, this increases to \$4,629, placing