



Government Relations Issues Update

Land Transfer Tax - Provincial

TREB Key Message

Land transfer taxes are a barrier to home ownership and do not relate to any service provided by the provincial government with respect to real property.

TREB supported the recent extension of the provincial rebate for first-time buyers to re-sale housing, which REALTORS® lobbied for.

The LTT rebate for first-time home buyers should be increased from \$2,000 to \$3,500, which would effectively exempt most first-time buyers from paying the provincial LTT on an average priced Ontario re-sale home.

Background

A real estate transfer tax is assessed on real property when ownership of the property is transferred from one party to another. The tax is a percentage of the value of the property based on a graduated scale (See Table 1).

The provincial land transfer tax was amended in the 1996 Ontario budget to allow first time purchasers of newly constructed homes a refund of land transfer tax, up to a maximum of \$1,725. Subsequently, this rebate program was made permanent, effective April 1, 2000 and the maximum rebate was increased to \$2,000.

In December 2007, the provincial government expanded the rebate program to include first-time buyers of re-sale housing. This represents a significant accomplishment for REALTORS' lobbying efforts.

TREB's efforts were particularly important in this accomplishment. As part of TREB's aggressive lobbying campaign against the Toronto land transfer tax, substantial public, media, and political attention was also drawn to the provincial land transfer tax. Furthermore, TREB's lobbying efforts, which resulted in an expansion of the Toronto land transfer tax rebate to re-sale housing, created additional impetus for the provincial government to take similar action.

A study prepared for the Canadian Real Estate Association in 2011 indicated that resale housing transactions generate significant economic spin-offs. Associated expenditures such as general household purchases, renovations, and furniture/appliances generate over \$40,000 for every resale housing transaction in Ontario. This figure only relates to the costs of moving from one home to another. It does not include any expenditure (e.g. renovations) by the sellers to prepare their properties for sale.

The provincial Land Transfer Tax (LTT) is a growing barrier to first-time home buyers entering the housing market. In 1996, when the LTT rebate was introduced, a first time home buyer of an average Ontario home paid \$0 in LTT. Currently, first time home buyers in Ontario pay almost \$1,500 on an average resale home after receiving a \$2,000 Land Transfer Tax (LTT) rebate.

REALTORS® are urging all political parties to improve the affordability of home ownership for first time home buyers by increasing the LTT rebate. The LTT rebate for first-time buyers should be increased from \$2,000 to \$3,500. This would effectively exempt first-time buyers from paying the provincial LTT on an average priced resale home. Unfortunately, due to higher average home prices in the GTA compared to the rest of the province, average GTA homebuyers would still face a balance of over \$2,000 in provincial Land Transfer Tax.

Table 1: Provincial Land Transfer Tax

Residential Properties	Business Properties
.5% on amounts up to and including \$55,000	.5% on amounts up to and including \$55,000;
+ 1.0% on the amount exceeding \$55,000 up to and including \$250,000	+ 1.0% on the amount exceeding \$55,000 up to and including \$250,000
+ 1.5% on amounts above \$250,000 up to \$400,000	+ 1.5% on amounts above \$250,000
+ 2.0% of the amount in excess of \$400,000	