

Real Estate Law

New Year, New Land Transfer Tax Rates!

By: Daniel Mahler and Haley Wong

Effective January 1, 2017, the land transfer tax (LTT) rates in Ontario will be amended. A new LTT rate will be applied on the portion of the amount of consideration for a purchase transaction which exceeds \$400,000. In such regard, the LTT rate will increase from the current rate of 1.5% to 2.0%.

The date of the agreement of purchase and sale and related date of closing for such transaction will determine whether the new increased LTT rates will apply. Purchasers that have entered into agreements of purchase and sale anytime on or before November 14, 2016, will not be subject to the increased LTT rates, even if the closing of the underlying purchase transaction occurs anytime on or after January 1, 2017. Conversely, purchasers that have entered into agreements of purchase and sale after November 14, 2016, will not be subject to the increased LTT rates if the closing of the underlying purchase transaction occurs prior to January 1, 2017. If the closing of the underlying purchase transaction occurs anytime on or after January 1, 2017, purchasers will be subject to the increased LTT rates.

The calculation of applicable LTT inclusive of the new increased LTT rates will be based upon the following thresholds:

- Value of consideration (VOC) up to and including \$55,000: LTT equals 0.5% of the VOC
- VOC exceeding \$55,000, up to and including \$250,000: LTT equals 1.0% of the VOC
- VOC exceeding \$250,000, up to and including \$400,000: LTT equals 1.5% of the VOC

- VOC exceeding \$400,000, for property other than property with one or two single family residences: LTT equals 2.0% of the VOC
- VOC exceeding \$400,000, up to and including \$2,000,000, for property with one or two single family residences: LTT equals 2.0% of the VOC
- VOC exceeding \$2,000,000, for property with one or two single family residences: LTT equals 2.5% of the VOC

The City of Toronto is also currently considering a number of changes to its municipal land transfer tax (MLTT) regime, including, among other things, increasing MLTT rates to correspond with the new increased provincial LTT rates by (i) adding a new additional MLTT rate on the portion of VOC exceeding \$250,000 up to and including \$400,000, and (ii) increasing the MLTT rate on VOC exceeding \$2,000,000 from 2.0% to 2.5%. To date, such changes have yet to be implemented.

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