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## Residential Real Estate Law

February 13, 2008

### The New Toronto Municipal Land Transfer Tax

By Tyler Inkster

It just got a little more expensive to purchase a home in the City of Toronto. In an effort to address the budgetary crisis facing the City of Toronto, Toronto City Council has decided to use the expanded fiscal powers recently granted by the provincial government in the City of Toronto Act, 2006. Toronto City Council has implemented a new Toronto municipal land transfer tax that applies to all purchases of real estate with closing dates on or after February 1, 2008.

The structure of the Toronto municipal land transfer tax is similar to that of the provincial land transfer tax, in that it is applied according to a graduated scale: on the amount of the purchase price up to and including \$55,000.00 a tax of 0.5% is applied; on the amount of the purchase price between \$55,000.00 and \$400,000.00, a tax of 1.0% is applied; and on the amount of the purchase price in excess of \$400,000.00, a tax of 2% is applied. For example, if a purchaser were purchasing a home in the City of Toronto with a purchase price of \$425,000.00 and the transaction were to

close on February 1, 2008, the purchaser would be required to pay a total of \$4,225.00 in Toronto municipal land transfer tax on closing, consisting of \$275 on the first \$55,000.00 of the purchase price, \$3,450.00 on the portion of the purchase price between \$55,000.00 and \$400,000.00 and \$500.00 on the portion of the purchase price between \$400,000.00 and \$425,000.00.

Toronto City Council has carved out two exceptions to the application of the Toronto municipal land transfer tax. The first exception is a grand-fathering exemption that may apply to a transaction, depending upon the date upon which the Agreement of Purchase and Sale was executed and upon the closing date contained in such agreement. If the Agreement of Purchase and Sale was executed on or before December 31, 2007 and the closing date provided for in the agreement is on or after February 1, 2008, the purchaser will be entitled to a full rebate. Purchasers who qualify under this exemption will receive an automatic rebate when their lawyer registers the Deed/Transfer of Land on the closing date and will not have to pay the tax. The second exception applies if the purchaser is a first-time purchaser of a newly constructed or re-sale residential property with two or less single-family residences. In such

cases, a rebate of up to \$3,725.00 is available. Effectively, this provides such purchasers with an exemption from paying the Toronto municipal land transfer tax on the first \$400,000.00 of the purchase price. Purchasers who qualify under this exemption will have to pay the full amount of the Toronto municipal land transfer tax on closing. The purchaser's lawyer will submit a rebate application form and affidavit to the City of Toronto on closing. Once the rebate application is processed, the City of Toronto will send a cheque for the rebated amount directly to the purchaser.



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