

THE LAND TRANSFER TAX

1. Ontario Land Transfer Tax

The purchaser of a property will have to pay to the Government of Ontario a land transfer tax when the deed is being registered in the land registry system. Those who are first-time buyers and are purchasing their property directly from a builder, the first \$2,000.00 of their land transfer tax will be waived.

The Ontario land transfer tax is calculated as follows:

- The first \$55,000.00 of the purchase price will be taxed at a rate of 0.5%;
- From \$55,000.01 to \$250,000.00 you will be taxed at an additional rate of 1.0%;
- From \$250,000.01 to \$400,000.00 you will be taxed at an additional rate of 1.5%;
- From \$400,000.01 and above you will be taxed at an additional rate of 2.0%.

If you were purchasing a home for \$600,000.00, here is how the calculation would work:

Ontario Land Transfer tax for \$600,000.00 home:

Tax Brackets	Dollar Amount	Tax Rate	Tax Amount
1 st tax bracket	\$55,000.00	0.5% (\$55,000.00 x 0.005)	\$275.00
2 nd tax bracket	\$195,000.00	1.0% (\$195,000.00 x 0.01)	\$1,950.00
3 rd tax bracket	\$150,000.00	1.5% (\$150,000.00 x 0.015)	\$2,250.00
4 th tax bracket	\$200,000.00	2.0% (\$200,000.00 x 0.02)	\$4,000.00
Totals:	\$600,000.00		\$8,475.00

2. City of Toronto Land Transfer Tax

The City of Toronto land transfer tax is calculated as follows:

- The first \$55,000.00 of the purchase price will be taxed at a rate of 0.5%;
- From \$55,000.01 to \$400,000.00 you will be taxed at an additional rate of 1.0%;
- From \$400,000.01 and above you will be taxed at an additional rate of 2.0%.

If you were purchasing a home for \$600,000.00, here is how the calculation would work:

City of Toronto Land Transfer tax for \$600,000.00 home:

Tax Brackets	Dollar Amount	Tax Rate	Tax Amount
1 st tax bracket	\$55,000.00	0.5% (\$55,000.00 x 0.005)	\$275.00
2 nd tax bracket	\$345,000.00	1.0% (\$345,000.00 x 0.01)	\$3,450.00
3 rd tax bracket	\$200,000.00	2.0% (\$200,000.00 x 0.02)	\$4,000.00
Totals:	\$600,000.00		\$7,725.00

For those who entered into Agreements of Purchase and Sale *for property in Toronto* after December 31, 2007 and closed after February 01, 2008, the new City of Toronto land transfer tax becomes applicable.

Therefore, if you signed an agreement of purchase and sale for a property in the City of Toronto after December 31, 2007 and it closed after February 01, 2008, and the property was worth \$600,000.00, the total land transfer tax payable would be [\$8,475.00 (Ontario) + \$7,725.00 (City of Toronto)] \$16,200.00.

The information provided above is strictly for information purposes only and it is not intended to be interpreted as legal advice. If you are in need of legal advice, please feel free to contact the Balasunderam Law Office in order to schedule an appointment for a consultation.