

BC Property Transfer Tax Undermines Affordable Housing



Re/Max Canada reports land transfer taxes (BC Property Transfer Tax - PTT) are “eroding housing affordability at a time when home ownership is becoming out of reach for many younger households.”

The PTT payable on BC’s average-priced home (\$965,890) is \$17,317. According to the the Victoria Real Estate Board, Victoria’s benchmark price for a single family home in Greater Victoria is \$1,115,300. The PTT payable would be \$20,306. Alberta’s average home price is \$450,279 and they charge a land transfer fee of about \$400.

The BC government generates about \$3 billion annually from the PTT. How does PTT create so much government revenue? Additional PTT is charged at upstream stages of housing development undergoing land transfers, and is embedded in the final price of the home.

When a developer buys land, PTT is paid. When the land is subdivided into lots and sold to a builder, PTT is paid again. When the house is built and sold to a buyer, PTT is paid a third time. The government claims to have a first-time homebuyers PTT exemption on homes up to \$525,000 (well below BC’s average price). However, first-time buyers still pay the PTT charged during development embedded in the home price.

Studies show land transfer taxes undermine affordable housing. For example, a CD Howe Institute study called Sand in the Gears reveals these taxes cause “a reduction in household mobility – at least 3,500 families in the municipality of Toronto will stay in houses from which they would have otherwise moved...”

This has consequences for low-income housing. Housing is an ecosystem of migration chains impacting all price points, according to a study by economist Evan Mast called The Effect of New Market-Rate Housing Construction on the Low-Income Housing Market.

When migration chains are disrupted by land transfer taxes, lower-priced homes are not freed up for those renting. Rental units become unavailable resulting in low vacancy rates and high rents as experienced In Victoria. BC’s PTT should be a more affordable fee, like Alberta, not a tax on the rising cost of housing. A land transfer should not be charged up to three times on one home, and should not cost BC homebuyers \$17,317 and \$3,000 more in Victoria for doing the same task..

Government taxes on housing, especially BC’s PTT, significantly contribute to a lack of affordable housing for BC renters and homebuyers.



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