

# Land Transfer Tax Questions and Answers

## 1. What is the Land Transfer Tax?

- a. This is a Home Buyers' Tax levied by the Provincial Government when home-buyers become the new registered owners of the property they just purchased. This levy happens with each property transfer meaning someone could pay this levy a number of times throughout their lifetime of purchasing properties. However many times you may be required to pay it, you do not derive any additional benefits or put additional burdens on public services (except for minimal administrative costs) as compared to someone that does not move at all. In Manitoba's case it already has a title registration fee of \$70 which is not included in the land transfer tax.

## 2. What is Manitoba's Land Transfer Tax rate?

a.

Value of Property	Rate
On first \$30,000	0.0%
On Next \$60,000 (i.e. \$30,001-\$90,000)	0.5%
On Next \$60,000 (i.e. \$90,001 - \$150,000)	1.0%
On the Next \$50,000 (i.e. \$150,001 - \$200,000)	1.5%
On amounts over \$200,000	2%**

\*\*This rate came into effect in 2004

## 3. How do these rates compare to other jurisdictions?

- a. It can be said that the exemption from 0- \$30,000 where there is no charge and the .5% charged on the \$30,001 - \$90,000 or the 1% from \$ 90,001 - \$150,000 would not be considered out of line with other provinces. However, the 2% tax rate charged for any amount over \$200,000 is the highest one in the country. In February 2009, 56% of home sales went for prices over \$200,000 so the highest land transfer tax rate in the country applies. With the progression over the years of higher home values provincial land transfer tax revenues have skyrocketed. Even comparing February 2009 MLS® home sales with the same month a year ago, revenues went up 29%. From February 2000 to February 2010 the revenue has increased 600 per cent.

## 4. When was the Land Transfer Tax implemented?

- a. It was introduced in the late 1980's when the average sale price of a home in Winnipeg was \$81,611. This average sale price now has nearly tripled since then. The average home sale price in February 2010 was \$228,000. Not surprisingly, back when it did come into effect the vast majority of home sales were under \$200,000.

## 5. Have there ever been any adjustments to the Land Transfer Tax or indexing to account for the higher property values over the years?

- a. Yes, there has been one adjustment and that was to increase the highest rate of 1.5% in 2004 to 2% for any amount over \$200,000. As a result, the 2% rate is the highest land transfer tax rate in the country.

- b. As for indexing, nothing has been done since the land transfer tax was brought in. The Canadian Association of Accredited Mortgage Professionals (CAAMP) in a 2007 study showed Manitobans in the first nine months in 2007 in comparison to 1997 paid a 358 per cent increase in land transfer taxes.
- 6. Can the Land Transfer Tax be included as part of financing in a new mortgage?**
  - a. No, it is another closing cost that must be paid before you can register your new property.
  - b. Making the land transfer tax even more difficult to accept and manage to come up with the required levy amount based on the sale price of a property purchased is Manitoba's low disposable income relative to the rest of the country. In the 2009 Manitoba Check-Up Report done by the Chartered Accountants of Manitoba, it shows Manitobans had the lowest disposable income (income after taxes) yet our government has the highest land transfer tax in the country at 2% for any amount over \$200,000.
  - c. Manitoba's disposable income is more than \$2,000 less than the Canadian average.
- 7. Does Manitoba provide any exemptions on the Land Transfer Tax?**
  - a. There are a few such as farm land when it is bought with the intended purpose to continue using the land for farming. One important exemption, not provided in this province, where in a number of other provinces it is included as part of the land transfer tax, is a first-time home buyer exemption. In British Columbia, first-time buyers do not have to pay any land transfer taxes on any amount up to \$425,000.
- 8. What do Land Transfer Taxes mean to the province in terms of revenues?**
  - a. In 2009, the land transfer tax revenue was \$49.6 million. \$44.8 million was collected in 2008; a 17.2% increase from 2007. Based on the lack of indexing and the adoption in 2004 of the highest land transfer tax rate in the country of 2% starting at the lowest price point of \$200,000, the land transfer tax is clearly a source of increasing revenues for the Province derived largely on the backs of home buyers.
- 9. If Manitoba is willing to make adjustments in rates and/or house value brackets upon which they apply, including offering a first-time home buyer exemption, are their ways it can recover the lost revenue it stands to gain every year as property values rise?**
  - a. If the potential loss in revenue is even \$10 million, it represents approximately one-thousands of its total budget. So holding the line on spending and finding more efficiencies in the Province's entire operations should be possible. It is a matter of prioritization to recognize home buyers are as important to the fabric of the economy as many other government spending priorities such as polar bears, doctor's tuition rebates or a UNESCO heritage-site designation.
  - b. It is also important to point out the more money left in home buyers' pockets from reducing the land transfer tax burden will go back directly into the economy. As anyone who has bought a new home knows, they will need to spend money on ancillary purchases such as drapes, flooring, new furniture and other home improvement items.
  - c. And as for lost sales activity due to the fact the land transfer tax inhibits first-time home buyers from buying a home or move-up buyers from selling their home and

buying another one, there is a significant loss in economic spin-offs. Every home sale generates \$40,000 in ancillary spending. It also impacts new home construction negatively due to potential buyers finding the high land transfer taxes on a new home too steep and through impeding the resale house market in lower price ranges where sales of existing homes provides the necessary equity for a buyer to qualify for the price of a new home.

**10. How does the Land Transfer Tax impact the housing market?**

- a. The simplest answer is it makes housing less affordable and prevents a number of potential buyers, especially first-time buyers, from qualifying to purchase a home. It is tough enough to come up with the necessary down payment and closing costs let alone find additional dollars to pay for the land transfer tax.
- b. Land transfer taxes discourage home ownership so do nothing to alleviate a scarce supply of good rental accommodations since there is less movement out of rental property into homes.
- c. As CAAMP economist Will Dunning says in his 2007 study on the perils of non-indexation in Canadian housing markets, “Land transfer taxes do not pass any tests of fairness. They are discriminatory (applying to only a small percentage of the population each year) and the amounts paid cannot be justified on any reasonable measure of costs to government at large. These very rapid increases in land transfer taxes have pushed them even further into the realm of unfairness.”
- d. The land transfer tax is just another real estate tax as owners pay property taxes every year and then must pay thousands more when buying another home. It is a double tax.
- e. A land transfer tax can be a deterrent to investment in this province as high closing costs discourage housing opportunities for first-time buyers and others from making their home in our province. As a result, we lose the opportunity to attract new business investment to respond to the increased demand for goods and services resulting from new home purchases.
- f. A land transfer tax discriminates against anyone that moves and buys another home.
- g. The land transfer tax penalizes people with low amounts of equity in their home since it taxes the entire gross sale amount. The pick pocket tax robs the home equity from unsuspecting home buyers if they have been fortunate enough to build up equity in the home they own.
- h. The tax reduces housing opportunities across the entire income spectrum.