

## Land Transfer Tax: What you need to know as a first-time home buyer

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Land transfer tax is an additional cost that comes with purchasing a property in Manitoba. It can often be a surprise for first-time home buyers to learn about when the time comes to pay their closing costs.

### What is land transfer tax?

In Manitoba, land transfer tax is a tax arising out of our provincial legislation, specifically *The Tax Administration and Miscellaneous Taxes Act*. Generally, it is paid at the time a land transfer is registered at the Land Titles Office.

### How is land transfer tax calculated?

Land transfer tax is based on the fair market value of the property being transferred. Most transactions involving a transfer of property arise from an agreement to sell or purchase land or an Offer to Purchase. In this case, the fair market value of the property is the purchase price that the buyer pays to the seller. However, in other cases, for example such as a gift of land, the fair market value must still be determined. In these cases, fair market value is defined as what price the property would be sold for between parties who are acting at arm's length. In other words, fair market value would be the price a reasonable buyer would pay to a reasonable seller for the property.

The land transfer tax is then determined based on the following formula:

1. On the first \$30,000 – 0% of the fair market value
2. On the next \$60,000 – 0.5% of the fair market value (i.e., \$30,0001 to \$90,0000)
3. On the next \$60,000 – 1.0% of the fair market value (i.e., \$90,0001 to \$150,000)
4. On the next \$50,000 – 1.5% of the fair market value (i.e., \$150,001 to \$200,000)
5. On amounts in excess of \$200,000 – 2.0% of the fair market value

### When is land transfer tax not payable?

The land transfer tax is generally payable where the property is being transferred from one registered owner to another. However, there are a few exemptions where land transfer tax is not payable which are as follows:

1. Where the transfer is pertaining to farmland, and is being transferred to a farmer or farm corporation or spouse of a farmer, and they will continue to use the land for farming;
2. Where the transfer is pertaining to non-commercial property, and is being transferred by a spouse to their spouse;
3. Where the property is being transferred for the benefit of an Indian band under the *Indian Act*;
4. Where the property is being transferred from a registered charity to a non-profit corporation controlled by the same registered charity;
5. Where the property is being transferred to a registered charity;
6. Where the property is being transferred as a result of a dissolution of a corporation, and the property is being transferred to the party who owned all of the issued shares in the corporation immediately prior to dissolution.

There are a handful of other exemptions that may apply. If you have any questions about land transfer tax exemptions, how to calculate land transfer tax, or land transfer tax in general, please contact our office and we would be happy to assist you.

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