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MEMORANDUM

Re: Toronto Land Transfer Tax

On October 22, 2007, the City of Toronto flexed its muscles under the new powers of taxation granted to the City under the *City of Toronto Act* and passed a Toronto Land Transfer Tax (TLTT). Since land transfer taxes are due on closing, the purchaser must have these additional funds on hand on the closing day. Closing costs may not be amortized in the mortgage.

We will be updating our website to include a calculator for both the Ontario land transfer tax (OLTT) and Toronto land transfer tax.

What is the rate to be applied to purchases?

0.5% of the sale price up to and including \$55,000;

1% of the sale price between \$55,000 up to and including \$400,000;

2% of the sale price between exceeding \$400,000;

For example, a purchaser of a property with a price of \$600,000 would pay:

\$8,475 OLTT

\$7,725 TLTT

\$16,200 total LTT

Are commercial properties treated differently?

Yes, in a measure aimed to promote affordable rental housing; the TLTT has been capped at 1.5% on commercial properties including multi-residential units exceeding \$400,000 up to \$40 million. The City appears to be lowering the threshold for qualifying a multi-residential property at 2 or more units to include duplexes and other legal non-conforming apartments.

Is there a rebate for first time purchasers?

Yes, a rebate of up to \$3,725 will apply to first-time purchasers of both new and existing homes. This means a full rebate for first-time buyers of homes valued at \$400,000 or less. For example, a first-time purchaser of a home valued at \$600,000 would pay land transfer tax according to the scale shown above, and receive a rebate of \$3,725. A first time home buyer of a home valued at \$300,000 would get a full rebate on the land transfer tax.

This is a major difference as compared to the OLTT which limits the rebate to new purchasers of new property only (builder purchases). As well, the OLTT rebate is limited to the first \$2,000 of the total tax amount due. Thus, a first time purchaser of a new property with a purchase price of \$600,000 would pay:

\$6475 OLTT (\$8475 less \$2000 credit)

\$7,725 TLTT

\$14,200 total LTT

When does the TLTT take effect?

Agreement signed on or before December 31, 2007 > no TLTT

Agreement signed after December 31, 2007 with a closing before February 1, 2008 > no TLTT

Agreement signed after December 31, 2007 with a closing on or after February 1, 2008 > TLTT payable

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To contact us, or to change your mailing options or to unsubscribe, please email us at zubin@zmpc.ca or call us at 416.849.1479.

This memo is a general discussion of certain legal and related developments and should not be interpreted as legal advice. If you should require legal advice, we would be pleased to discuss with you the issues raised by this client memo in the context of your particular circumstances.