

Guide to Buying Property In British Columbia

What's inside?

Buying a home is the largest single investment most people will make. This e-guide will help you understand the costs, adjustments, taxes, and closing process associated with buying real estate.

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Legal Costs

Legal costs for a residential purchase with a mortgage ranges from \$900 to \$1300 regardless of whether you retain the services of a Lawyer or Notary Public. Costs that are usually included in a quote are the professional fee, land title search and registration fees. The professional fee will range from \$650 to \$950. Aside from the items listed below, disbursements are usually \$275 to \$375.

Costs usually quoted separately from "legal costs" are third party charges that may vary from one transaction to another. For example, the lawyer or notary will need to obtain a Municipal tax certificate, which costs from \$40 to \$65 depending on the municipality. Similarly, the lawyer or notary will need to obtain an insurance binder showing loss payable to the lender, which costs from \$30 to \$60. For strata title property, a Form F stating there are no arrears in maintenance fees is required, which costs from \$15 to \$25. A lender also requires a strata Form B which cost \$25 to \$50. Finally, a Strata Corporation may also charge a "Move-In" fee which usually ranges from \$50 to \$250. Your lender may require a survey certificate, Western Law Societies Conveyancing Protocol or Title Insurance. The costs and benefits of each of these products vary and should be reviewed with your lawyer or notary.



Closing Adjustments

When a property is sold, there are often certain items relating to the property which have been prepaid beyond the completion date by the seller and which benefit the buyer thereafter. In other circumstances, the seller owes money for certain items for which payment is not due until after the completion date; therefore, it falls to the buyer to pay for the entire amount due. Closing adjustments are the calculations that pro-rate the pre-paid or post-paid items and either credit or debit them against the purchase price.

Closing adjustments cover a number of items including municipal taxes, municipal water and sewer fees, strata maintenance fees, rent, and security fees.

Strata fees are paid monthly on the first day of each month. The buyer will reimburse the seller based on the number of days between the date of adjustments agreed to in the Contract of Purchase and Sale and the last day of the month.

Property taxes are based on a calendar year. Some municipalities such as Vancouver provide

for an advance payment in February with the balance due at the beginning of July.

The tax adjustment between the buyer and seller will vary depending on the time of year when the purchase will complete and which municipality is involved. Tax adjustments are one of the more complicated adjustments to understand but it is based on the buyer and seller being responsible for the taxes only for the period of time in which they are in possession of the property.

Closing adjustments are set out in a document referred to as the **Statement of Adjustments** which sets out the buyer's total costs and identifies the sources of funds to pay these costs. Funding sources include the initial deposit, the Mortgage proceeds, and any credit for taxes, utilities, or other adjustments. The final line item on the Statement of Adjustments will identify the amount of funds needed to complete the transaction. These funds will need to be delivered by certified cheque or bank draft payable to the law firm or notary.



Taxes

Taxes can make up a large part of the costs associated with buying real estate, especially with newly built or substantially renovated homes. The most significant taxes are Property Transfer Tax, PST, and GST. The other tax is Municipal Property Tax, as discussed earlier.

Property Transfer Tax ("PTT") is a provincial tax applied to real estate purchased in the province. The rate is 1% on the first \$200,000 of the property's fair market value, 2% on all value over \$200,000 up to and including \$2M, and 3% on all value in excess of \$2M. Foreign nationals and foreign corporations pay an additional 15% on the entire fair market value. If you are not a Canadian citizen or permanent resident, or your company is not controlled by one, the 15% tax likely applies. The tax is submitted at the time the buyer is registered as the new owner in the land title office, and the amount required must be provided to your lawyer for submission to the government.

There is a full or partial exemption to PTT for **First Time Buyers**. The main criteria to qualify for the exemption are that the buyer: (1) is a Canadian citizen or permanent resident; (2) has resided in B.C. for at least 12 months or filed income tax returns as a B.C. resident for 2 of the last 6 taxation years; and (3) has never previously owned a principal residence anywhere in the world. There is a full exemption available for properties purchased for \$500,000 or less, and a proportionate exemption for properties purchased for less than \$525,000 but more than \$500,000. There is no exemption on properties purchased for \$525,000 or more.

There is also a full exemption to PTT for buyers purchasing **New Residential Construction** valued \$750,000 or less. The exemption is proportional for properties in excess of \$750,000 and up to \$800,000. Your lawyer will discuss with you whether you qualify for the exemption.

GST is the Canadian federal tax payable by

the first occupiers of new or substantially renovated properties. GST is charged at the rate of 5% of the purchase price and may be included in the total purchase price or added to it, depending on the language of the contract. Buyers should review the language carefully with their realtor and lawyer as GST is a significant cost.

Rebates are available for up to 36% of GST if the buyer is going to use the property as a principal residence. The full 36% rebate of the GST is available for homes priced \$350,000 or less. For homes costing more than \$350,000, the rebate is phased out so that no rebate is available for homes valued at more than \$450,000. If you're planning to rent the property out, you can still qualify for the rebate as long as you enter into a long-term lease with your tenant. Understand, however, that you will need to pay all of the GST when the sale completes, then claim it back from the Federal government afterwards.

Real Estate Closing Process



1 Retain the services of a lawyer or notary. Ask your professional advisors for a referral. You should contact your lawyer or notary as early as possible in the process.

2 Your lawyer or notary first gathers information from you about the transaction. If you're buying with a spouse or partner, you will need to decide how you want to hold title to the property. Most couples hold title as **joint tenants**, which means 100% of the property is held in both names (e.g. Annette and Tim own 100%). The alternative is what is called **tenants-in-common**, which is where each spouse or partner holds a fixed percentage of the property in his or her respective name (e.g. Melody owns 50%; Alex owns 50%).

3 Your lawyer or notary conducts a title search and orders tax information, as well as any additional information needed for closing. Once the searches are done, closing documents which include the title

transfer, mortgage, property tax forms, and Statement of Adjustments are prepared. These documents are forwarded to the seller's lawyer to be signed by the seller.

4 A few days before closing, you meet with your lawyer or notary to sign documents and deliver the balance of the funds needed to complete the purchase.

5 Your lawyer or notary registers the transfer and mortgage documents with B.C. Land Titles & Survey, arranges for the seller's lawyer to pick-up purchase funds, and notifies you the purchase has completed.

6 You usually receive the property keys directly from your realtor on the Possession Date as set out in the Contract of Purchase and Sale.

7 Move-in and enjoy your new property!

Resources

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