



BRITISH COLUMBIA  
REAL ESTATE  
ASSOCIATION

October 6, 2016

Select Standing Committee on Finance and Government Services  
Room 224, Parliament Buildings  
Victoria, BC V8V 1X4  
Submitted via email: [FinanceCommittee@leg.bc.ca](mailto:FinanceCommittee@leg.bc.ca)

Committee members:

The British Columbia Real Estate Association (BCREA), its 11 real estate boards and more than 20,000 REALTORS® in BC sincerely appreciate the BC Government's attention to the housing market and the affordability challenges of British Columbians.

Those challenges have continued for a significant, sustained period in this market cycle. BCREA certainly does not believe public policy should be made to address specific economic conditions, but the current market emphasizes the need for governments—at every level—to use all available tools to reduce barriers to home ownership and improve affordability.

Twice in 2016, the BC Government made significant changes to the Property Transfer Tax (PTT). We were very pleased with the Newly Built Home Exemption for buyers of new principal residences with values up to \$750,000. The new, third tier (3% of the fair market value above \$2 million) was introduced at the same time, to pay for the new exemption.

Just when the market was beginning to adjust to the third tier, the 15% tax on foreign buyers was introduced. While supported by much of the real estate community, this additional PTT on residential property in the Greater Vancouver Regional District (with the exception of Tsawwassen First Nations lands) took us by surprise.

Our biggest concern is that transactions already underway were not exempted from the new tax. This is a significant departure in the implementation of tax policy, and impedes the ability of British Columbians to sell their homes. For example, a BC resident may need to sell their home before they can buy another. If the buyer of their home, who had a clear understanding of the costs involved before the new PTT was announced, walks away from the sale, that could make it impossible for the seller to buy another home. In such situations, which have been documented in the media, sellers are also at risk of breaching their contracts. These negative consequences could have easily been foreseen and avoided by exempting current transactions from the new tax, which BCREA recommended shortly after the legislative changes tabled.

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This recent change to the PTT was only the latest in a string of blows to the real estate sector this year. After months of negative media coverage and broad characterizations of REALTORS® as unscrupulous operators, we welcomed the recommendations of the Independent Advisory Group (IAG) to improve real estate practice and consumer protection. We were equally disappointed that the decision to end self-regulation occurred before the IAG recommendations could take effect. Even so, BCREA and the real estate boards continue to look for ways to further improve our own services to REALTORS®, who represent their clients professionally every day.

One way that REALTORS® have advocated for their clients for decades is to suggest measures that minimize the negative impact of the PTT. Recognizing that housing affordability is complicated, BCREA recommends the provincial government take the following steps to assist a broad array of homebuyers and promote ongoing confidence in the real estate market:

- For any future changes to the PTT, ensure that real estate transactions already underway are exempt.
- Use the new Housing Priority Initiatives Fund to increase the 2% PTT threshold from \$200,000 to \$525,000.
- Index the following PTT thresholds using the MLS® Home Price Index, and make adjustments annually:
  - 2% and 3% thresholds,
  - First-Time Home Buyers’ Program exemption threshold, and
  - Newly Built Home Exemption threshold.

We believe that these steps will assist those who often struggle the most to enter the housing market – buyers who are trying to purchase a resale home at the lower end of the market, who are not first-time homebuyers. In fact, 66 per cent of BC homes were priced at or below \$525,000 in 2015, meaning a majority of homebuyers would benefit.

Structure and Status of the Property Transfer Tax

As a result of the changes made this year, this is how the PTT is applied to real property transactions:

	1%	2%	3%	15%
Original PTT structure (1987-Feb. 16, 2016)	First \$200,000 of fair market value	On the remainder over \$200,000	n/a	n/a
New PTT structure	First \$200,000 of fair market value	Over \$200,000 to \$2 million	On the remainder over \$2 million	On full fair market value*

\*payable by foreign buyers of homes in Greater Vancouver Regional District

BC’s healthy economy and robust real estate market have increased tax revenues. The PTT revenue for the 2015/16 fiscal year reached a record \$1.533 billion. In fact, for five of the last ten fiscal years, the tax has generated around \$1 billion per year, and the forecast for 2016/17 is \$2.2 billion. From 1987 to the

end of March 2016, through the PTT, BC homebuyers have delivered more than \$16 billion to the provincial government.

These are big numbers, and the revenue is generally put to good use. At the same time, reducing this particular tax burden is also a good use, even a good investment in families and communities. British Columbia has the highest provincial transfer tax in Canada. That dubious distinction puts the province at a disadvantage and works against efforts to encourage individuals and businesses to relocate to the province.

### Recommendations

The changes made in 2016 demonstrate a willingness to make major changes to the PTT—the one tax that contradicts the claim that British Columbians have the lowest tax burdens in Canada. In that forward-thinking, big-picture spirit, BCREA urges MLAs to take actions that will provide relief to a broader scope of real estate buyers, and ensure that future buyers will also benefit.

- For any future changes to the PTT, ensure that real estate transactions already underway are exempt.  
Fairness and market stability should be important considerations for tax changes. Exemptions for contracts that are already signed has been standard operating procedure in the past, and we urge that it be so in the future.
- Use the new Housing Priority Initiatives Fund to increase the 2% PTT threshold from \$200,000 to \$525,000.  
For many years, the PTT has widely been considered a tax grab. The creation of the Housing Priority Initiatives Fund offers the opportunity to put PTT revenues to work for BC homebuyers. Using 2015 data, this measure would cost about \$197 million, and help consumers all around the province, whether they purchase residential or commercial real estate, new or existing homes.
- Index the following PTT thresholds using the MLS® Home Price Index, and make adjustments annually:
  - 2% and 3% thresholds,
  - First-Time Home Buyers' Program exemption threshold, and
  - Newly Built Home Exemption threshold.

Unless specific thresholds are tied to market conditions, their effectiveness erodes over time. In the worst cases, they end up causing damage. For example, look at the original 2% PTT threshold: when the tax was introduced in 1987, the 2% threshold applied to only 5% of homes sold on the Multiple Listing Service®. In 2015, the 2% threshold applied to 85% of homes sold on the MLS® System.

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If the current 2% and 3% thresholds are not indexed, then they will end up costing more consumers more money every year. This is not a theory, we have the experience and data in BC to prove it.

Conversely, exemption thresholds that remain static help fewer homebuyers every year.

Thank you for this opportunity to address the topic of ensuring the economic health of the province. Together, the real estate sector and elected officials can make dramatic improvements to housing attainability with simple adjustments to the province's tax structure.

BCREA representatives are pleased to discuss these issues further, as well as provide research or other support to help improve housing affordability for British Columbians.

Yours sincerely,



Robert Laing  
Chief Executive Officer

About the British Columbia Real Estate Association

BCREA is the professional association for more than 20,000 REALTORS® in BC, focusing on provincial issues that impact real estate. Working with the province's 11 real estate boards, BCREA provides continuing professional education, advocacy, economic research and standard forms to help REALTORS® provide value for their clients.

To demonstrate the profession's commitment to improving Quality of Life in BC communities, BCREA supports policies that encourage economic vitality, provide housing opportunities, respect the environment and build communities with good schools and safe neighbourhoods.