

## Exemptions for the Transfer of a Principal Residence

### Property Transfer Tax

This bulletin outlines application of the tax to the transfer of a principal residence. The Act provides full and partial exemptions depending on the nature of the principal residence being transferred. This bulletin outlines the specific conditions and requirements for these exemptions to be available.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Property Transfer Tax Act* and Regulations can be found on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

Note: This Bulletin replaces Information Bulletins 2-90 and 3-91.

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### LEGISLATIVE HISTORY

In May 1991 amendments were made to the Act, adding the current definition of "principal residence", and creating the partial exemption for the transfer of a principal residence.

In 1998, the [Budget Measures Implementation Act](#) (Bill 2) further amended the Act by defining "settlor" for the purposes of the principal residence exemption. This amendment also clarified that sections 14(3) (c) (d) and (e), **not** sections 14(3) (a) and (b), are the applicable sections when a trustee is used in the transfer.

The [Taxation Statutes Amendment Act](#) (Bill 52), 1999, clarified the residence requirement for the exemption.

### DEFINITION OF PRINCIPAL RESIDENCE

Section 14(1) defines a principal residence as a parcel of land:

1. on which the person who is claiming the exemption usually resided, and used as his or her home;
2. on which there are improvements that are

- designed to accommodate, and do in fact accommodate three or fewer families;
3. on which all of the improvements are classified as "residential" under section 19 of the [Assessment Act](#), and
4. which is not larger than 0.5 hectares (1.24 acres) in area.

Section 14(2) states that a person is considered to have only **one** principal residence at a time.

### Related Individuals

Related individuals only include those who are "vertically related" to one another or who are spouses.

Examples of people vertically related to the purchaser would be his or her mother, father, grandmother, grandfather, child, mother-in-law, grandfather-in-law. So, the transfer of a principal residence to a son from his mother would be eligible for the full exemption, provided the other requirements are met.

Examples of people **not** vertically related to a purchaser include his or her sister, brother, uncle, aunt or nephew.

### FULL EXEMPTION FOR THE TRANSFER OF A PRINCIPAL RESIDENCE

#### Principal Residence Transfers *Not* Involving a Trustee

Section 14(3)(b) provides an exemption where "related individuals" transfer a principal residence between themselves. To be eligible for this exemption:

1. the property being transferred must meet the requirements of the definition of "principal residence",
2. the transfer must be between "related individuals",
3. the transferor **cannot** be a trustee referred to in section 14(3)(c), (d) or (e), and
4. the land being transferred must have been the principal residence of either the person receiving the land (the transferee), or the person giving the land (the transferor) for a continuous period of at least six months immediately before the transfer.

If a registered fee simple ownership of the property is held in joint tenancy, application of the Act to the transfer of a partial interest is determined based on the **net interest passing**. As an example, A and B own a property as joint tenants and wish to transfer the interest of B to C with the result that A and C will hold the registered fee simple ownership of the property as joint tenants.

A & B (joint tenants) → to → A & C (joint tenants)

For the purposes of the Act, A's interest in the property **has not changed** as a result of the transfer. Whether the transfer is eligible for the exemption is determined based on the transfer of a 50% interest in the property from B to C.

### Principal Residence Transfers Through Estates or Trusts Under Wills

Section 14(3)(c) provides an exemption where a principal residence has been transferred through a will or the estate of a deceased, and a trustee has been involved in the transfer. To be eligible for this exemption:

1. the transferor must be a Trustee registered under the [Land Title Act](#) as the Trustee of the lands transferred,
2. the transferor must be a Trustee of either a deceased's estate or a trust established under a deceased's will,
3. the transferee must be the beneficiary of the estate or the trust,
4. the deceased and the transferee beneficiary must have been "related individuals", and
5. the land transferred must have been the deceased's principal residence or the transferee's principal residence for a continuous period of at least six months immediately before the death of the deceased.

### Principal Residence Transfers Involving a Trust Settled During the Lifetime of the Settlor

Section 14(3)(d) provides an exemption where a trust is settled during the lifetime of the settlor. The Act defines a "settlor" as the person who gave the

land to the trust estate, or gave assets to the trust estate to acquire the land being transferred. The settlor does not have to be the creator of the trust. To be eligible for this exemption:

1. the transferor must be a Trustee registered under the *Land Title Act* as a Trustee of the land transferred,
2. the trust must be settled during the lifetime of the settlor,
3. the settlor of the trust and the transferee who is the beneficiary must be related individuals (see comments above regarding related individuals), and
4. for the six continuous months immediately before the transfer, the land must have been the principal residence of either the settlor or the beneficiary transferee.

### PARTIAL EXEMPTIONS FOR THE TRANSFER OF A PRINCIPAL RESIDENCE

Sections 15(2) and (4) provide a partial exemption where the land is larger than 0.5 hectares (1.24 acres), and/or where there are improvements on the property that are not classified as residential. To be eligible for a partial exemption, **all other conditions of the definition of "principal residence"** must be met.

#### NEED MORE INFO?

This bulletin is provided for convenience and guidance.

If you have any questions, call us in Victoria at 250 387-0604 or, if you are calling from outside of Victoria, call Enquiry BC toll-free at 1 800 663-7867 and request a transfer to 387-0604, or e-mail your questions to [PTTENQ@gov.bc.ca](mailto:PTTENQ@gov.bc.ca)

Information is also on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr) While there, you can subscribe to our free electronic update service.