

## Application to Municipal Tax Sales

### *Property Transfer Tax*

Property transfers resulting from municipal tax sales **are** subject to tax under the *Property Transfer Tax Act*, (Act).

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 Bulletin 3-87.

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### **HOW IS THE TAX CALCULATED?**

The tax due is calculated on the tax rate of 1% on the first \$200,000.00 of the fair market value of the property that is transferred, and 2% on the remaining fair market value.

The Act defines fair market value as the amount that would have been paid for a fee simple interest in a parcel of land that is unencumbered by mortgages, trusts or other encumbrances, and is sold in an arm's length transaction on the open market from a willing seller to a willing buyer.

For the purpose of a municipal tax sale, which is a forced bidding situation, fair market value will be determined by making reference to:

1. the assessed value,
2. market conditions, and
3. other information or evidence that is relevant to determining the value of the property.

For the purpose of a tax sale, the fair market value of the property is determined at the time notification effecting the transfer of the title, under section 472 (*check section number*) of the *Municipal Act* is

forwarded to the Registrar of Titles by the Municipality.

### **PROCEDURE FOR COLLECTING PROPERTY TRANSFER TAX**

- 1) When there is going to be a municipal tax sale, the municipality will notify prospective purchasers that the purchase is subject to tax under the Act, based on the property's fair market value. The prospective purchasers should be notified through:
  - a) notices of tax sales published in local newspapers pursuant to section 459 (*check section*) of the *Municipal Act*, and
  - b) verbal notification at public auctions.
- 2) The municipality will explain to prospective purchasers that the tax liability arises at the time the municipality notifies the Registrar of Titles to effect the transfer following expiration of the redemption period.
- 3) For each parcel of land that is sold the municipality will, at the time that the Registrar of Titles is notified to effect the transfer of title pursuant to section 472 of the *Municipal Act*, provide the following information to the Administrator, Property Transfer Tax:
  - a) name of the purchaser,
  - b) mailing address of the purchaser,
  - c) civic address of the purchaser,
  - d) legal description of the property,

- e) assessment roll number of the property,
- f) assessed value of the property,
- g) Land Title Office utilized, and
- h) parcel identifier number.

The Administrator will notify the purchaser of the land of the amount of tax that must be paid and will request that the tax return be filed and the tax be paid.

## **NEED MORE INFO?**

This bulletin is presented as an aid to understanding the *Property Transfer Tax Act*. It is not intended to replace the need to consult the legislation for possible application to a particular fact pattern. Where there is a conflict between this bulletin and the legislation, the legislation prevails.

For further information, please contact:

**The Administrator, Property Transfer Tax  
Ministry of Small Business and Revenue  
Property Taxation Branch  
PO Box 9427 Stn Prov Govt  
Victoria BC V8W 9V1**

**Telephone: 250 387-0604  
Fax: 250 953-3094**

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.

Property Transfer Tax Returns and Guides can be obtained through the forms reorder line at 250 387-2183. Your request can also be faxed to 250 356-2550.