

Exemptions for the Transfer of a Principal Residence

Property Transfer Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated April 2013. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains how property transfer tax (PTT) applies when a principal residence is transferred between related individuals.

For general PTT information, such as the types of transactions that are taxable, the rate of tax, what returns must be completed, and who must complete the return and pay the tax, see [Bulletin PTT 001](#), *Property Transfer Tax*.

Table of Contents

Overview.....	1
Transfers to Two or More People.....	3
Net Interest Passing.....	3
Full Exemptions.....	3
Partial Exemptions	5

Overview

When a **related individual** transfers a **principal residence** or an interest in a principal residence to you, you may be exempt from paying PTT.

The following people are considered to be a **related individual**:

- your spouse, child, grandchild, great-grandchild, parent, grandparent or great-grandparent,
- the spouse of your child, grandchild or great-grandchild, and
- the child, parent, grandparent or great-grandparent of your spouse.

Please note: Child includes a stepchild.

Your spouse is:

- a person who you are married to, or
- a person who you are living and cohabitating with in a marriage-like relationship, provided that you have been living and cohabitating in that relationship for a continuous period of at least two years. This includes a marriage-like relationship between people of the same gender.

The following are examples of people who are **not** considered to be a related individual:

- your sister, brother, uncle, aunt, niece or nephew.

This means, for example, that you are required to pay PTT if your brother or sister transfers a principal residence to you.

A property is considered to be a **principal residence** if the following four criteria are met.

1. Before the transfer, either you (the transferee) usually resided and used the property as your home, or the person transferring the property to you (the transferor), usually resided and used the property as his or her home.
Please note: When a trustee is involved in a transfer, the trustee becomes the transferor and this requirement applies instead to the settlor or the deceased.
2. The improvements on the land (e.g. buildings) are designed to accommodate, and do in fact accommodate, three families or less.
3. The improvements on the land are classified as residential by BC Assessment.
4. The land is 0.5 hectares (1.24 acres) or smaller.

To qualify for a full exemption from PTT, the entire property must meet these requirements, regardless of the interest in the property that may actually be transferred.

Please note: A person is considered to have only one principal residence at a time.

To claim an exemption described in this bulletin, you need to file a *Special Property Transfer Tax Return* form (**FIN 579S**) and enter the appropriate exemption code. The

codes for these exemptions are provided below. The codes are also listed in the *Instruction Guide for Completion of General, Special and Electronic Property Transfer Tax Returns* ([FIN 579/WEB](#)).

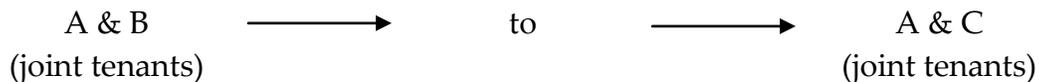
Transfers to Two or More People

If a principal residence is transferred to two or more people who are not all related individuals of the transferor, the exemption applies only to the interest acquired by the people who are related individuals of the transferor. For example, your mother transfers her principal residence jointly to you and your fiancé, but you are not living in a common-law spousal relationship. The exemption applies only to the 50% interest acquired by you because your fiancé is not considered to be a related individual.

Net Interest Passing

If registered title to a property is held in joint tenancy, and one of the owners transfers their interest to a related individual, the ministry determines eligibility for the exemption based only on the partial interest being transferred (i.e. the net interest passing).

For example, A and B own a property as joint tenants and wish to transfer B's interest to C so that A and C will own the property as joint tenants.



A's interest in the property does not change as a result of the transfer. Therefore, the ministry determines whether C is exempt from paying PTT based on the transfer of the net interest (50%) in the property passing from B to C. This means that C may qualify for an exemption if B and C are related individuals.

Full Exemptions

The criteria for an exemption from PTT depend on the circumstances of the transfer.

Transfers Not Involving a Trustee

When a related individual transfers a principal residence or an interest in a principal residence to you, you do not pay PTT provided that the following three criteria are met.

1. You are a Canadian citizen or a permanent resident as determined by Citizenship and Immigration Canada.
2. A trustee is not involved in the transfer.

3. The property that you are acquiring has been the principal residence of **either you or the transferor for a continuous period of at least six months immediately before the transfer**. To meet this requirement, you need to register the transfer with the land title office while the person who has been living on the property for the required period of time is still living on the property.

To claim this exemption, enter code 05.

Transfers through Estates or Trusts under Wills

When you receive a principal residence or an interest in a principal residence through the estate of a deceased, or a trust set up under the will of a deceased, you do not pay PTT provided that the following six criteria are met.

1. You are a Canadian citizen or a permanent resident as determined by Citizenship and Immigration Canada.
2. The transferor is registered at the land title office as a trustee of the property being transferred.
3. The transferor is a trustee of the deceased's estate or a trust set up under the deceased's will.
4. You are a beneficiary of the estate or trust.
5. You and the deceased were related individuals at the time of his or her death.
6. The property that you are acquiring was:
 - the deceased's principal residence immediately before his or her death, **or**
 - your principal residence for a continuous period of at least six months immediately before the deceased's death.

To claim this exemption, enter code 40.

Transfers through Trusts Settled During the Lifetime of the Settlor

The settlor is the person who gave the property that is being transferred to the trust estate, or gave assets to the trust estate to acquire the property. The settlor does not have to be the creator of the trust.

When you receive a principal residence or an interest in a principal residence through a trust during the lifetime of the settlor, you do not pay PTT provided that the following five criteria are met.

1. You are a Canadian citizen or a permanent resident as determined by Citizenship and Immigration Canada.
2. The transferor is registered at the land title office as a trustee of the property being transferred.

3. You are a beneficiary of the trust.
4. You and the settlor of the trust are related individuals.
5. The property that you are acquiring has been the principal residence of **either you or the settlor for a continuous period of at least six months immediately before the date of the transfer**. To meet this requirement, you need to register the transfer with the land title office while the person who has been living on the property for the required period of time is still living on the property.

To claim this exemption, enter code 41.

Partial Exemptions

If the principal residence you receive is on land larger than 0.5 hectares (1.24 acres), and/or there are improvements on the land that are not classified as residential, **but the transfer meets all of the other requirements for an exemption**, you do not pay PTT on:

- the portion of the fair market value of the land that is equivalent to the ratio of 0.5 hectares to the total area of the land, and/or
- the fair market value of the improvements on the land that are classified as residential by BC Assessment.

For example, the principal residence you are acquiring an interest in is 2 hectares. In this case, you pay PTT on the portion of the fair market value of the land that is equal to 1.5 hectares (2 hectares less .5 hectares). Use the [Principal Residence Partial Exemption Calculator](#) to help you calculate the amount of PTT payable.

To claim and calculate the partial exemption, you need to file a *Special Property Transfer Tax Return* form ([FIN 579S](#)) and enter the appropriate exemption code. The form and *Instruction Guide for Completion of General, Special and Electronic Property Transfer Tax Returns* ([FIN 579/WEB](#)) provides further information on how to calculate the partial exemption.

For more information on determining fair market value, see [Bulletin PTT 001](#), *Property Transfer Tax*.

Need more info?

Online: gov.bc.ca/propertytaxes

Email: PTTENQ@gov.bc.ca

Telephone: 250 387-0604 (Victoria)

Telephone: 604 660-2421 (Vancouver)

Toll-free: 1 800 663-7867

If you call from Vancouver or toll-free, ask to be transferred to 250 387-0604

You can access our forms and publications online at gov.bc.ca/propertytaxes (go to **Forms and Publications**).

Subscribe to our **What's New** page to receive email updates when new information is available.

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

Latest Revision

May 2015

- clarified that child includes a stepchild
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References: *Property Transfer Tax Act*, Sections 1, 14(1), 14(1.1), 14(2), 14(3) and 15.