

How do land transfer taxes affect your real estate purchase?

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For anyone looking to invest in real estate, land transfer taxes will affect your bottom line.

When it comes to purchasing a home, there's more to simply negotiating with the seller on the property's price. Once a price is set, there are still the [closing costs](#) that need to be paid for and the infamous land transfer tax will take up the lion's share of the costs.

Whenever you buy a home, you're also buying the land the property is housed on, which is where the land transfer tax (LTT) comes in. Homebuyers will be glad to hear this is a tax you only pay when you buy a home, but they only have 30 days after the closing date to come up with the money.

Each province sets its own land transfer tax rates and municipalities can tack on extra fees too. Before starting your home search, look into any additional taxes you could face on your property purchase since that could make a difference in the city you purchase in. No one likes surprises, especially when it comes in the form of a substantial fee.

The tax you pay varies across the provinces and it is based on the value of the home you buy. If you buy a home in Toronto, you pay the Ontario LTT plus an additional municipal one (MTLL), which costs you a pretty penny. For a home valued at \$500,000.01, you pay the Ontario LTT of \$6,475 and a MTLL of \$5,725 for a grand total of \$12,200. There are some [cost savings available if you're a first time buyer](#) and you should also be aware of the rules if you're buying a home with a partner or transferring the property among family members.

Lucky homebuyers in Alberta and Saskatchewan don't need to worry about LTTs and they're charged much smaller registration fees.

While sellers don't have to worry about paying a LTT, if they plan to move into an upgraded home, they'll incur the charge on the next home they purchase. The cost of the land transfer tax could easily make someone think twice about moving homes, which [a study by the CD Howe Institute](#) found that Toronto residents were more likely to renovate their homes rather than move. They were also more likely to live in a home that wasn't suitable for their needs.

This, along with rising home prices, which have been influenced by [foreign buyers](#), are two reasons why fewer people are finding it more difficult to upgrade their starter home, according to a recent CIBC study.

"The value of bigger and pricier properties is rising notably faster than less expensive

properties—widening the gap between starter home and dream house," said Benjamin Tal, Deputy Chief Economist at CIBC, in a press release. "Regardless of what your starting point is, and by how much your property has appreciated, the desired move up target is getting further and further out of reach."

These costs are likely influencing people to buy homes later in life, simply because they need to save more money for their purchase. The number of [first-time homebuyers](#) between the age of 25 to 35 dropped to 50 per cent from 55 per cent in 2012.

If you bought a [newly built home](#) as a place to raise your family or as a [rental property](#), [Rebate4U](#) can help you claim a portion of your purchase cost back through an HST rebate. Our priority is to provide our clients with the most professional and quality service in obtaining rebates for their new and renovated homes. We are proud to offer our clients the most personal and attentive service, and we make sure that all of our clients are 100% satisfied.