

## **Territorial Issue – Upcoming Legislation for a new Land Transfer Tax**

### **The Issue**

Finance Minister Robert C. McLeod announced that he is planning to introduce legislation for a new Land Transfer Tax in the fall. The tax is predicted to generate \$3.1 million annually.<sup>i</sup>

If introduced, anyone who buys a home, commercial building or vacant lot in the Northwest Territories will have to pay the land transfer tax when they purchase a property. In other jurisdictions that already have the land transfer tax, the tax rate is higher for homes or buildings with higher value.<sup>ii</sup>

### **What Do We Currently Pay?**

In Yellowknife, we currently have a “Registration Fee” of \$1.50 per \$1,000 of transfer value for homes under \$1 million. For property valued over \$1 million, the rate is \$1,500 plus \$1 for each \$1,000 of value (or partial value) above \$1 million.

We also pay a mortgage fee of \$1 for each \$1,000 of value (or partial value) of the mortgage on the property.<sup>iii</sup>

The proposed Land Transfer Tax would be in addition to the current charges levied by the Government of the Northwest Territories.

### **How Does This Compare to Other Canadian Jurisdictions?**

In British Columbia, when you purchase or gain interest in a property, you’re responsible for paying a “Property Transfer Tax” based on the fair market value of the property at the date of registration, unless you qualify for an exemption.

If you’re a foreign national, foreign corporation, or taxable trustee, you also pay an additional “Property Transfer Tax” on residential property transfers within certain areas of BC.<sup>iv</sup>

As part of the 2018 budget, BC introduced a speculation tax and increased their foreign buyers tax with the intention of penalizing home owners who do not pay income tax in the province, including those who leave their homes vacant. They’re also penalizing people who “park their capital in B.C.’s housing market simply to speculate...which drives up prices and removes rental stock”.<sup>v</sup>

It can be argued that a land transfer tax is an effective way to reduce speculation in markets. The speculation tax was called a “step in the right direction” by Benjamin Tal, Deputy Chief Economist at CIBC World Markets.<sup>vi</sup>

### **Impacts Of a Land Transfer Tax**

According to Jack Mintz, President's Fellow at the University of Calgary's School of Public Policy, land transfer taxes cause people to hang onto their property for long periods, making it harder for new homebuyers to enter the market, it increases the cost of development, thereby reducing the supply of property, and it impacts labor mobility as it becomes too expensive to move or purchase new property. Furthermore, studies have shown that in Canada, land transfer taxes have a dramatic impact on the quantity of property sales in an area with a land transfer tax.<sup>vii</sup>

**Why Does Jack Mintz's Opinion Matter?** For a list of credentials and his economic and policy work, you can check out: <http://www.macleans.ca/politics/ottawa/being-jack-mintz/>

### **How Is This Going To Impact Yellowknife?**

- The cost of housing is already prohibitive in Yellowknife. Adding a new Land Transfer Tax will further increase the cost of living
- The tax may discourage real estate and development activity
- Will act as a tax on business investment
- Could impact labor force mobility and create additional barriers for businesses trying to recruit southern employees

### **Proposed Action by the Yellowknife Chamber of Commerce**

That we immediately oppose the proposed 'Land Transfer Tax' and insist that the government focus on managing their expenses instead of trying to generate additional revenue from a population base that has remained relatively stagnant over the past several years.

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<sup>i</sup> Government of the Northwest Territories. (2018). Hansard – Unedited Transcript, Thursday, February 8<sup>th</sup>, 2018. Retrieved from: <http://www.assembly.gov.nt.ca/sites/default/files/hn180208.pdf>

<sup>ii</sup> CBC. (2018). MLAs 'surprised' by N.W.T. government's plan to introduce new tax. Retrieved from: <http://www.cbc.ca/news/canada/north/nwt-new-land-transfer-tax-1.4545572>

<sup>iii</sup> Canada Mortgage and Housing Corporation. (2018). Northwest Territories Fact Sheet. Retrieved from: [https://www.cmhc-schl.gc.ca/en/co/buho/cobugu/cobugu\\_007f.cfm](https://www.cmhc-schl.gc.ca/en/co/buho/cobugu/cobugu_007f.cfm)

<sup>iv</sup> Government of British Columbia. (2017). Property Transfer Tax. Retrieved from: <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax>

<sup>v</sup> CBC. (2018). 'Ignored for too long:' B.C. NDP government takes aim at housing costs with tax measures. Retrieved from: <http://www.cbc.ca/news/canada/british-columbia/bc-ndp-2018-budget-housing-measures-1.4544097>

<sup>vi</sup> Financial Post. (2018). Expect Toronto to follow suit if Vancouver's 'very aggressive' speculation tax on property succeeds. Retrieved from: <http://business.financialpost.com/real-estate/expect-toronto-to-follow-suit-if-vancouvers-very-aggressive-speculation-tax-on-property-succeeds>



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<sup>vii</sup> Financial Post. (2017) Land transfer taxes hurt competitiveness and fail to reduce speculation. Retrieved from: <http://business.financialpost.com/opinion/jack-m-mintz-land-transfer-taxes-hurt-competitiveness-and-fail-to-reduce-speculation#comments-area>