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BC's TAX ON HALF OF A HOUSE

The Canadian Home Builders Association is a non-profit organization dedicated to education, professionalism, consumer awareness, and housing affordability.

On behalf of consumers, we often protest the use of new housing as a cash cow by municipal, provincial, and federal governments. Their charges include added amenities and fees, spiraling DCCs, GST, Property Transfer Taxes, and the new HST.

An Altus Group study called Tax Pyramiding in Canada: A Growing Concern, shows these taxes drive up the cost of homes. Up to 18% of a new home's cost is government fees and taxes. On an average-priced home of \$550,000 in Greater Victoria, this represents \$99,000 on a mortgage. At 6% amortized over 25 years, the real cost to the consumer is \$190,000.

BC's Property Transfer Tax is an example of tax pyramiding. A developer pays the PTT when buying a property for development, followed by the builder paying the PTT on a lot from the developer. The PTT costs paid by the developer and the builder are embedded in the price of the new house. Eventually, new homebuyers pay the PTT and the HST on the finished project, which includes the two original PTT's for the lot.

However, there is another wrinkle.

If a builder begins constructing the house before the actual transfer of land registration from developer to builder, which may occur in the construction process, the provincial government adds an additional charge. For example, if the foundation is poured and the house is framed before the land transfer, the government will claim "added value" to the lot and charge PTT for half of a house. Since all costs in the manufacturing process are ultimately paid by the consumer, new homebuyers pay PTT on half of a house AND the entire house, in addition to the other PTT and new HST charges.

The BC government's claim the HST removes embedded taxes does not include the practice of charging multiple PTT's and taxing for half of a house. These PTT's represent well over ten thousand dollars on the cost of an average new home, and then they're amortized on purchasers' mortgages.

The government must review multiple taxes on new housing, which raises costs, drives consumers out of the new home market, and eliminates skilled jobs in our communities.

For more information, visit www.chbavictoria.com.

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