

## Land Transfer and Property Taxes

Ontario residents are subject to other taxes in addition to income tax and sales taxes. Land transfer tax and property taxes are examples of other important taxes that apply to most residents, certainly property owners.

### Land Transfer Tax - General Rules

In general, if you buy land or an interest in land in Ontario, you must pay Ontario's land transfer tax (LTT). Land includes all buildings and fixtures (such as built-in cabinetry). The LTT is based on the amount paid for the land, in addition to the amount remaining on any mortgage assumed as part of the arrangement to buy the land. The tax is due when the transfer is registered. If you are a first-time buyer, you may be eligible for a refund of the LTT up to \$2,000 of the tax. To qualify, the property must be owner-occupied and the individual must not have owned a house in the previous five years.

The current tax rates are progressive based on the value of the land, .5% of the value up to \$55,000, 1% of the value over \$55,000 and under \$250,001, 1.5% of the value over \$250,000 and under \$400,001, and 2% of the amount in excess of \$400,000.

### Acquisition by a Group

At times, a beneficial interest in land can be acquired through a group entity such as co-owners purchasing a rental property as a co-tenancy. When this occurs, the value of the land is the total value of the property and will attract the rates, on a progressive basis, as indicated above. If the title to the property being acquired is held by one entity, such as a bare trustee corporation, this can result in LTT paid in excess of that paid if each co-owner had registered his/her share of the property separately.

This can be rectified by each co-owner filing an amended return. This in effect reduces the value of the consideration, as it is reported by each owner and thereby reduces the overall tax rates applied and of course, the overall taxes paid.

### Web Tip of the Month

#### Office of Energy Efficiency (OEE)

<http://oee.nrcan.gc.ca>

The Natural Resources Canada program provides a large number of services and information that assist individuals and corporations to inform them of their resources usage. Divided primarily into two categories (personal and business), this website offers a host of useful calculators and knowledge sheets such as:

- Choosing a fuel-efficient vehicle;
- Fuel consumption calculator;
- Computer energy ratings by model;
- ENERGY STAR, EnerGuide and R-2000;
- Grants and incentives; and
- Life expectancies of appliances

### LTT and Corporate Reorganizations

Liability for LTT occurs on a sale, transfer or assignment of any part of a beneficial interest in land but does not include the transfer of a beneficial interest due to the death of the owner of the interest or a transfer for the purpose of providing security for a debt.

A transfer of land to a family business corporation is generally subject to land transfer tax. However, an exemption from tax may apply where an individual carried on an active business on land where a transfer of the land and the business are made to an active family business corporation. There are other exemptions available from LTT: between spouses, farmed land between family members and transfers of a life lease from a non-profit organization or a charity.

Consider contacting your advisor to discuss the availability of these exemptions to your circumstances.

### Municipal Property Taxes

The City of Ottawa, similar to other municipalities in Ontario, has a property tax rebate program for vacancies in commercial and industrial buildings.

This rebate program provides tax relief to property owners who have vacancies in commercial and industrial buildings. To qualify for a rebate, the vacancy duration must be at least 90 consecutive days and owners must submit a Commercial/Industrial Vacancy Rebate application for each year that a building, or portion of a building is vacant.

To be eligible for the rebate, a building or portion of a building must satisfy certain conditions. For example:

- for buildings that are entirely vacant, there cannot be commercial or industrial activity on a seasonal basis, during the period of vacancy the land cannot be subject to a lease, the term of which had commenced and the during the period of vacancy it was not included in a sub-class for vacant land;
- for buildings that are partially vacant, a suite or unit within a commercial building will be eligible for a rebate if it was unused and it was clearly delineated or physically separated from the used portions of the building and either capable of being leased for immediately occupation or undergoing or in need of repairs or renovations that prevented it from being available for lease for immediate occupation or unfit for occupation;
- a portion of an industrial building will be eligible for a rebate if, for at least 90 consecutive days it was unused and clearly delineated or physically separated from the used portions of the building.

The application for the City of Ottawa rebate can be obtained from the city's web-site. The deadline for submitting applications is February 28 of the year following the taxation year to which the application relates.



## New Filing Requirements For Canadian Partnerships

### Partnerships

Previously, a partnership with less than six partners was exempt from filing a T5013 Partnership Information Return.

Effective for fiscal periods ending after December 31, 2010, a Canadian partnership that carries on business in Canada, must file a T5013 Partnership Return where one of the following conditions are met:

- at the end of the fiscal period, the revenues plus expenses are greater than \$2 million or the partnership has more than \$5 million in assets; or
- at any time during the fiscal period, the partnership was either a tiered partnership (as defined), had a Partner that was a corporation or a Trust, invested in flow-through shares of a principal business corporation that incurred Canadian resource expenses and renounced these expenses to the Partnership, or had received a written request from CRA to file a T5013 Information Return.

Generally speaking, a partnership is the relation that exists between persons carrying on business in common with a view to profit. Certain relationships, for example, a joint venture may, be considered a partnership. As the Income tax Act does not define a "partnership", reference should be made to the relevant provincial law. Non-filing penalties can be quite onerous.

### This'n That at Logan Katz

#### LK in the Community

Logan Katz is very active in our continued goal to raise food for the under-privileged people of our community. Visit our office to drop off a token of non-perishable food item, or to see the beautiful mountain of food that graces our reception area, that is eager to make its way to help feed a few households in our community.

#### Logan Katz Breakfast Seminars

Logan Katz and RBC Royal Bank greeted more than 100 guests on December 15th to hear RBC Royal Bank Assistant Chief Economist, Dawn Desjardins, provide an overview of the Economic Outlook for 2012.

On January 19, 2012 Logan Katz welcomes Jacques Emond and Sheri Farahani of Emond Harnden, LLP for the 2nd Year End Wrap Up: An Employer's Guide to the Year's Most Compelling Legislative and Employment Law Developments.

#### November On-Line Poll

The Logan Katz November on-line poll asked how much your household intends to spend over the holidays. Our results revealed that 12.1% will not be spending at all, 27.3% will spend up to \$500, 39.4% will spend between \$500 and \$2,000, 18.2% will spend between \$2,000 and \$5,000 and 3.0% will spend in excess of \$5,000. Visit our website to participate in our monthly polls.