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## Exemptions for Transfers in the Course of Subdivisions

### *Property Transfer Tax Act*

Latest Revision: The revision bar ( | ) identifies changes to the previous version of this bulletin dated February 2011. For a summary of the changes, see *Latest Revision at the end of this document*.

This bulletin provides:

- Specific tax information to help you understand how property transfer tax (PTT) applies to certain transfers made in the course of subdivisions
- General information on how PTT applies to certain transfers made to facilitate an amendment to a strata plan under the *Strata Property Act*
- Information on how to claim the exemptions

For general property transfer tax 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*.

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## Overview

The *Property Transfer Tax Act* (the Act) provides PTT exemptions for certain transfers made in the course of subdivisions, and certain transfers made to facilitate an

amendment to a strata plan under the *Strata Property Act* if certain requirements are met. The requirements are different for:

- Transfers made in the course of a subdivision of a single parcel of land
- Transfers made in the course of a subdivision of adjacent parcels of land
- Transfers made to facilitate an amendment to a strata plan under Division 1, Part 15 of the *Strata Property Act*

The requirements are outlined below. If you do not meet the requirements for exemption, you may still qualify for a partial exemption.

**Note:** Transfers made before the subdivision plan is filed at the land title office (i.e. pre-plan transfers) are not eligible for exemption. PTT is payable on the fair market value (FMV) of the interest transferred as at the date of registration of the transfer.

If you are considering subdividing property, the ministry recommends that you request an advance tax ruling. The advance tax ruling advises whether any of the parties involved in a subdivision qualify for a PTT exemption, based on the information given in the ruling request. If a full exemption is not available, the advance tax ruling does not advise as to the amount of PTT payable or the FMV to use in calculating the PTT payable. For more information on advance tax rulings, see [Bulletin PTT 021](#), *Advance Tax Rulings*.

## **Subdivision of a Single Parcel**

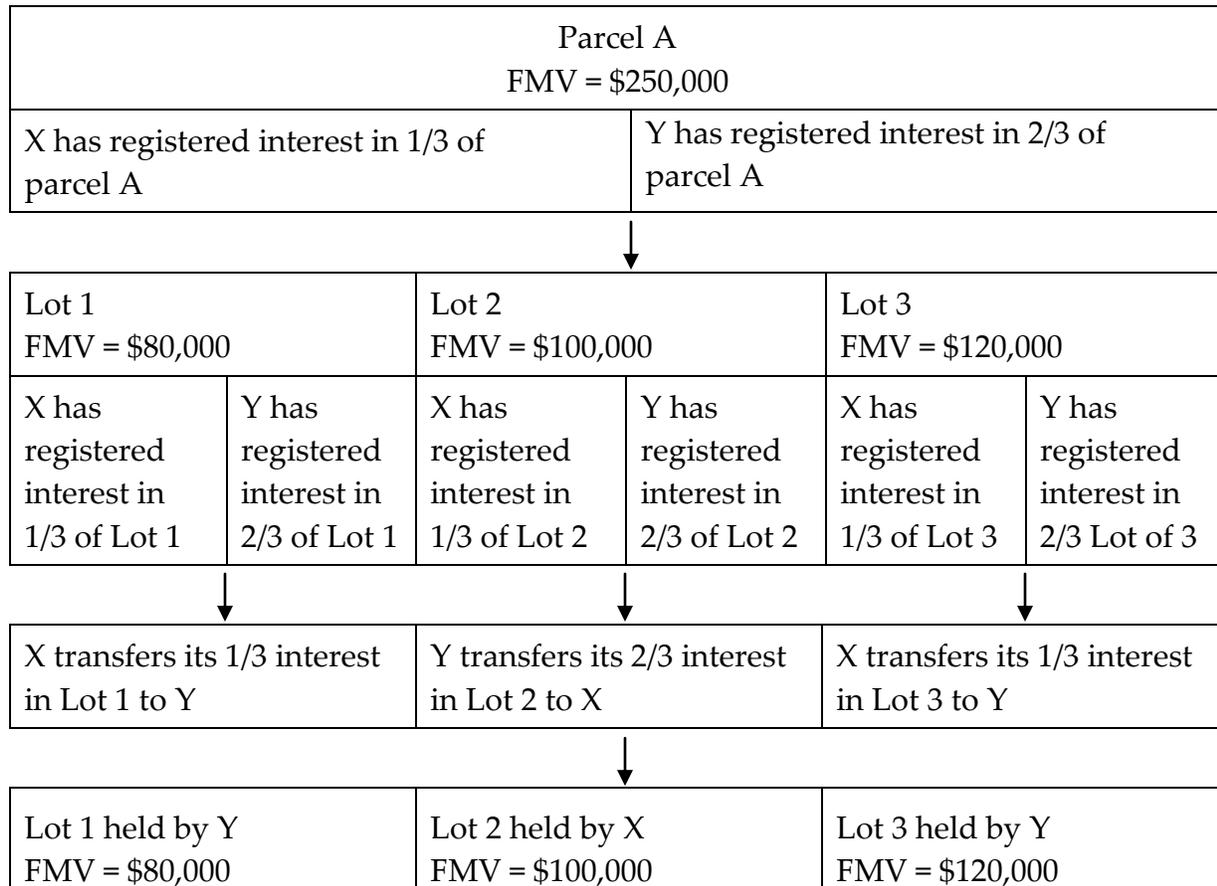
The Act provides for an exemption from PTT when a single parcel of land, registered to two or more owners, is subdivided into smaller parcels, if:

- the transferees of the new parcels are the registered owners of the original parcel, and
- the transferee's proportionate share of the FMV of the land after the subdivision (calculated immediately after the subdivision) is not greater than their proportionate share of the FMV of the original parcel (calculated immediately before the subdivision).

**To claim this exemption, select or enter code 34 on the [property transfer tax return](#).**

The following example illustrates how the exemption applies.

Example:

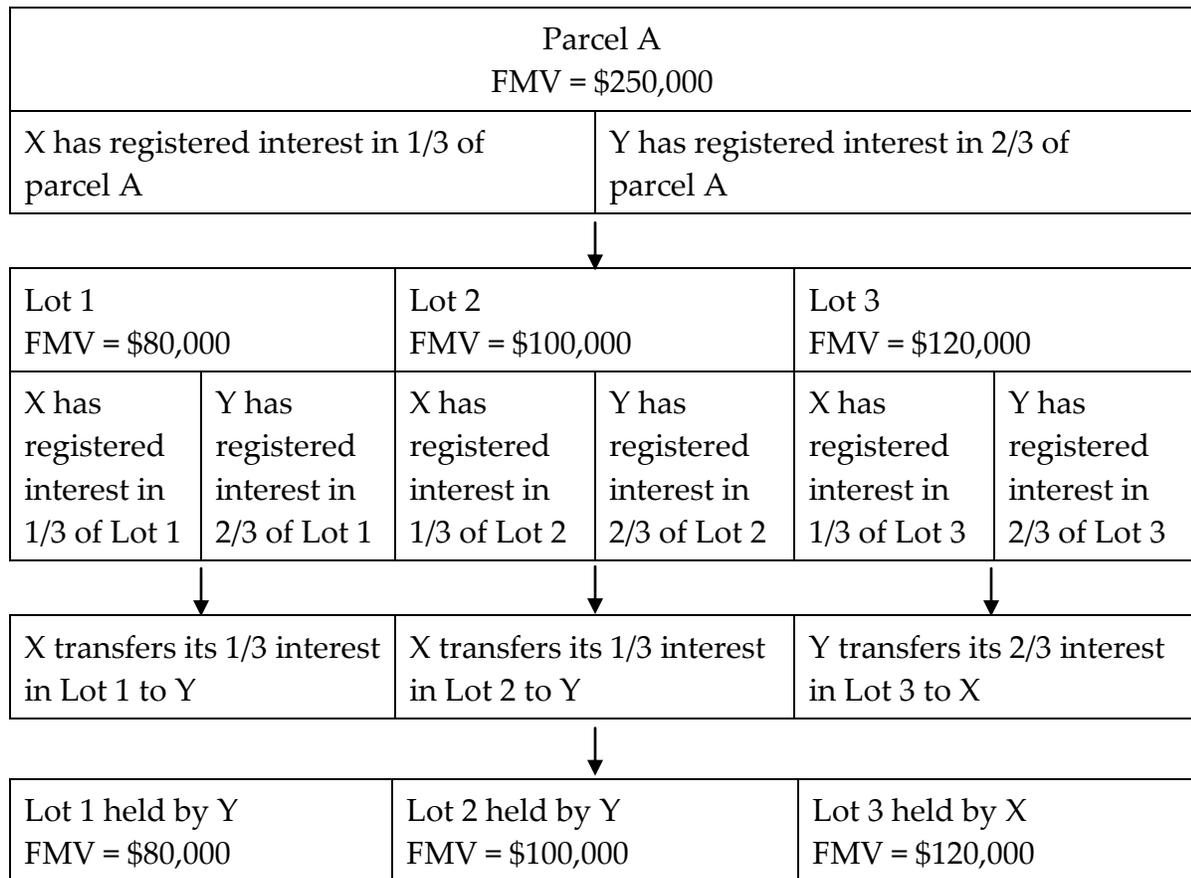


In this example, Y transferred its two-thirds interest in lot 2 to X (such that X is the sole registered owner of lot 2) and X transferred its one-third interest in lots 1 and 3 to Y (such that Y is the sole registered owner of lots 1 and 3). Lot 2 has a FMV of \$100,000 and the entire subdivided parcel has a total FMV of \$300,000. Therefore, X has retained the same proportionate share of the FMV as it had before the subdivision, and the exemption applies. As Lots 1 and 3 have a combined FMV of \$200,000, Y has also retained the same proportionate share of the FMV as it had before the subdivision, and the exemption applies.

### Partial Exemption

If you receive a greater proportionate share of the FMV of the subdivided land than you had before the subdivision, PTT is payable only on the net increase in your proportionate share of the FMV. Section 3(3.2) of the Act provides the formula to determine the FMV of the increase in your proportionate share for the purpose of calculating the PTT payable (see example below).

Example:



**Tax payable for X**

X originally held 33.3% of the FMV calculated immediately before the subdivision, and now holds 40% of the FMV of the new parcels, calculated immediately after the subdivision (\$120,000 / \$300,000). PTT is payable on the net increase of X's share of the FMV, and is determined by using the following formula.

$$\text{FMV} = \left( \begin{array}{l} \text{proportionate} \\ \text{share of FMV of} \\ \text{new parcels,} \\ \text{calculated} \\ \text{immediately} \\ \text{after subdivision} \end{array} - \begin{array}{l} \text{proportionate share of} \\ \text{FMV of original parcel,} \\ \text{calculated immediately} \\ \text{before subdivision)} \right) \times \begin{array}{l} \text{FMV of new} \\ \text{parcels, calculated} \\ \text{at time of transfer} \\ \text{to X} \end{array}$$

$$\text{FMV} = (40\% - 33.3\%) \times \$300,000 = \$20,100$$

$$\text{PTT payable} = \$201$$

### Tax payable for Y

Y's proportionate share of the FMV decreased from 66.7% to 60%; therefore, the exemption applies and Y does not pay PTT on the transfer.

## Subdivision of Two or More Adjacent Parcels

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The Act provides for an exemption from PTT, if certain requirements are met, when:

- different registered owners transfer adjacent parcels of land to a trustee for the purposes of the subdivision, and
- the trustee transfers the new parcels created by the subdivision back to the original owners.

The transfer of the original parcels to the trustee is exempt from PTT if:

- the trustee is registered as a trustee under the *Land Title Act*,
- the transfer is to facilitate the subdivision of the original parcels, and
- the trustee transfers all of the new parcels created by the subdivision back to the original owners, or to any one or more of them.

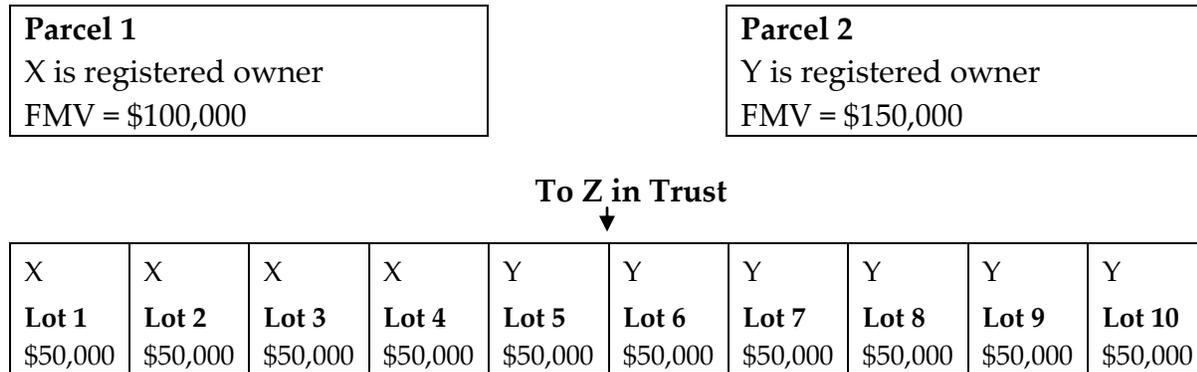
**To claim this exemption, select or enter code 10 on the [property transfer tax return](#).**

The transfer of the new parcels created by the subdivision from the trustee to the original owners is exempt from PTT if:

- the trustee is registered as a trustee under the *Land Title Act*,
- the transfer is from the trustee to any one, or more, of the original owners, and
- the transferee's proportionate share of the FMV of the land after the subdivision (calculated immediately after the subdivision) is not greater than their proportionate share of the FMV of the original parcels (calculated immediately before the subdivision).

**To claim this exemption, select or enter code 10 on the [property transfer tax return](#).**

Example:



### Transfer to the trustee

As original parcels 1 and 2 were transferred to Z, in trust, for the purpose of facilitating the subdivision, and Z transferred all of the new parcels created by the subdivision back to the original owners, the exemption applies and no PTT is payable by the trustee.

### Transfer of new lots to X and Y

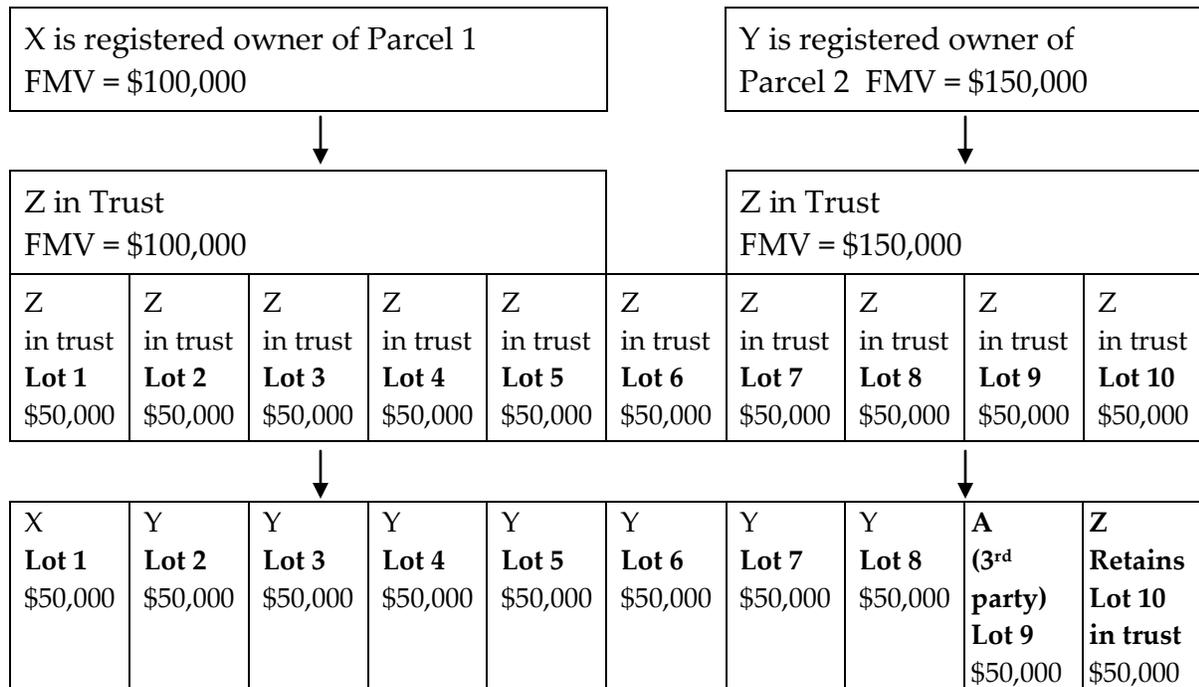
As X retained the same proportionate share of the FMV (40%) after the subdivision as it had before the subdivision, the exemption applies to the transfer of lots 1 to 4 to X, and no PTT is payable. As Y has also retained the same proportionate share of the FMV (60%) after the subdivision as it had before the subdivision, the exemption applies to the transfer of lots 5 to 10 to Y, and no PTT is payable.

### Partial Exemption

If the trustee retains a portion of the subdivided land in trust or transfers a portion of the land to someone other than an original owner (i.e. a third party), the exemption does not apply. In this case, PTT is payable by the trustee on the land that was not transferred back to the original owners. Section 3(3.3) of the Act provides the formula to determine the FMV of that land for the purposes of calculating the PTT payable (see example below).

If an original owner receives a greater proportionate share of the FMV of the subdivided land than they had before the subdivision, PTT is payable only on the net increase in their proportionate share of the FMV. Section 3(3.4) of the Act provides the formula to determine the FMV of the increase in the original owner's proportionate share for the purpose of calculating the PTT payable (see example below).

Example:



**Tax payable by the trustee**

PTT is payable on the parcel that is retained by the trustee and the parcel that is transferred to A, the third party. PTT is payable on the FMV as determined by the following formula.

$$\begin{aligned}
 \text{FMV} = & \text{(proportionate share of FMV of parcels transferred to A (the third party), calculated immediately after subdivision } \\
 & + \text{ proportionate share of FMV of parcels retained by trustee, calculated immediately after subdivision) } \\
 & \times \text{ FMV of all original parcels, calculated immediately before subdivision} \\
 & \$50,000/\$500,000
 \end{aligned}$$

$$\text{FMV} = (10\% + 10\%) \times \$250,000 = \$50,000$$

$$\text{PTT payable} = \$500$$

**Tax payable by X**

X originally held 40% of the FMV calculated immediately before the subdivision (100,000/\$250,000) and now holds 10% of the FMV of the new

parcels, calculated immediately after the subdivision (\$50,000/\$500,000). Therefore, the exemption applies and no PTT is payable by X.

### **Tax payable by Y**

Y originally held 60% of the FMV calculated immediately before the subdivision (\$150,000/\$250,000), and now holds 70% of the FMV of the new parcels, calculated immediately after the subdivision (\$350,000 / \$500,000). PTT is payable on the net increase of Y's share of the FMV, and is determined using the following formula.

$$\text{FMV} = \left( \begin{array}{l} \text{proportionate} \\ \text{share of FMV of} \\ \text{parcels received} \\ \text{by Y, calculated} \\ \text{immediately after} \\ \text{subdivision} \end{array} - \begin{array}{l} \text{proportionate share} \\ \text{of FMV of parcels} \\ \text{originally owned,} \\ \text{calculated} \\ \text{immediately before} \\ \text{subdivision)} \end{array} \right) \times \begin{array}{l} \text{FMV of all parcels} \\ \text{created by the} \\ \text{subdivision, calculated} \\ \text{at the time of transfer} \\ \text{to Y} \end{array}$$

$$\text{FMV} = (70\% - 60\%) \times \$500,000 = \$50,000$$

$$\text{PTT payable} = \$500$$

### **Tax payable by A (third party)**

A is not an original owner; therefore, the exemption does not apply. PTT is payable on the full FMV of the parcel transferred to A.

## **Amendments to Strata Plans**

The Act provides for an exemption from PTT for certain transfers that facilitate the amendment of a strata plan. The transfer is exempt if:

- The amendment of the strata plan is executed
  - under the provisions of Division 1 Part 15 of the *Strata Property Act*, or
  - under the provisions of Division 1 Part 15 in combination with either, or both, of section 80 or section 253 of the *Strata Property Act*
- The transferee's proportionate share of the FMV of all the parcels involved in the amendment (calculated immediately after the amendment) is not greater than their proportionate share of the FMV of all the parcels involved in the amendment (calculated immediately before the amendment)

**To claim this exemption, select or enter code 47 on the [property transfer tax return](#).**

If an original owner receives a greater proportionate share of the FMV than they had before the amendment, PTT is payable only on the net increase in their proportionate share of the FMV. Section 3(3.21) of the Act provides the formula to determine the FMV of the increase in the original owner's proportionate share for the purpose of calculating the PTT payable.

## **Need more info?**

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

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### **Latest Revision**

November 2017

- Removed references to the previous paper property transfer tax returns
  - Other minor revisions
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References: *Property Transfer Tax Act*, Sections 3(3.2), 3(3.21), 3(3.3), 3(3.4), 14(3)(j), 14(3)(p.3), 14(4)(k) and 14(4)(k.1)