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Exemptions for Transfers to and from a Family Farm Corporation

Property Transfer Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated May 2015. For a summary of the changes, see Latest Revision at the end of this document.

This bulletin explains the requirements for claiming an exemption from property transfer tax (PTT) when transferring a family farm to and from a family farm corporation.

For information on claiming an exemption from PTT when transferring a family farm, see [Bulletin PTT 008](#), *Exemptions for Transferring a Family Farm*.

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Definitions

Family Farm

A family farm is farm land that is used, owned and farmed by any one of the following:

- An individual
- A family member
- A family farm corporation

Note: This definition does not apply to farm land transferred through an estate or a trust under a will, or a living trust. For more information on these transfers, see Transfers Through Estates or Trusts Under Wills, and Transfers Through a Living Trust below.

The land must meet specific requirements under the [Assessment Act](#), and must be classified as farm land by [BC Assessment](#).

Family Farm Corporation

A family farm corporation is a corporation of which the principal activity is farming the farm land, and no shareholder is a corporation.

Family Member

A family member includes:

- Your child, grandchild, great-grandchild and their spouse
- Your parent, grandparent and great-grandparent
- Your brother, sister, cousin, niece, nephew, aunt, uncle and their spouse
- Your spouse as well as their child, parent, grandparent, great-grandparent, brother, sister, cousin, niece, nephew, aunt and uncle

Related Individual

A related individual includes:

- Your child, grandchild, great-grandchild and their spouse
- Your parent, grandparent and great-grandparent
- Your spouse and their child, parent, grandparent and great-grandparent

Note: Although the people on this list are also family members, only certain family members are related individuals. Child includes a stepchild and a stepchild is a related individual.

Spouse

A person can be your spouse by marriage, or by a common-law relationship by living together with you for at least two years in a marriage-like relationship.

Transfers

You can transfer family farms exempt of tax in the following ways:

- Directly to and from family farm corporations
- Through an estate or trust under a will
- Through a living trust

If a transfer is through a trustee, the trustee must be registered as a trustee on the title to the property.

You can transfer the farm exempt of tax only if you meet both of the following conditions:

- The farm and the family farm corporation meet the definition of a family farm and a family farm corporation
- The transfer involves eligible people and corporations

Eligible people must be Canadian citizens or permanent residents as defined in the *Immigration and Refugee Protection Act* (Canada).

Depending on the way the farm is transferred, additional conditions may need to be met as well.

Direct Transfers to a Family Farm Corporation

You can transfer a family farm exempt of tax directly to a family farm corporation if you meet one of these additional conditions:

- The individual transferring the family farm is the sole shareholder of the family farm corporation
- The individual transferring the family farm to the family farm corporation is a related individual, a sibling or spouse of a sibling to each of the shareholders

For example, Mary and her spouse own a family farm and transfer their farm to a family farm corporation where Mary, her spouse and their grandson are the shareholders. This transfer is exempt from the tax because the shareholders are all related individuals, siblings or a spouse of a sibling to Mary and her spouse.

However, if Mary's nephew is also a shareholder, the transfer is no longer exempt because the nephew is not a related individual, sibling or spouse of a sibling to Mary and her spouse.

Direct Transfers from a Family Farm Corporation

You can transfer a family farm exempt of tax from a family farm corporation if you meet one of these additional conditions:

- The individual taking title to the family farm is the sole shareholder of the family farm corporation
- The individual taking title to the family farm is a related individual, a sibling, a sibling of a spouse or spouse of a sibling of each of the shareholders of the family farm corporation

A's interest in the property does not change as a result of the transfer. Therefore, the ministry determines whether C is exempt from paying tax based on the transfer of the net interest (50%) in the property passing from B to C. This means that C pays tax on 50% of the fair market value of the property, unless C qualifies for an exemption.

How Do I Claim the Exemption?

To claim the exemptions described in this bulletin, select or enter exemption code 18 on the [property transfer tax return](#).

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Email: pttenq@gov.bc.ca

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

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 14(1), 14(3)(c.1), 14(3)(f) and 14(3)(g).