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Honourable Carole James
Minister of Finance and Deputy Premier
PO BOX 9048 STN PROV GOVT
Victoria, BC V8W 9E2

Re: Property Transfer Tax and Bare Trusts

Dear Minister James,

There has been recent speculation in the media that the Province may decide to apply the Property Transfer Tax (PTT) to beneficial transfers. As noted in previous correspondence and most recently conveyed to your staff, we would like to reaffirm that our industry is supportive of applying taxes to beneficial transfers if they are being used to purchase a housing unit to circumvent paying the appropriate taxes. We support this loophole being closed.

However, it's also important to note that we would be strongly opposed if taxing beneficial transfers were expanded to include industrial, commercial or rental properties. If taxes are to be applied to the same business properties numerous times, this would result in serious consequences to business transactions and commercial real estate, as well as undermine future investment in B.C. Companies would be severely penalized for normal and legitimate business transactions, corporate reorganizations and tax planning transactions.

For our industry, there would be another further issue. Currently, developers invest in large properties so as to redevelop. A significant PTT charge at this early stage could discourage these transactions and the additional housing supply that comes with new developments as well as diminish the PTT that would be accrued to the government when housing units are sold.

If the Province is seriously considering a much broader approach to applying the PTT to beneficial transfers, we urge you to reconsider the far reaching unintended consequences that such changes may have. In particular, UDI is significantly concerned that:

- A reform to PTT could curtail legitimate transactions undertaken in the ordinary course of internal corporate reorganizations resulting in double or triple taxation in some cases. Furthermore, as inter-affiliate transfers are not market transactions there may not be a clear and fair value to assess the PTT.

- Any changes may impact the ability to structure legitimate business arrangements without increasing costs and hurting businesses. Bare Trusts are commonly used in the commercial real estate sector to hold legal title for and on behalf of multiple parties and in the context of commercial joint ventures.
- In the context of real estate development, it is common for development companies to use a specific company for land acquisitions and subsequently transfer the development lands to a single purpose entity in the normal course of tax planning and creditor proofing. To impose the PTT on internal transfers may result in redundant taxation, which will ultimately impact affordability for homebuyers.
- Many of the commercial, industrial, rental land transactions are large and would attract the higher PTT rate (3%). Unless the Province reduced the PTT charged for these transactions, the impact on these sectors would be significant and may impact investment in rental housing and job-generating spaces for new and expanding businesses in British Columbia.

We are also concerned that changes may occur without appropriate notice provided regarding these tax changes. Many businesses could face severe and unanticipated tax charges, which would likely necessitate holds on agreements. This would ultimately undermine B.C.'s reputation as a stable jurisdiction for investment.

This is a significant issue for our industry and the underlying business investment landscape for B.C. We would be pleased to meet with you and your staff at your earliest convenience if the Province is considering such measures to expand the taxation of beneficial transfers to include industrial, commercial or rental properties.

Thank you for your consideration of this important matter.

Yours sincerely,



Anne McMullin
President & CEO

C.C. The Hon. John Horgan, Premier of the Province of British Columbia
The Hon. Selina Robinson, Minister of Municipal Affairs and Housing
Lori Wanamaker, Deputy Minister, Finance
Jacquie Dawes, Deputy Minister, Ministry of Municipal Affairs and Housing
Don Wright, Deputy Minister to the Premier