

## Real Estate Closing Costs

**Property Purchase Tax** – The British Columbia Provincial Government imposes a property purchase tax, which must be paid before any property can be legally transferred to a new owner. The tax is 1% on the first \$200,000 of the property value and 2% on any value over \$200,000. Ask us about the special regulations for first time buyers in B.C.

**Goods & Services Tax** – If you purchase a newly constructed home, you may be subject to a 6% GST on the purchase price. However, if the home is under \$350,000, and this is your principal residence, you can apply for a partial rebate. If the price is over \$350,000 the net GST to be paid increases gradually until it is a full 6% at amounts over \$450,000.

1. Purchase Price (net of GST) less than or equal to \$350,000 a 36% rebate applies (net effective GST of 3.84%)
2. Purchase Price (net of GST) is greater than \$350,000 but less than \$450,000 the full 36% rebate (results in net effective GST of 3.84%) is adjusted on a sliding scale.

**Property Tax** – If the current owners have already paid the full year's property taxes to the municipality, you will have to reimburse them for your share of the year's taxes. Property taxes are calculated from Jan – Dec and are paid at the end of June.

**Appraisal Fee** – When the lending institution requires an appraisal of the property before approving your loan, it may be your responsibility to pay the appraiser's fee.

**Survey Fee** – The lending institution may also require that a survey certificate be presented to them. The purpose of the survey is to formally establish the boundaries of the property and to ensure that all buildings are within those boundaries. If the current owner cannot provide a recent survey certificate, it will be your responsibility to pay the surveyor's fee.

**Mortgage Application Fee** – Lending institutions may charge a mortgage application fee. This application fee may vary between lending institutions.

**Mortgage Default Insurance** – This type of insurance is required on all mortgage loans in excess of 75% of the appraised property value. Its purpose is to insure that the **lender** will not lose any money if you cannot make your mortgage payments and the value of your property is not sufficient to repay your mortgage debt. The insurance premium is paid to the lender and ranges from ½% to 3.75% of the loan value; however, in most cases this premium is added to the loan amount, and paid for over the term of the loan.

**Life & Disability Mortgage Insurance** – At your option, you may purchase insurance that will ensure that your outstanding mortgage balance is paid if you die or become disabled.

**Fire & Liability Insurance** – The mortgage lender will insist that you purchase an insurance policy which guarantees that, in the event of fire, the lender will receive the balance owing on the mortgage loan before you receive any insurance proceeds.

**Legal Fees** – The transfer of property ownership from the seller to the buyer must be recorded in the Land Title Office in order to protect the new owner's interests. You will probably want to engage a lawyer or notary public to act on your behalf during the completion of your purchase. The legal fees for this service will include payment of a registration fee. If you are financing your purchase with a new mortgage loan, there will be a further fee to prepare and register the mortgage documents.

