

Toronto Land Taxes: Should you buy in Mississauga?



By Brian Madigan

As you have probably heard Toronto has imposed some new Land Transfer Taxes. Basically, they will be almost equal to the amount charged by the Province.

So, in effect it will cost almost twice as much by way of transfer taxes in Toronto as anywhere else in the Province.

Who pays? The quick legal answer is that the tax is payable upon registration of a conveyance by a purchaser. The amount escalates with the value of the transaction.

But, the question remains: will this bring a halt to Toronto's active resale housing market? Should purchasers suddenly flee to Mississauga?

Let's take a real life example. Assume two house purchases, each for \$600,000, one in the City of Toronto and the other in the City of Mississauga.

The Provincial land transfer tax on each home is \$8,475.00. Toronto charges an additional \$7,725.00 for a total of \$16,200.00. That difference applies right at the time of acquisition of the property.

However, we really have to go one step further. You have to recall that Mississauga's annual realty taxes are about 30% higher than Toronto's taxes.

To check this out, I found seven listings in Toronto's downtown. They paid average municipal taxes of \$3,494.00. I found 15 Mississauga listings and they pay an average of \$4,488.00, or \$994.00 more annually. So, it would take 7.77 years to use up the additional \$7,725.00 in saved land transfer taxes if you bought in Mississauga. After that, the Toronto property is less expensive.

The **rationalization** might be something along the following lines:

- 1) You have to pay more to buy into the Toronto area.
- 2) You are getting more services than the outlying areas including a subway system and the TTC. So, you have to pay for that upfront.

3) Once you are in, your actual property taxes will almost be \$1,000/year less than Mississauga's taxes.

4) In fact, by year eight, you will have saved money by purchasing in Toronto.

5) And, the historical real estate records will demonstrate that your property will be worth more than a similar one in Mississauga.

That's not really a great reason to bring the Toronto market to a halt.

*Brian Madigan LL.B., Realtor is an author and commentator on real estate matters, Coldwell Banker Innovators Realty
905-796-8888
www.OntarioRealEstateSource.com*