

## Here is a list of the expenses typically incurred by a buyer of residential property.

- 1. Legal Fees:** Lawyers' fees vary. It is an issue for each buyer to raise at the time he/she engages the lawyer to close the deal.
- 2. Land Transfer Tax:** This is a sales tax charged by the provincial government. The formula used to assess the tax is as follows:
  - 0.5% of the first \$55,000.00 of the purchase price,
  - 1.0% of the next \$195,000.00 of the purchase price,
  - 1.5% of the next \$150,000.00 of the purchase price, and
  - 2.0% of the balance of the purchase price (for residential properties).
- 3. Sales Tax on Chattels:** Buyers are required to pay the provincial sales tax of 8% on the value of any chattels (fridge, stove, etc.) included in the purchase price.
- 4. Property Inspection Report:** Before you buy a property, it is wise to have it inspected by a qualified professional property inspector. The inspector will provide you with a written report. Such inspections cost \$250.00 or more, depending upon the inspector and the size of the property.
- 5. Mortgage Financing Fees:** Many mortgage companies charge appraisal and processing fees. These fees can be several hundred dollars. If you are borrowing more than 75% of the property's value ("high ratio financing"), there will be mortgage insurance premiums added to the face amount of the mortgage. 8% P.S.T. applies to the premium and must be paid on closing.
- 6. Discharge Penalties:** If the buyer is discharging a mortgage on the property he/she is selling, there may be early discharge penalties amounting to three months interest on the mortgage to be discharged. Other penalties may be imposed depending upon the terms of the contract. The mortgage company may be prepared to waive all or part of the early discharge penalty if the buyer agrees to mortgage the new property with the same mortgage company.
- 7. Survey:** You may want a new survey, or your mortgage company may require one in order to advance the mortgage funds. Surveys start at about \$900.00. The price goes up depending upon the size and configuration of the property.
- 8. Title Insurance:** Most mortgage lenders are prepared to accept title insurance instead of a survey. A Title Insurance policy costs about \$250.00 - \$300.00 for most residential properties. The fee will vary to some extent with the value of the property.
- 9. Disbursements:** When your lawyer closes the purchase, he/she will have to pay a variety of expenses for you. He/she will add these costs to the bill he/she sends you. Such disbursement costs include fees for registering the deed and mortgage, building and tax certificates, hydro and water status reports, etc. On a standard residential purchase, these costs will run between \$300.00 and \$500.00.



10. **Adjustments:** The annual real estate taxes will be apportioned to the seller and the buyer as of the date of closing. If the seller has prepaid the taxes for the year, the buyer will be required to reimburse a pro rata portion to the seller. If the property is heated by oil, the buyer will be required to reimburse the seller for the value of the oil remaining in the storage tank on closing. The buyer's lawyer arranges for these adjustments with the seller's lawyer as part of the closing process.
11. **Moving Costs:** Moving costs vary depending upon the distance moved and the weight and volume of possessions moved. It is wise to get an estimate from more than one mover. It is also wise to book your mover well in advance of closing.
12. **Insurance Policies:** You may wish to consider a closing insurance policy (about \$40.00) and/or a home warranty policy (\$230.00-\$350.00). As well, you will need property insurance and occupier's liability insurance. Contact an insurer well in advance of closing in order to ascertain the costs, and to have the policies in place at closing.
13. **Condominium Purchase:** There are some special costs involved with a condominium purchase. For example, you will want a Status Certificate, which includes all important documents concerning the financial affairs of the condominium corporation, as well as the by-laws and the rules that owners are required to abide by. The Status Certificate costs \$100.00, plus photocopying. Also, a condominium owner pays a monthly maintenance fee to the condominium corporation. This fee will be apportioned between the seller and the buyer as of the date of closing.
14. **Rental Property Purchase:** If you are buying a tenanted property, any prepaid rents will be accounted for as part of the closing process. If the seller has collected the last month's rent, which is standard, you will be credited with that sum on closing.
15. **Rural/Recreational Properties:** There are a number of issues that must be canvassed by buyers of rural/recreational properties. They include water quality and quantity, the condition of the septic system, road access, and availability and cost of municipal services (e.g. garbage collection, schools, busing, road maintenance). All such issues need to be investigated fully at the time of purchase. Some of these investigations will cost money. For example, you may be required to pay a fee for the water quality and quantity tests. Also, if you wish to have a professional assessment of the condition of the septic system, there will be a fee. You will want to consider all of these issues at the time you are considering the purchase.
16. **New Home Purchases:** The biggest extra cost that attaches to new home purchases is GST. GST is a 6% sales tax imposed by the federal government on new homes, as well as most other goods and services. It is not applied to purchases of resale ("used") homes. Many builders include the GST in the purchase price. Make sure that the issue of who pays the GST is resolved in the Agreement of Purchase & Sale. Read your contract carefully. There may be additional costs for a wide variety of items, including paving of the driveway, landscaping, etc. On some new home purchases, the bill for these "extras" can be thousands of dollars.
17. **Commission:** In some cases, it is in the buyer's best interests to pay the real estate broker's commission directly, instead of having the seller pay it. By taking the commission out of the purchase price, thereby lowering the purchase price, both the land transfer tax and the commission (if it is a percentage of the purchase price) are lower, saving the buyer money.