

## Exemptions for Transfers to and from a Family Farm Corporation

### *Property Transfer Tax Act*

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

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

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## Definitions

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### 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, or
- a family farm corporation.

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**

Family members are any of the people on the following list:

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

## **Related Individual**

Related individuals are only the people on the following list:

- your child, grandchild, great-grandchild and their spouse,
- your parent, grandparent and great-grandparent, and
- your spouse and their child, parent, grandparent and great-grandparent.

**Please note:** Although the people on this list are also family members, only certain family members are related individuals.

## **Spouse**

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

## **Transfers**

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You can transfer family farms to and from family farm corporations exempt of tax in the following ways:

- directly to an eligible corporation,
- through an estate or trust under a will, or
- 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 both the following conditions are met:

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

Eligible people must be Canadian citizens or permanent residents as defined by 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 either of these additional conditions are met:

- the individual transferring the family farm is the sole shareholder of the family farm corporation, or
- the individual transferring the family farm to the family farm corporation is a related individual or, effective February 18, 2004, 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 one of these additional conditions are met:

- the individual taking title to the family farm is the sole shareholder of the family farm corporation, or
- the individual taking title to the family farm is a related individual or, effective February 18, 2004, a sibling, sibling of a spouse or spouse of a sibling of each of the shareholders of the family farm corporation.

### **Transfers Through Estates or Trusts under Wills**

These types of transfers occur after the person who owns the family farm dies.

The executor of your estate, or a trustee of a registered trust established under your will, can transfer the title of a family farm exempt of tax to a family farm corporation if both these additional conditions are met:

- the land being transferred was your family farm immediately before your death, and



A sample return and an instruction guide to help you complete the return are available on our website.

Lawyers and notaries can electronically file transfers with the land title office.

## **Need more info?**

Property transfer tax website: [www.sbr.gov.bc.ca/individuals/Property\\_Taxes/Property\\_Transfer\\_Tax/ptt.htm](http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Property_Transfer_Tax/ptt.htm)

Telephone (Vancouver): 604 660-2421

Telephone (Victoria): 250 387-0604

Toll free in Canada: 1 800 663-7867

E-mail: [PTTENQ@gov.bc.ca](mailto:PTTENQ@gov.bc.ca)

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Property Transfer Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/individuals/Property\\_Taxes/Property\\_Transfer\\_Tax/legislation.htm](http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Property_Transfer_Tax/legislation.htm)

References: *Property Transfer Tax Act*, Sections 14(1), 14(3)(c.1), 14(3)(f) and 14(3)(g).