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Exemptions for Transfers to and from a Family Farm Corporation

Property Transfer Tax Act

Latest Revision: The revision bar (|) identifies changes to the previous version of this bulletin dated May 2015. For a summary of the changes, see Latest Revision at the end of this document.

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

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

Table of Contents

Definitions.....	1
Transfers	2
How Do I Claim the Exemption?	5

Definitions

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
- A family farm corporation

Note: This definition does not apply to farm land transferred through an estate or a trust under a will, or a living trust. For more information on these transfers, see Transfers Through Estates or Trusts Under Wills, and Transfers Through a Living Trust below.

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

A family member includes:

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

Related Individual

A related individual includes:

- Your child, grandchild, great-grandchild and their spouse
- Your parent, grandparent and great-grandparent
- Your spouse and their child, parent, grandparent and great-grandparent

Note: Although the people on this list are also family members, only certain family members are related individuals. Child includes a stepchild and a stepchild is a related individual.

Spouse

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

Transfers

You can transfer family farms exempt of tax in the following ways:

- Directly to and from family farm corporations
- Through an estate or trust under a will
- 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 you meet both of the following conditions:

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

Eligible people must be Canadian citizens or permanent residents as defined in 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 you meet one of these additional conditions:

- The individual transferring the family farm is the sole shareholder of the family farm corporation
- The individual transferring the family farm to the family farm corporation is a related individual, 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 you meet one of these additional conditions:

- The individual taking title to the family farm is the sole shareholder of the family farm corporation
- The individual taking title to the family farm is a related individual, a sibling, a 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 the estate, or a trustee of a registered trust established under the will, can transfer the title of a family farm exempt of tax to a family farm corporation if you meet both of these additional conditions:

- The farm land being transferred was the deceased's family farm and immediately before death, the land was owned by the deceased and was used and farmed by the deceased, a family member of the deceased or a family farm corporation that, at the time of death, was comprised of shareholders each of whom was a related individual of the deceased, a sibling of the deceased, or a spouse of a sibling of the deceased
- The family farm is transferred to a family farm corporation the shareholders of which, at the time of death, were a related individual of the deceased, a sibling of the deceased, or a spouse of a sibling of the deceased

Transfers Through a Living Trust

These types of transfers occur when the settlor of the trust is still alive.

A settlor is an individual who gives land, or the assets used to acquire the land, to the trust estate.

If you are a settlor, a trustee of the registered trust can transfer the family farm to a family farm corporation exempt of tax during your lifetime if you meet all of these additional conditions:

- The farm land is your family farm and was used, owned and farmed by you before setting up the trust
- Every other shareholder, if any, of the family farm corporation is a related individual to you, is your sibling or a spouse of your sibling

Transfers of Partial Interests (Net Interest Passing)

If registered title to a property is held in joint tenancy, and one of the owners transfers their interest to the other or to a third party, the ministry determines eligibility for exemption from tax based only on the partial interest being transferred (i.e. the net interest passing).

For example, A and B own a property as joint tenants and wish to transfer B's interest to C, so that A and C will own the property as joint tenants.

A & B to A & C
(joint tenants) (joint tenants)

A's interest in the property does not change as a result of the transfer. Therefore, the ministry determines whether C is exempt from paying tax based on the transfer of the net interest (50%) in the property passing from B to C. This means that C pays tax on 50% of the fair market value of the property, unless C qualifies for an exemption.

How Do I Claim the Exemption?

To claim the exemptions described in this bulletin, select or enter exemption code 18 on the [property transfer tax return](#).

Need more info?

Online: gov.bc.ca/propertytransfertax

Email: pttenq@gov.bc.ca

Telephone: 250 387-0555 (Victoria)

Toll-free: 1 888 355-2700

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation.

Latest Revision

November 2017

- Removed references to the previous paper property transfer tax returns
 - Other minor revisions
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References: *Property Transfer Tax Act*, Sections 14(1), 14(3)(c.1), 14(3)(f) and 14(3)(g).