

PROS AND CONS TO SELLING BEFORE REGISTRATION – ASSIGNMENT:

1. The 'first buyer' will save the Land Transfer Tax with a transfer of their 'interest'.
2. The 'first buyer' will usually have to pay either an admin or transfer fee to the developer for the right to transfer their 'interest'.
3. GST. If the 'first buyer' declared that the property was a personal use property, then the GST rebate has already been assigned to the developer. If the 'second buyer' is not buying the property for personal use then the developer will lose the GST rebate and will then add the GST to the sale price to the 'first buyer'.
4. The 'first buyer' will be liable for Capital Gains Tax.
5. The 'second buyer' requires a larger down payment on closing (to cover the deposits by the 'first buyer' plus the difference in price between the first sale and the second). There is no mortgage financing at this stage because there is no property to register against. The end result for the 'first buyer' is a smaller pool of buyers for their property. Alternatively, the 'first buyer' takes back a promissory note with a direction for repayment from the proceeds on the closing.
6. If the Assignment is done on the day of registration, the second Buyer can finance their purchase through a mortgage.

PROS AND CONS OF SELLING AT OR AFTER REGISTRATION- REGULAR SALE:

1. The 'first buyer' will pay the Land Transfer Tax.
2. The Offer to Purchase is easier to understand.

3. There will be carrying costs during the occupancy period and/or after. These costs can be minimized if one allows the 'second buyer' to occupy and pay a rent to the 'first buyer' during part of the occupancy period. Or the 'first buyer' can rent the unit in the occupancy period and after registration to a tenant, and then sell later.

4. If you never allow a tenant or the 'second buyer' to occupy the unit, you may be able to declare the property as a 'principle use' property and hence avoid Capital Gains Tax.

5. GST may or may not be applicable, depending on point (4) above and point (3) under 'BEFORE REGISTRATION'.

6. The 'second buyer' can arrange mortgage financing for the purchase and the property can then appeal to high ratio buyers i.e. a larger pool