

New tax measures for Montréal in 2010

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Montrealers recently learned when the city of Montréal adopted its budget that the city had new tax measures in store for them in 2010.

For the first time, the city is taking advantage this year of certain tools made available to it by the provincial government with the adoption of *An Act to amend various legislative provisions concerning Montréal*. The purpose of the Act, passed in 2008, was to give the city additional ways to increase its revenues.

Exercising its recently acquired powers, the city of Montreal has introduced two new measures to apply starting in 2010: a surcharge on transfer duties payable on the transfer of immovables (real estate properties), and an additional property tax on parking lots.

Increase in transfer duties

Effective January 29, 2010, a surcharge is being added in the calculation of transfer duties. Any amount over \$500,000 will be subject to a special rate of 2.0% (the previous maximum rate was 1.5%).

The new measure is the result of an amendment to the provincial *Act respecting duties on transfers of immovables*, which was, however, specific to the city of Montréal.

The following table, based on the assumption that an immovable is transferred for a **consideration of \$1,000,000**, shows how transfer duties must now be calculated:

PRE-AMENDMENT			POST-AMENDMENT		
Amount of Consideration	Rate	Duties	Amount of Consideration	Rate	Duties
- Portion not over \$50,000	0.5%	\$250	- Portion not over \$50,000	0.5%	\$250
- Portion over \$50,000, but not over \$250,000	1.0%	\$2,000	- Portion over \$50,000, but not over \$250,000	1.0%	\$2,000
- Portion over \$250,000	1.5%	\$11,250	- Portion over \$250,000, but not over \$500,000	1.5%	\$3,750
			- Portion over \$500,000	2.0%	\$10,000
TOTAL		\$13,500	TOTAL		\$16,000

Clearly, the higher the consideration, the greater the impact of the new surcharge. Accordingly, in the case of a transaction for a consideration of \$5,000,000, the increase in transfer duties will be \$22,500, while the increase will be \$122,500 in the case of a transaction for a consideration of \$25,000,000. In short, the increase represents about \$5,000 for each additional \$1,000,000 of consideration.

In this context, it will be even more appropriate than in the past for real estate owners, whenever feasible, to maximize the use of holding entity structures for their immovables, so as to benefit as much as possible from the various transfer duty exemptions that the law provides.

New tax on parking lots

Effective January 1st, 2010, a new property tax will apply specifically to parking lots in Montréal. According to information released by the city when it presented its budget, the tax is expected to generate some \$20M in 2010, all of which is earmarked to finance public transit.

The new tax targets indoor and outdoor parking lots located in two sectors described in *By-law 10-008 concerning property taxes on parking lots (Fiscal 2010)*: Sector A, which corresponds to the Montréal business district, and Sector B, which corresponds to downtown Montréal, excluding Sector A. Attached is a map showing the location of the two sectors and providing a description of each.

The tax is calculated at a specified rate per square meter of gross parking area. “Gross parking area” means the surface area of a parking lot extending to the internal boundary of the exterior walls of the lot, thus including the area covered by all components such as pillars, projections, access roads, driveways or ramps allowing vehicles to move between levels, elements separating parking spaces, booths and ticket offices, turning areas and landscaping.

The rate per unit is applied to the gross parking area determined in this manner, however, the first 390 square meters is deducted in the calculation if the parking lot is not located on a serviced vacant lot on which a parking business is operated.

The relevant rate per unit depends on whether the parking lot is indoor or outdoor and whether it is located in Sector A or Sector B, as set out in following table:

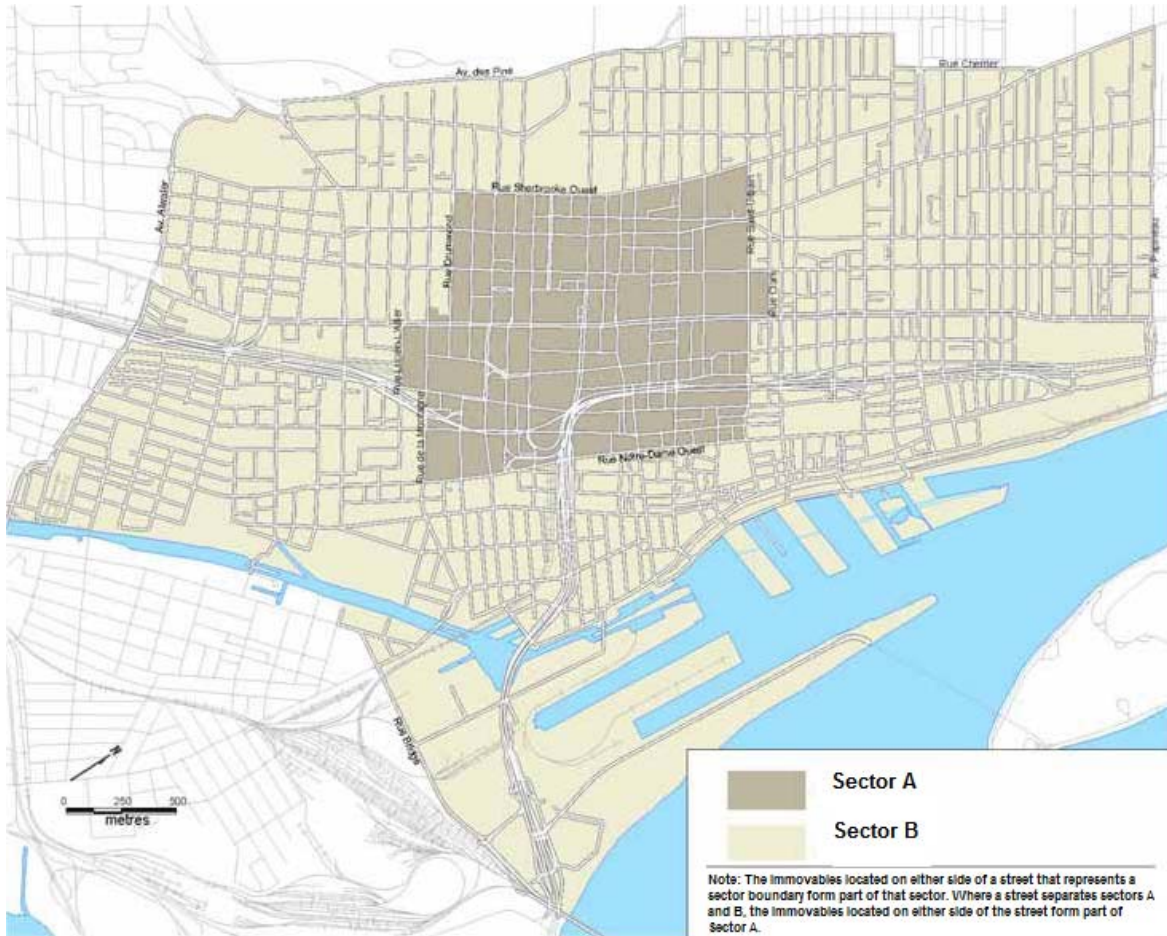
RATE		
	Indoor \$/m ²	Outdoor \$/m ²
Sector A	9.90	19.80
Sector B	4.95	14.85

The new tax is to be levied annually, in the same manner and on the same date as the general property tax, although some adjustments will be necessary for the first taxation year, until the municipal authorities collect the data necessary to implement the tax.

Finally, it is quite likely that owners of taxed lots will shift the incremental cost burden of the new tax to parking lot users. Preliminary estimates indicate that the new tax could lead to increased parking costs of one to two dollars a day.

Apart from issues relating directly to the new tax, a great deal of concern has been expressed that it will have a negative impact on the appeal that downtown Montréal has as a commercial and business destination. The UDI is in fact leading a movement to find an alternative to the tax. One option could be to diversify the city’s sources of income and to implement, for example, a gasoline tax, which the UDI argues would be more equitable in its application and more effective in relation to the intended goal, i.e. financing public transit.

Appendix – Map and descriptions



Sector A corresponds to the business district and is defined in Section 89 of the *Charter of Ville de Montréal* as comprising “the part of the territory of the city bounded by Saint-Urbain street, from Sherbrooke Ouest street to Sainte-Catherine Ouest street, by Sainte-Catherine Ouest street to Clark street, by Clark street to René-Lévesque Ouest boulevard, by René-Lévesque Ouest boulevard to Saint-Urbain street, by Saint-Urbain street to Place d’Armes hill, by Place d’Armes hill to Place d’Armes, from Place d’Armes to Notre-Dame Ouest street, by Notre-Dame Ouest street to De La Montagne street, by De la Montagne street to Saint-Antoine Ouest street, by Saint-Antoine Ouest street to Lucien-Lallier street, by Lucien-Lallier street to René-Lévesque Ouest boulevard, by René-Lévesque Ouest boulevard to De La Montagne street, by De La Montagne street to the land fronting the north side of René-Lévesque boulevard, from the land fronting the north side of René-Lévesque boulevard to Drummond street, from Drummond street to Sherbrooke Ouest street and from Sherbrooke Ouest street to Saint-Urbain street.”

Sector B, which is more inclusive, covers downtown Montréal and is bounded as follows in Section 8 of the *Compendium of tariffs of private transportation by taxi, decision MPTC08-00275, 080804*: “westward: Avenue Atwater to the Lachine Canal; the Lachine Canal to the foot of Rue de Condé; Rue de Condé to Rue St-Patrick; Rue St-Patrick eastward to Rue Bridge; Rue Bridge to the Victoria Bridge; eastward: Avenue Papineau; southward: the Saint Lawrence River; northward: Avenue des Pins; Rue St-Denis, from Avenue des Pins to Rue Cherrier; Rue Cherrier, from Rue St-Denis to Rue Sherbrooke; Rue Sherbrooke, from Rue Cherrier to Avenue Papineau. Houses and buildings on either side of bordering streets are part of downtown Montréal.”

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