
The G.S.T.



What you should know

- GST is not payable on used residential housing.
- New homes are subject to the 7% GST. New home buyers can apply for a 2.52% rebate of the 7% GST applicable to the purchase price to a maximum of \$8,750 for homes costing less than \$350,000 before GST.
- You do not qualify for a GST rebate if you purchase a home over \$450,000.
- If your new home is less than \$350,000 you qualify for a GST rebate of 36% of 7% of the purchase price of a home to a maximum of \$8,750.

i.e. Purchase price is \$325,000. In this scenario your rebate would be as follows:

$$\begin{aligned} \$325,000 \times 7\% &= \$22,750. \\ \$22,750 \times 36\% &= \mathbf{\$8,190.} \end{aligned}$$

If your purchase price is more than \$350,000 but less than the \$450,000 cap your rebate would be calculated on a sliding scale.

i.e. Purchase price is \$400,000. In this scenario your rebate would be as follows:

$$\frac{(\text{purchase price})}{\$100,000} \times \$8,750 = \mathbf{\$4,375}$$

[\$450,000 - \$400,000]

- Newly purchased or built residential rental properties may qualify for the new residential rental property rebate if the rental accommodation or land is intended for long-term use as a residence. The rebate will go to the person who paid the GST: the landlord for rental accommodation or to the lessor of the land for leased land.

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- GST is due and payable on completion day. Your lawyer will collect it from you to remit to Canada Revenue Agency.

GST New Housing Rebate Program

You may be eligible to claim a rebate for a part of the GST you pay on the purchase price or cost of building your home if:

- a) You buy a new or substantially renovated home (including the land or if you lease the land) from a builder;
- b) You buy a new mobile home (including a modular home) or a floating home from a builder or vendor;
- c) You buy a share of capital stock of a co-operative housing corporation;
- d) You construct or substantially renovate your own home, or carry out a major addition (or hire another person to do so); or
- e) Your home is destroyed in a fire and is subsequently rebuilt.

Sellers / Buyers – Who pays the GST?

Sellers of new homes use various ways to present the GST and the new housing rebate to prospective buyers. Generally, there are four different combinations that buyers may face.

- 1) Price includes the GST; rebate goes to the builder.
- 2) Price includes the GST; rebate goes to the buyer.
- 3) GST is added to the sale price; rebate goes to the buyer.
- 4) GST is added to the sale price; rebate goes to the builder.

It is also the Buyer who is entitled to the new housing GST rebate, which the Buyer can claim directly from Canada Revenue Agency or assign to the Seller who can then claim it.

It is the Buyer, however, who is ultimately going to pay the GST, whether it is included in the purchase price or added to the price.

If the rebate is transferred to the Seller, negotiations between the Seller and the Buyer should result in a saving to the Buyer of the equivalent amount in the purchase price.

In your “Contract of Purchase and Sale” it must be clearly indicated whether or not GST is included in the price or to be added on and who is being paid the rebate.

GST applies to most of the services provided in completing the real estate transaction. Real estate commissions, fees for appraisals, surveys and legal assistance are all taxable.

Are you eligible to claim a new housing rebate when you purchase from a builder?

If you purchase a qualifying home from a builder, the builder may pay the rebate directly to you or credit you the rebate (i.e., use it to reduce the purchase price of your home). In this case, the builder will ask you to complete the appropriate application which depends upon the type of the home, and sign the rebate application. If you contract with your builder to pay or credit you the rebate, you may not later decide to file the rebate application directly with Canada Revenue Agency, unless both you and the builder subsequently agree.

You can apply for the rebate if you meet all of the following conditions:



- you purchase a new or substantially renovated single unit residential complex or a residential condominium unit from a builder;
 - the builder sells both the building and land upon which the home is located (except mobile and floating homes, where there is no requirement for the builder to supply the land);
 - the home is intended as the primary place of residence for yourself or a relation;
 - the purchase price of the home before taxes (for both the building and land) is less than \$450,000;
 - ownership of the home is transferred to you after the construction or renovation is substantially completed;
- you or a relation are the first occupants, or you sell the home and transfer ownership before it is occupied; and
 - you pay GST on the selling price of the home or GST is included in the price of the home.

Purchase Price – the purchase price is the total amount payable for a new home, including, if applicable, the amount of the rebate transferred to the builder as part of the cost of acquiring the home. It does not include GST or provincial land transfer taxes.

Primary place of residence - Primary place of residence means a residential unit, owned jointly or otherwise, that is intended to be inhabited by an individual on a permanent basis. This may be located in or outside Canada. A person may have more than one place of residence, but is considered to only have one primary place of residence.

Owner-built homes and homes substantially renovated, including major additions built by the owner

This rebate is available if you build or substantially renovate your own home, or carry out a major addition (or hire someone else to do so). Your home must be built on land you own or lease.

You can apply for a rebate for GST paid on all costs related to the land and the construction or substantial renovation.

You can apply for the rebate if you meet all the following conditions:

- a) the home is a single unit residential complex or a residential condominium unit;
- b) the home is intended as the primary place of residence for yourself or a relation;
- c) the fair market value of your substantially completed home (including both the building and land) is less than \$450,000;
- d) you or a relation are the first occupants since construction or substantial renovation began, or you sell the home and transfer ownership before it is occupied; and
- e) you pay GST on the land and/or construction materials and services related to the construction or substantial renovation of, or major addition to, the home.

Substantial renovation - Substantial renovation means that all or substantially all (90% or more) of the interior of an existing house has been removed or replaced. Renovations to the foundation, external walls, interior supporting walls, floors, roof, staircases, and additions are not included in any calculation to determine whether 90% or more of the existing house has been removed or replaced. Where your house is virtually gutted, so that all wiring, plumbing, heating, doors, and windows are replaced, and 90% or more of the house is totally refurbished, it is considered that all or substantially all of the existing house has been substantially renovated.



Source of Material: Canada Revenue Agency