

## The HST – What you need to know – Residential Real Estate

The provincial and federal governments will combine the 7% provincial sales tax (PST) and the 5% federal Goods and Services Tax (GST) into a 12% Harmonized Sales Tax (HST) on July 1, 2010. Now is the time to start preparing for this change. As a rule of thumb, the GST rules that now apply to residential property will also apply under the HST.

Please remember as outlined below the HST only applies to new home not resale ones. It also applies to BC and ON. The

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### **New Housing Rebate**

You may be eligible for a provincial New Housing Rebate if you buy, as your primary residence:

- a new home together with land;
- a new home together with leased land;
- a new mobile home or float home;
- a new home purchased through shares in a housing cooperative; or
- a home constructed or substantially renovated (more than 90%) by the owner-builder.

Buyers of new homes will be eligible for a rebate of 71.43% of the provincial portion (7% of the HST's 12%) of the HST paid on the new home up to a maximum rebate of \$26,250.

Homes priced at more than \$525,000 will be eligible for a flat rebate of \$26,250.

| Home Price | *Federal GST new housing rebate(Now) | Provincial new housing rebate(July 1, 2010) | Total rebate |
|------------|--------------------------------------|---|--------------|
| \$350,000  | \$6,300                              | \$17,500                                    | \$23,800     |
| \$525,000  | \$0                                  | \$26,250                                    | \$26,250     |

\*The federal GST New Housing Rebate is 36% of the tax paid on the first \$350,000 of the home price. The GST rebate is phased out for homes priced between \$350,000 and \$450,000.

*Note: the provincial New Housing Rebate is limited to primary residences. Recreational property not used as a primary residence does not qualify.*

## **Leased land rebate**

If your client is a residential builder or developer, a rebate will also be available for leased land used for residential purposes up to a maximum of \$8,663 (33% of \$26,250). For multiple residential lots or sites in a residential trailer park, the maximum rebate of \$8,663 applies to each lot or site.

## **Presales**

### **Agreements signed before November 18, 2009**

- If you buy a presale residential property and they have an agreement dated on or before November 18, 2009 and if you take ownership or possession before July 1, 2010, You will not pay the HST and will not be eligible for a New Housing Rebate. You will pay the GST.
- If you buy a presale property and the agreement is dated on or before November 18, 2009 and you take ownership or possession after July 1, 2010, you will pay the HST and may be eligible for a New Housing Rebate.

### **Agreements signed after November 18, 2009**

- If you buy a presale property and the agreement is dated after November 18, 2009 and they take ownership or possession before July 1, 2010, you will not pay the HST and will not be eligible for a New Housing Rebate. You will pay the GST.
- If you buy a presale property and the agreement of purchase and sale is dated after November 18, 2009 and you take ownership or possession after July 1, 2010, you will pay the HST and may be eligible for a New Housing Rebate.

## **Vacant land**

Whether you pay the HST depends on who they buy the land from.

- If you buy a lot from an individual (not a developer) who has never used it for business purposes, you will be exempt from paying the HST.
- If you buy the lot from an individual who has subdivided it into more than two lots (three or more lots), or from a developer, you will pay the 5% GST if the possession date is before July 2010, even if the title transfers after July 1, 2010. If possession is transferred after July 1, 2010, you will pay the 12% HST. If you plan to build a home, if the majority (90%) is completed after July 1, 2010, you will pay the HST. You may be able to recover a portion of the HST through the New Housing Rebate. If you are selling personal use vacant land and the sale is now exempt from the GST, the sale will be exempt from the HST after June 30, 2010.

## **New Rental Housing Rebate**

There is an enhanced provincial New Rental Housing rebate. If your clients construct or substantially renovate a residential property to rent to tenants, your clients may be eligible for a rebate up to \$26,250 on units priced up to \$525,000. There is a flat rebate of \$26,250 for units priced above \$525,000.

To qualify, the home must be used as a rental unit or as a primary residence by the owner for at least one year.

Eligible units include:

- a detached, attached or condominium apartment, with or without a legal secondary suite;
- a mobile or float home;
- units in a multiple unit building including long-term care residential facilities; or
- the land component of a single-unit or multiple-unit building where the land is leased or is a housing cooperative.

Your clients will not be eligible for any housing rebate if they buy a new property which is not their principal residence and they don't rent it.

But, if your clients buy a new rental apartment building and rent all of the units, they will be eligible for a New Rental Housing Rebate for each unit up to a maximum rebate of \$26,250 per unit.

If your clients build or substantially renovate a rental property, they will be required to self-assess and pay the GST before July 2010 and the HST after June 2010.

### **Will residential landlords pay the HST?**

If your clients now pay the GST, they will pay the HST on maintenance, electricity, cable television and other services provided to tenants.

Your clients will not be able to claim input tax credits and will not be allowed to recover the HST from tenants because owning residential rental property is an exempt activity and landlords can't register for the GST/HST.

### **Parking spaces**

If you rent a parking space the HST will apply as of July 1, 2010.

### **Resale homes**

The HST applies to new homes. It does not apply to resale homes

### **Buying either a new or a resale home**

The 12% HST will be charged on a range of goods and services including:

- home renovations;
- energy efficient appliances, insulation, windows and doors;
- heating and electricity bills, telephone, cable;
- closing costs such as appraisals and inspections;
- moving costs; and
- REALTOR® fees or commissions.

### **The HST is not the PTT**

The Property Transfer Tax (PTT) is a separate provincial tax on all property transfers. The rate is 1% on the first \$200,000 and 2% on the remainder of the property price and charged on the price of the property before the GST/HST is applied. Eligible first-time home buyers may qualify for a PTT exemption.

### **IMPORTANT DATES**

**May 1, 2010** • – the HST will apply to amounts that are paid or payable on or after this date for goods or services provided on or after July 1, 2010.

**July 1, 2010** • – the HST rate will be 12% (5% federal + 7% provincial). The PST will be eliminated.

**July 1, 2010** • – the HST will not apply to a service where most (90% or more) is completed before July 2010.